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WORLD ECONOMY

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It provides the analysis of the formation and development of the global economy as a specific, organic and holistic system. Particular attention is paid to the typological and regional-integration structures of the world economy, and also to the countries' economic policy.

For students and academics.

ISBN

CONTENTS

PREFACE.. 6

Part 1. World economy: main features and structure............................. 7

1.1. World economy as the totality of national economies........................ **7**
1.2. World economy as the unified supranational space……………….. 8
1.3. Classification of countries in the world economy............................... 11
1.3.1. Variants of typological classification of countries of the world…………………………………………........... 11
1.3.2. Regional classification of countries of the world …............... 17
1.3.3. Regional and integration classification of countries of the world.. 18
1.4. Globalization of the world economy.. 20

Part 2. Typological structure of world economy……………………….. 33

2.1. Economy of developed countries... 33
2.1.1. Determining differences of developed countries.................. 34
2.1.2. Dynamics of economic development of developed countries……………………………………………….... 39
2.1.3. Features of economic structure of developed countries……. 42
2.1.4. The economy of the United States of America……………..... 45
2.1.5. The economy of Japan... 49
2.1.6. The economy of Germany.. 54
2.1.7. The economy of Great Britain... 59
2.1.8. The economy of France... 63
2.1.9. The economy of Italy... 69
2.2. The economy of developing countries.. 75
2.2.1. Developing countries in the world economy........................ 75
2.2.2. Factors of economic development of developing countries... 76
2.2.3. Main economic problems of developing countries............... 80
2.2.4. The economy of Brazil….…………………………………….. 82
2.2.5. The economy of India.. 84
2.2.6. Economy of the least developed countries…........................ 88
2.3. Countries with transition economies….. 90
2.3.1. Prerequisites of formation of the transition economy system 91
2.3.2. Economic reforms of transition period................................ 94
2.3.3. Development dynamics and structure of the economy......... 97
2.3.4. The economy of Russian Federation.................................... 100
2.3.5. The economy of the People's Republic of China................. 105

Part 3. Regional integration structure of the world economy…..…...... 111

3.1. Main features of international regional integration…..…………….. 111
3.2. Regional integration groupings in Europe... 115

3.2.1. The European Union – the EU…………………………….. 115
3.2.2. European Free Trade Association (EFTA)........................... 120
3.2.3. The Commonwealth of Independent States (CIS)…………. 121
3.2.4. The Organization of the Black Sea Economic Cooperation (BSEC).. 124
3.2.5. The Organization for Democracy and Economic Development (GUAM)…………………………………….. 125
3.3. Regional integration groupings in Asia, North and South America and Africa…………………………………………………… 125
3.3.1. Asia-Pacific Economic Cooperation (APEC)....................... 125
3.3.2. Association of Southeast Asian Nations (ASEAN)………. 126
3.3.3. «Colombo Plan»... 126
3.3.4. Shanghai Cooperation Organization (SCO).......................... 127
3.3.5. North American Free Trade Agreement (NAFTA).............. 128
3.3.6. Southern Common Market (MERCOSUR).......................... 129
3.3.7. Latin American Integration Association (LAIA).................. 130
3.3.8. Caribbean Community and Common Market (CARICOM).. 130
3.3.9. Economic Community of West African States (ECOWAS). 130
3.3.10. Common Market for Eastern and Southern Africa (COMESA)………………………………………………… 131
3.3.11. Central African Customs and Economic Union (UDEAC)... 131

Part 4. Economic policy of countries of the world.................................. **133**
4.1. Essence and directions of state economic policy............................... 133
4.2. Economic policy of developed countries... 136
4.2.1. Models of economic development....................................... 136
4.2.2. Economic policy of the USA... 140
4.2.3. Economic policy of Japan.. 143
4.2.4. Economic policy of Germany.. 146
4.2.5. Economic policy of France.. 150
4.2.6. Economic policy of Great Britain.. 152
4.2.7. Economic policy of Italy.. 156

4.3. Specifics of economic policy of developing countries…….................. 158
4.3.1. Conditions of implementation of economic policy of developing countries……..………………………………… 158
4.3.2. Economic policy of India... 161
4.3.3. Economic policy of Brazil………………………………… 163
4.3.4. The economic policy of the least developed countries.......... 164
4.4. Formation of economic policy of countries with transition economies ………………………………………………………… 165
4.4.1. Features of reforming the economy in post-socialist countries.. 165
4.4.2. Economic policy of Russian Federation…………………… 168

4.4.3. Economic policy of the People's Republic of China…….… 172
4.5. Economic policy of macroeconomic integration groupings………… 175
4.5.1. Economic policy of the European Union ………………….. 175
4.5.2. Problems of economic policy of the Commonwealth of Independent States………………………………………….… 180
BIBLIOGRAPHY... 182

PREFACE

World economy is a complex and dynamic system in which the qualitative changes occur constantly. Especially vividly it was manifested at the turn of XX and XXI centuries, and at the beginning of the XXI century. The study of patterns of development of the world economy's system opens up favorable prospects for increasing of economic efficiency of the countries through the optimal use of the benefits of the world economic and international division of labor.

The development of modern world economy is the process of its becoming as the integral organic system. Therefore, the analysis of world economy must have the system approach. The system approach is the direction of scientific knowledge's methodology and social practice, which is based on the consideration of the objects as systems. The system approach orients the research on disclosure of the object's integrity, on consideration of its parts at the level of the whole organism. That is why the theoretical basics of the world economy's analysis are described from the very beginning in the training manual. Also, the levels of integrity of this system, as the totality of national economies, on the one hand, and as a single supranational space, on the other, are examined in the training manual. This makes it possible to allocate the typological and regional-integration approaches to classification of the countries, and to consider the typological and regional-integration structure of the world economy, and then to consider the economic policy of the countries.

The training manual is directed on active learning of the course "World Economy" that meets the requirements of the Bologna Declaration.

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Part 1. World economy: main features and structure

1.1. World economy as the totality of national economies

The start of creation of the modern world economy as a special organic integrated system on the basis of the world market was occurring in the end of XIX - the beginning of XX centuries. It is possible to speak now about the global economy as a global economic system, which is based on the international and supranational world economic labor division, internationalization and integration of production and circulation. It also operates on the principles of market economy.

The modern world economy is a holistic system, but this integrity was creating gradually. It was forming with the evolution of the international division of labor, the process of internationalization of economic life of the world community, the integration of groups of countries into regional economic complexes (associations) with interstate regulation of social and economic processes and transnationalization of production.

History of the creation of world economy begins from the **international labor division (ILD)**, which is associated with the exchange of activities and their products between national states.

ILD, or the division of labor between the countries, is the degree of public territorial division of labor. It is based on a cost-effective specialization of production of individual countries and is manifested in the interchange of the results of specialized production in certain proportions.

The international division of labor exists in two main forms: international specialization and international industrial cooperation.

International specialization is a form of labor division between the countries where the increase in the concentration of homogeneous production takes place on the basis of the progressive differentiation of the national productions. Specialization within the ILD eventually provides the specialization of the countries and regions in the production of separate products and their parts for the world market.

International industrial cooperation is a result of specialization of national industries. They cooperate in the system of international division of labor. International industrial cooperation is based on subject specialization and acts as a form of particular and general division of labor in the world economy.

International industrial cooperation means the inclusion of the country in ILD within the so-called vertical model of international labor division. It must be provided under condition of preservation the autonomy of the production process within the national borders.

The theory of the international labor division has received its foundation and development in the classical school of political economy, first of all in the works of its founders - Adam Smith and David Ricardo. The main achievement of classics is considered to be theory of comparative costs. The basis of this theory is the idea of the existence of cross-country differences in the costs associated with the production of certain goods. This situation leads to the conclusion that it is more profitable to focus on the production of good which requires lowest costs, than to produce all commodities for which there is a demand. Specialization on the production of this good will give the opportunity to purchase the goods in the foreign market, production costs of which are higher inside the country than outside it. The specialization in the production of this good, which has maximum advantage, will provide the greatest economic effect. There are some cases, when particular country cannot produce the goods with the costs that are lower than on the international level. Then the specialization in the production of the good, for which the exceeding of the international level of costs is the lowest, will be relatively effective in such situation.

The ideas of classics were embodied in life and they have been further developed at creation of modern international trade theories.

The international division of labor was the unifying element that created **the system of global economy as totality of national economies** that are its subsystems, which are interrelated by the international exchange.

Exit of trade relations beyond the national boundaries, i.e. the internationalization of the sphere of circulation (the commodity stage of capital movement) is the general active tendency for all countries seeking to gain economic benefit from the international division of labor and international trade in our time. But today trade, currency and credit relations between the countries form only primary level of integrity of the international relations, since the supranational level of the global economy was formed in the middle of XX century.

1.2. World economy as the unified supranational space

Qualitative shift occurred in the evolution of the international division of labor in the second half of XX century, the export of capital beyond the national boundaries was a result of this event. Internationalization has covered all stages of capital movement (monetary, industrial, commodity) by taking certain forms, namely:

- **integration** of national economies into regional economic complexes with the structure and proportions facing on consumption of the whole region, as well as with interstate regulation of economic relations;

- **transnationalization**, i.e. the exit of the industrial and commercial activities of corporations (companies) in the form of branches and subsidiaries beyond the national borders. The subdivisions of transnational corporations (TNCs) that are on the territory of the national states, operate largely as an economically, organizationally and juridical independent organizations. Their relations with nation states are built on the specific contracts.

Internal moment of the process of integration and transnationalization is the emergence of a new phenomenon of the global economy - **world economic division of labor**: a) intra- and interregional; b) global (transnational) division of labor.

In contrast to the international division of labor, this is not division of labor "between countries", but "inside" transnational corporations, i.e. intra-corporate.

World economic division of labor is extraterritorial one by its nature. It cannot be represented (as an international division of labor) on the territorial principle and in the forms of general, particular and singular division of labor. In contrast to the international division of labor, it is the technological division of labor in the production, based on the singular division of labor (i.e. internal for transnational corporations) in the form of transnational specialization and cooperation of production. The unified production process is divided into operations, carried out in the different countries. Partial product that is manufactured in the particular country, has no consumer cost outside the transnational organized production process.

Activities of TNCs, as one of the organizational forms of world economic division of labor, provide regular circulation of the goods, services, financial resources, raw materials, knowledge, technological and organizational management experience in the planetary scale. National economies have direct access to the world markets of goods and capital, new technologies and modern management, through the participation in the transnational division of labor.

Intercompany corporative specialization and intercompany industrial cooperation are the forms of the transnational division of labor.

Intercompany specialization is carried out not in the context of national economies but within the transnational economy, which does not recognize national boundaries and views the world as the unified world economic space. This is mainly the form of parts and technological division of labor. The good is produced by enterprises of one or several transnational corporations which tend to occupy a market niche and become the leading providers of highly specialized products that meet the total world demand. These corporations are usually called patients.

Cooperation in the field of R & D, cooperation of the industrial companies with "science parks" or technopolises, the implementation of common programs and creation of joint ventures are the features of **inter-corporate cooperation**.

World division of labor creates **the world economy as the unified supranational global economic space**, which forms the second level of world economic relations, which is more appropriate to the notion of "global economy".

Unified world economic space is the supranational environment of entrepreneurship (business), where single economic, technological, legal and socio-cultural requirements for the subjects of industrial and commercial activities are operated.

The world economy is still in the beginning of formation of the unified world economic space. It is still graded by numerous degrees of unity.

From the very beginning the unified world economic space was claimed as the union of the groups of countries into regional associations (for example the European Union) at the regional level and as the activities of TNCs on a planetary scale - at the global level. Formed on the basis of the world division of labor, unified world economic space involves the national economies and their subsystems in its orbit, thereby laying the foundations of global economic integration of the countries of the world community. This occurs in the process of the creation of certain conditions in the countries: information technology, social market economy, the internationalization of the legal and socio-cultural norms, etc.

The main essential subsystems of the world economy in the second level are:

- technological;
- economic;
- legal;
- socio-cultural.

What are these subsystems?

Technological subsystem is the totality of requirements of scientific and technological revolution (STR), which provide the competitiveness on the world market. These technology requirements can be reduced to the following main parameters:

- information and computer nature of the technology;
- science linkage;
- resource saving, waste-free and ecologically clean type of technology;
- biotechnological effectiveness, that is the technology which is based on the natural processes.

These parameters provide maintaining the world level of efficiency, productivity, quality and originality of products, implementation of the principles of modern management. The implementation of these requirements is virtually impossible and ineffective in the framework of separate national technology spaces.

Economic subsystem is the common economic space of free movements of the goods and services, capital, workforce and information across the borders of nation-states, as well as the free interchange of national currencies.

The economic subsystem is formed as the development and realization of uniform requirements for the international trade, production and investment and currency and financial activities.

The unified economic space provides also the presence of the uniform norms and standards of the organization and management of international processes embodied in the principles of management.

Economic subsystem of the world economy as the mandatory infrastructure component should contain the unified scientific information space.

Regulation of the economic life of the world community takes place on the basis of socially oriented market relations and corrective functions of TNCs, TNBs, intergovernmental and supranational institutions in the framework of the unified economic space.

Legal subsystem is the set of common rules of business law and norms of economic behavior. They are formed into the unified legal field in the process of the development of the norms of international private, civil and patent law.

The tendency of further convergence of the legal systems, which applies to human rights, lays the foundation of the world legal space.

Socio-cultural subsystem is formed much slower and more contradictory than other subsystems of the unified world economic space. The process of forming the unified social and cultural space includes:

- achieving a higher overall standard of living and reduce disparities between “rich” and “poor” countries. For this purpose the EU’s structural funds, various United Nations trust funds are created;
- common approach to social policy;
- formation of new mindset, breaking of the old way of thinking;
- development of unified standards of business conduct, business ethics and management;
- peaceful resolution of national and cross-national problems.

Each subsystem of the world economy as the unified world economic space (technological, economic, legal, social and cultural) is specific.

These subsystems have their own logic of development and their own subsystems, but they function as elements of the whole organism - the world economy of unified supranational world economic space. The imbalance in the functioning of any subsystem affects the state of system as a whole.

Technological, economic, legal, social and cultural subsystems are equal and equivalent in the interaction. There is no determinative and dominant subsystem in the development of the world economy once and forever. This subsystem may be extracted depending on the concrete circumstances, that make one of the sides the main, or from the target setting, concrete task, point of view in the research of the metasystem of world economy. This is the essence of **multidimensionality of system of the world economy.**

Analysis of the formation of the world economy as a whole system makes it possible to determine the classification of the countries in the world, to find out the main characteristics of globalization of the world economy.

1.3. Classification of countries in the world economy

1.3.1. Variants of typological classification of countries of the world

The world economy is characterized by the structure that has different aspects, taking into account an analysis of its various components. Industrial, typological and regional structures are often allocated.

Typological structure of the world economy is manifested as a unified system of the countries with different level of socio-economic development. The blocks of related countries, which are similar on key socio-economical parameters, that form the specific **types** are allocated in this system. The typological structure is not formed once and forever, it is always dynamic, as the rates of economic, social and technological development of the countries of the world are not the same; the transition of the countries from one typical block to another one occurs from time to time. However, for a certain period that can be measured in decades, the typological structure of the world economy is characterized by sufficient stability, which makes it possible to study the characteristics of development of individual groups of countries, to identify common features that unite the country inside the type, and to understand what factors distinguish one type from the other one. **Typological classification** of the countries of the world is carried out for this purpose.

Perfect classification scheme of the countries of the world has the scientific, educational and practical value. Analyzing the country's economy, economic policy of its government, socio-economic relations inside the country, it is necessary first of all to identify its economic type in the world economy. The practical importance of determining the type of the country is, in particular, in the relation to this or that country by the international economic institutions. For example, the least developed countries use sufficiently large concessions in the international trade, receipt of the credit, solving the problems of public debt. On the other hand, highly developed countries are a kind of "donors" for the least developed countries in certain international organizations (such as the International Development Association).

Despite the importance of forming an orderly typological scheme of the countries, we should recognize that there is no clear approach to this problem. There are various schemes, which are prepared according to various criteria. The main criterion for the UN is considered the character of social and economic relations in the country, for the World Bank - the level of gross domestic product (GDP) per capita. There are other approaches, which will be discussed below. But deal is not only in the selected criteria. The world economy is always in a dynamic state. Not only GDP of countries can be changed, but also other economic and social parameters, which have unequal value as indicators in different periods of development. For example, if a heavy industry was considered as the main indicator of development of the country from the middle of the XIX century until the middle of the XX century, now this is the service sector, especially computer science and finance. Consequently, there is currently no unified optimal classification scheme of the countries of the world. However, each scheme identifies certain typological features of the country, so you should know the most popular ones.

Let’s consider existing schemes of typological classification of the countries of the world in order to identify their compliance with modern realities.

The criterion of socio-economic relations is taken as a basis in the **structural bodies of the UN;** also the common level of economic development is auxiliary indicator. According to this scheme, the following types of the countries can be determined:

- economically highly developed countries (sometimes, industrially developed ones);
- developing countries (distinguishing new industrial and the least developed countries);
- countries with transition economies (from planned to market one).

This scheme has existed a long time enough. But over time the features, characterizing marked types, were lost.

Firstly**,** here there are no precise and weighed criterions separating developed countries from developing ones. The division between them is mainly based on the responsiveness of historical (historical-economic) factor. By the middle of XX century developing countries in its great mass have been colonies and developed countries have been metropolitan countries (of course, not all of them). Traditionally, about 25 states including the majority of West European countries, the USA, Canada, Japan, Australia, New Zealand and Israel belong to the developed countries. It is a so-called "gold billion". But, if we disengage ourselves from historical factor and take into account only GDP volumes, it won't be easy to draw a boundary-line between these groups. So, in 2014 the GDP of India that is among the developing countries, made 1.9 trillion dollars and in Brazil made 2.3 trillion dollars, whereas Australia made 1.6 trillion dollars and Canada made 1.8 trillion dollars. The allocation of two groups such as new industrial countries and the least developed countries from the mass of developing countries slightly clarifies the classification; but a great number of countries being notable for a considerable variety of economic potentials and economic policies are still remaining.

Secondly, the notion of the countries with transition economies is already becoming an anachronism. The transition of the former socialist countries to market methods of economic management was completed basically in the late nineties of the past century. The fact that the majority of Central European countries such as Poland, Czech Republic, Slovakia, Hungary, Rumania, Bulgaria and Slovenia as well as Estonia, Latvia and Lithuania have been accepted to the European Union means that official community has recognized them as the countries with market economy. But also in the countries of East Europe the economy is already developing on the market principles. Russia exceeds each of new EU's members and Ukraine yields only to Poland in GDP absolute indicator. As for indicator per capita, Russia exceeds Rumania and Bulgaria, and Ukraine, Belarus and Kazakhstan are a little behind them. The main thing is that the structural reorganization of the economy was practically completed in the countries of East Europe, Transcaucasia and Central Asia; the state sector occupies a subordinate place and it does not exceed, as a rule, 10% of the total production of goods and services. Thus, the existence of the term «countries with transition economies» in the scientific literature and in official sources is already unfounded today. That is why this group of countries belongs basically (in the international reports) to the developing countries nowadays.

In order to avoid the blurriness in the typology of the countries, **the World Bank** offered **the quantitative criterion**, namely: "gross national income (GNI) per capita" or "per capita income". Last is calculated using the Atlas method[1].

In accordance with the quantitative criterion, there are four types of countries (as of 2014):

- high-income economies with a GNI per capita of $12,737 or more;
- upper-middle-income economies with a GNI per capita of $4,126 to $12,736;
- lower-middle-income economies with a GNI per capita of $1,046 to $4,125;
- low-income economies with a GNI per capita of $1,045 or less.

Parameters of typology of the World Bank change from time to time because the indicator of gross world product is gradually growing. The GNI and indicators per capita also increase practically in all the countries. Therefore, the classification of each country into one of four groups must be constantly adjusted.

This classification differs positively from the classification of the UN because it establishes precise boundaries, which can be measured, determining the type of the state. But it also has certain shortcomings. Deal is in the fact, that the countries which differ from each other very much, especially in their economic structures, labor productivity and other parameters, are often admitted to be in the same group.

The main disadvantage of World Bank scheme consists in the fact, that the branch structure is not considered in it and there is no evaluation of economic potential in general as well. This disadvantage is being overcome to a certain extent by **scheme of «civilization stages of economic development».** There are such stages: agrarian, industrial and post-industrial. Accordingly, the types of countries are determined. The type of the country depends on key sector in the economy: agrarian, industrial or service sector. The production in every sector is calculated in the percentage to GDP and the employment of employable population in the corresponding sector is also taken into the consideration. The poorest countries are related to the agrarian type according to this scheme of classification. So, for example, the agriculture in GDP structure of Ethiopia makes 43%, in Togo it makes 47%, in Myanmar – 43%, in Laos – 39% and in Guinea-Bissau – 62%. The employment in the agrarian sphere of the least developed countries is even

[1] The method of calculation of the gross national income per capita used by the World Bank; it can partially eliminate the effect of exchange rate fluctuations

more impressing. So, 90% of employable population is employed in the agriculture in Angola, Ethiopia and Afghanistan.

The industrial stage that is predominance of industrial goods in GDP structure has prevailed since the late XIX century till the middle of XX century. It is being considered as a higher stage in comparison with agrarian one. But today, if we are guided only by the figures, not many countries are on this stage. These are, for example, Algeria (63% of GDP), Azerbaijan (61%), Chile (51%), Gabon (57%), Kuwait (48%), Nigeria (34%), Qatar (66%), United Arab Emirates (49%), Saudi Arabia (60%) and China (49%). As we see, the countries building its industry almost solely on the exploitation of natural resources are mainly included in this group. China makes an exception. Somewhat increased share of industry is inherent in the group of new industrial countries (NIC), though it yields to service sector. Except Chile, we can call Indonesia (48%), South Korea (39%), Thailand (44%) and Malaysia (42%).

In the countries of the CIS the share of industry is also higher than the average indicator in the world that makes 31%. So, in Russia it equals to 37%, Belarus – 42%, Kazakhstan – 38% and Ukraine – 32%. But here it also yields to a share of service sector (for instance, services make 59% of GDP in Ukraine). It deals that as a result of long economic crisis in the nineties of the past century exactly the industry in this group of countries has experienced the most appreciable slump. However, on renewing the industrial potential the share of industrial sector will grow here, and the majority of countries of the CIS can be interpreted as such that are on the industrial stage of the development.

The developed countries belong to the post-industrial type. The service sector prevails, sometimes essentially, in its GDP structure. So, its specific gravity in GDP of the USA is 77%, Great Britain – 75%, Canada – 70% and France – 79%. Nevertheless, these figures also mislead to a certain extent. They obscure the enormous industrial potential of highly developed countries, especially the USA.

Thus, none of the typological classifications of the countries of the world is not without substantial flaws. It turned out that one criterion itself cannot form the integral system of typological classification. Moreover, as the world economy is in the continuous movement, the correlation between economic indices of the countries is permanently changing.

The rapprochement of countries in the world in the main economic parameters, in the first place, in GDP absolute index is a tendency of the last decades. The more dynamic development of the group of developing countries is the reason of that phenomenon. This character of development dynamics is washing out the boundaries which have existed between developed and developing countries. So, Brazil almost eight times exceeds the index of Portugal, its former mother country (245 billion dollars) by GDP absolute volume (2 trillion dollars). The difference in the indicators per capita remains but it is also gradually decreasing. In addition, Brazil has a much more developed branch structure of the economy. India surpasses Great Britain, its former mother country, in GDP volume. Thus, one can scarcely include these countries in essentially diverse groups. GDP per capita that is insufficiently high in the new industrial countries is being compensated by the advantage of other parameters. Besides, in several countries of NIC group the index per capita is high enough: in the Republic of Korea it equals to 32,000 dollars, Singapore – 60,000 dollars and Taiwan – 38,000 dollars. That is, these countries can be referred to the group of developed ones by all the parameters but according to the traditional classification they remain in the group of developing countries, although called «new industrial countries». By the way, this name itself testifies to the transition of these countries, so to speak, to «the higher league».

What kind of approach to the typological classification of the countries in the world should be in this case? It is obviously, that the single criterion which would generalize all the factors of economic development of the country does not exist. The question can be either about eclectic combination of traditional schemes, or about a few schemes which answer individual purposes. The foreign and domestic experts who have comprehended the problem of the typological classification, more exactly «the crisis» of traditional methods of approach to it, are offering their own schemes.

Analyzing and combining the above-mentioned schemes of the typological classification, one can propose **the typology on the basis of joining of the key parameters of the economy:** GDP indicators (absolute and per capita); level of technological development; branch structure of the economy, and dynamics of economic development. Hence, the following groups and subgroups of the countries are allocated:

1. High-technological countries with the stable economy. This group is identical with the group of «developed countries» in the classical scheme. It includes the developed countries of Western Europe, the USA, Canada, Japan, Australia, New Zealand and Israel.

2. Countries with dynamic development of the economy:

- new industrial countries: Republic of Korea, Singapore, Thailand, Malaysia, Philippines, Indonesia, Brazil, Argentina, Chile, Mexico and India.

- countries on the final stage of technological restructuring of the economy: countries of Central Europe such as Poland, Czech Republic, Slovakia, Hungary, Rumania, Bulgaria, Croatia and Slovenia; countries of East Europe such as Ukraine, Russia, Belarus, Estonia, Latvia, Lithuania and Kazakhstan; China.

- oil-producing countries such as Saudi Arabia, Kuwait, UAE, Qatar, Iran, Iraq, Venezuela, Libya and Azerbaijan.

3. Medium-technological countries with the moderate rate of economic growth. These are the majority of developing countries, for example, Egypt, Algeria, Turkey, Pakistan, Peru, Uruguay as well as Serbia, Bosnia, Macedonia, Albania, Georgia, Armenia, Turkmenistan, Moldova and Kirghizstan.

4. Low-technological countries of the agrarian stage of development. The poorest countries of the world such as Ethiopia, Somali, Uganda, DPRK and other ones belong to this group.

This scheme has not yet elaborated in the scientific literature that is why the classical scheme of the UN with the amendments according to the classification proposed by us, will be used further in the training manual.

1.3.2. Regional classification of countries of the world

This kind of classification is much simpler and it does not provoke considerable divergences among the experts and international organizations. The question can be about the greater or the lesser detalization in the selection of the regions. The spatial compactness of countries of the region, commonality of historical development, ethno-cultural likeness of people and rapprochement of parameters of economic development were assumed as a basis of the regional classification. Proceeding from these criterions, the following regions are allocated:

- **Western Europe** which includes economically developed countries: Germany, France, Great Britain, Belgium, the Netherlands, Luxemburg, Ireland, Iceland, Norway, Sweden, Denmark, Finland, Austria, Switzerland, Italy, Spain, Greece, Portugal and Malta. This region is subdivided into Western Europe, Northern Europe and Southern Europe in the more detailed classification.
- **Central Europe** includes the former European socialist countries beyond the former USSR: Poland, Czech Republic, Slovakia, Hungary, Rumania, Bulgaria, Serbia, Montenegro, Croatia, Slovenia, Bosnia, Macedonia and Albania. In the detailed classification the part of this region is allocated as the South-East Europe.
- **Eastern Europe** consists of Ukraine, Russia, Belarus, Moldova, Estonia, Latvia and Lithuania.
- **South-West Asia** includes Turkey, Cyprus, Iran, Iraq, Syria, the Lebanon, Israel, Saudi Arabia, Kuwait, United Arab Emirates, Yemen, Qatar, Oman, Bahrain, Afghanistan, Georgia, Armenia and Azerbaijan.
- **Central Asia** has been detached on the territory of the former Asian Republics of the USSR: Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan.
- **South Asia** is composed of India, Pakistan, Nepal, Bhutan, Bangladesh, Sri Lanka as well as a few small island states.
- **The Far East** is represented by China, Japan, DPRK, Republic of Korea and Mongolia.
- **Southeast Asia** consists of Vietnam, Laos, Cambodia, Thailand, Myanmar, Malaysia, Singapore, Indonesia, Philippines and Brunei.

- **Australia and Oceania** are Australia, New Zealand, Papua New Guinea and the great number of small island states.

- **North Africa** consolidates such Arab states as Egypt, Sudan, Libya, Tunisia, Algeria, Morocco, the Western Sahara and Mauritania.

- **West Africa** has a motley composition enough: Mali, Niger, Chad, Central African Republic, Senegal, Burkina Faso, Guinea, Ghana, Côte d'Ivoire, Sierra Leone, Togo, Nigeria, Cameroun, Gabon, Congo, Democratic Republic Congo (Zaire) and Angola are the largest countries in this region.

- **East Africa:** Zambia, Zimbabwe, Mozambique, Madagascar, Malawi, Republic of South Africa, Botswana, Namibia and Lesotho.

- **North America:** the USA, Canada and Mexico. According to another classification, Mexico is related to the region "Latin America" with which it is more closely bound up with in linguistic and cultural and historical features.

- **Latin America** consolidates the countries which overwhelming majority has once been in colonial dependence on Spain and Portugal. The composition of the region: Argentina, Brazil, Uruguay, Paraguay, Chile, Peru, Bolivia, Ecuador, Columbia, Venezuela, Guyana, Surinam and French Guiana. The Caribbean and Central America, the largest countries of which are Cuba, Haiti, Jamaica, the Dominican Republic, Guatemala, Salvador, Nicaragua, Honduras and Panama form the separate subgroup in this region.

This scheme is the most widespread but not the only one. Often the **Asian-Pacific region** is allocated, the enormous space including East and Southeast Asia, Australia and Oceania, eastern regions of Russia and the countries in North and South America that gravitate towards the Pacific Ocean. This region is characterized by accelerated dynamism of economic development.

1.3.3. Regional and integration classification of countries of the world

The globalization of international economic relations and regional economic integration connected with it which started in the second half of the XX century are the important processes of today. At present there are five levels or stages of regional integration that are characterized by profundity and maturity of integration processes:

- **preferential trade area:** the trade in some goods and services between the countries members is being liberalized on this level. This form of integration is the most widespread in the world and it is inherent, particularly, in the CIS;

- **free trade area:** the tariffs on all the goods and services are being terminated in the trade between the members of association and in the trade with the third countries each member of association is realizing its own tariff policy; the North American Free Trade Agreement (NAFTA) can be an example;

- **customs union:** the members of association are establishing the consolidated tariff in the trade with the third countries;

- **common market:** both the trade and movement of production factors are being liberalized; for example, MERCOSUR;

- **economic and monetary union:** common policy is being realized in all the spheres of the economy and common currency is being introduced; the European Union is the only example in the meantime.

At present regional integration associations of different levels are already running to tens of them. The most important ones are as follows:

Europe

- **European Union (EU):** Austria, Belgium, Bulgaria, Great Britain, Greece, Denmark, Estonia, Ireland, Italy, Spain, Cyprus, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Germany, Poland, Portugal, Rumania, Slovakia, Slovenia, Hungary, Finland, France, Czech Republic, Sweden and Croatia (28 states in all).
- **European Free Trade Association (EFTA):** Iceland, Norway, Switzerland and Liechtenstein.
- **Commonwealth of Independent States (CIS):** Azerbaijan, Belarus, Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine (Georgia left the organization in 2008).
- **Black Sea Economic Cooperation (BSEC):** Azerbaijan, Albania, Bulgaria, Armenia, Greece, Georgia, Moldova, Russia, Rumania, Turkey, Ukraine and Serbia.
- **GUAM:** Georgia, Ukraine, Azerbaijan and Moldova.

Asia and Asian-Pacific region

- **Asia-Pacific Economic Cooperation (APEC):** Australia, Brunei, Vietnam, Indonesia, Canada, China, Republic of Korea, Kiribati, Malaysia, Mexico, the Marshall Islands, New Zealand, Papua New Guinea, Peru, Russia, Singapore, the USA, Thailand, Taiwan, Philippines, Chile and Japan.
- **Association of Southeast Asian Nations (ASEAN):** Brunei, Vietnam, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore and Thailand.
- **"Colombo Plan" for Cooperative Economic and Social Development in Asia and the Pacific:** Great Britain, the USA, Canada, Japan, Australia, New Zealand, India, Pakistan, Sri Lanka, Afghanistan, Iraq, Nepal, Myanmar, Republic of Maldives, Bhutan, Bangladesh, Laos, Cambodia, Malaysia, Thailand, Singapore, Papua New Guinea, Indonesia, Philippines, Fiji and Republic of Korea.
- **Council of Arab Economic Unity (CAEU):** Egypt, Iraq, Jordan, Yemen, Kuwait, Libya, Mauritania, United Arab Emirates, Palestine, Syria, Somali and the Sudan.

- **The Shanghai Cooperation Organization (SCO):** Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and China.

North and South America

- **North American Free Trade Agreement (NAFTA):** the USA, Canada and Mexico.
- **Latin American Integration Association (LAIA):** Argentina, Bolivia, Brazil, Venezuela, Columbia, Mexico, Paraguay, Peru, Uruguay, Chile and Ecuador.
- **Southern Common Market (MERCOSUR):** Argentina, Brazil, Paraguay and Uruguay.

Africa

- **Economic Community of West African States (ECOWAS):** Benin, Burkina Faso, Côte d'Ivoire, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.
- **Customs and Economic Union of Central Africa (UDEAC):** Gabon, Cameroun, Congo, Central African Republic, Chad and Equatorial Guinea.

The question about some of these groupings will be discussed more in detail in the 3rd Part of the book.

1.4. Globalization of the world economy

Since the second half of the XX century the world economy has been developing under considerable influence of globalization process. The globalization is furthering the transformation of international relations (on bilateral and regional levels) into the integral system in planetary measurement.

The strengthening of interaction and interdependency in the contemporary society is a characteristic feature of globalization, owing to which “the world community” is forming. The global economy functioning as a unified system in real-time operation and on the global scale is the kernel of this community.

The economy is usually determined as a basis of globalization. It is considered that the globalization is none other than a manifestation of modern post-industrial stage of development of the economy and society in the relationship between the countries in the world. It is a new degree of internationalization in social life: economic, political, socio-cultural, ecological and demographical relations between the peoples. The major globalization impulses are coming from the economy. The main argument confirming an objective character of globalization as an inevitable and progressive process in its basis, although contradictory, disappears without taking into account the economic component

The IMF determines the world trade, transnational financial flows, transfer of technologies, information networks and interaction of cultures as the main link of globalization. The UNCTAD accentuates attention to the globalization of production processes through the international industrial cooperation.

Except purely economic manifestations of globalization, we are also determining such its forms as a strengthening of interaction of different cultures, forming of global social interaction system as a basis of planetary society formation, increase in number of state and non state international organizations and destruction of administrative barriers between the countries. The globalization appeared before us as “the total social fact”, that is, as a number of transformations touching upon all the aspects of social life: economic, professional, legal, cultural, political and even geopolitical relations.

Among the main globalization features and indicators it is necessary to mention the growing interdependence of the economies of various countries and the greater integrity and unity of the world economy the basis of which is the strengthening of openness of national markets and intensification of international division and cooperation of labor.

Thus, summing up the above-mentioned globalization features, one can express the following generalization about its content.

The globalization is an acceleration process of development of correlations in all the spheres of human activity and its transformation into planetary metasystem. As a basis the globalization has internationalization of social activity, first of all, economic one but substantially differs from it. The principle difference consists in the following: if the internationalization is a strengthening of relations between the countries in the world when keeping absolute national sovereignty (interethnic level), the globalization means moving across the national boundaries (supranational level).

The most important manifestations of globalization, as a rule, include:

- rapid development of mass media system, forming of unified world information network and communication system;
- accelerated increase in importance of financial sphere in the international economic activity;
- distribution of TNC activity and strengthening of transnationalization of the world economy;
- forming of system of international organizations which form together with TNC a supranational mechanism of the world economy governance and increase in number of non-state subjects of international life;
- strengthening of «openness» of the national economies;
- the role of state in the national economy governance changes in the transformation process of ratio «national – supranational»;
- the tendency of uneven development of the most developed and the least developed countries appears;
- regionalization of the world economy;
- social transformation in planetary measurement which is expressed in the integration of individual elements of community into global world structures, in the weakening of traditional relations and in the orientation on standardized values;

- acceleration of interaction of cultures.

These characteristic manifestations of globalization influence the world economic processes and national economic policies in rather substantial way; it is necessary to consider them when elaborating strategies of economic development. That is why it is expedient to discuss more in detail the compound metasystems of globalization. We remember that each of the components is the system, which is dynamic.

Progress in the system of information science and communications. Why is it necessary to begin the analysis of mechanism of globalization just from this point, the world economic system is "the core", you know? It deals that the modern transformation of economic processes would be impossible without information revolution and mastering of communication systems using new transport and communication facilities. Just the lightning speed at which the information, for example, on rates of exchange is being spread from any financial center to any part of the planet makes it possible the quick movement of enormous currency funds between countries and exchange markets. The modern communication facilities and Internet considerably increased the mass attraction of population of the planet to mutual contacts, including business ones. The development of motor transport and jet aircraft makes it possible to set up direct contacts between business partners from different countries with no considerable waste of time for movement in the space.

The revolution in the information science and telecommunications began in the last quarter of the XX century. Within thirty years of the past century the power of the total number of computers in the world has been doubling at the average for eighteen months. The volume of information on each square centimeter of disks, proceeding from 1991, increased at the average by 60% a year. The cost of information carry decreased in many times [11, p. 30].

Owing to the development of modern telecommunications facilities the actual destruction of national boundaries for spreading information takes place. The unified world information space is being formed within which there are common cultural, worldview and ethical standards, which are seizing broad masses of the world's population (with positive and negative consequences). The world «kiberspace» is being formed where the information is stored and processed and its intensive exchange is going on. The efforts of some governments to block access to information are turning for their countries by considerable economic losses. This space is increasing at a brisk pace. According to some calculations, only for the first three years of the XXI century more information has been created than for the previous 300,000 years of human history [11, p. 30].

The information industry of the leading countries really turned into a special, qualitatively new field of common structure of economy. The production of a new type of commodity - global reusable commodity having new economic properties: infinite reproduction and accumulation, has begun here. So the question is already about the appearance of new nontraditional cost source which becomes its main source and which is connected with the realization of intellectual potential. Under the conditions of the information economy the cost is able to generate overvalue, as well as under the conditions of industrial economy the capital generated surplus value.

The improvement of economic situation in the world leads to the increase in expenditure for IT. According to experts, the world market of IT has grown by 5.3% and reached 3.4 trillion dollars for the last year, the biggest growth (6.4%) has been observed in the segment of equipment, 3.1% in software and 1.5% in service sector [11, p. 30].

In China and India the volume of investments into new technologies and services is increasing, it is necessary to maintain the growth in the industries working for export. In the USA the state stimulation of the economy contributes to the growth of investments for IT-equipment.

Western Europe on which about one third of world market of IT falls is a weak link: the financial crisis has made indefinite the prospects of the EU's economy for a short-term period. The IT-segment in the given region is being restored relatively slowly.

Another region where the analysts are not expecting the growth is Japan. In other countries of Asia there are good prospects of growth: up to 13.7% in China and 13.8% in India. But the analysts are still expecting a gradual restoration of markets in Europe and Japan and forecasting the growth of IT-segment by 7.1% in the nearest two years [11, p. 30].

The phenomenon which has been called «digital divide» that one can translate as "digital barrier" or "digital inequality" is connected with globalization of information technologies. This notion is used for describing a new division of states and national communities relative to the person who has an access to information and another one who has no such an opportunity because of financial reasons or lack of education.

It is better to consider the information revolution as not manifestation or consequence, but as precondition and factor of globalization. The globalization process would be impossible without revolution in information and communicative technologies.

The technological revolution which is determined by the development of scientific and technological progress is closely connected with information revolution. The complete complex system automation of production, management, servicing, distribution and transportation which are based on electronics and information science is becoming a new technological base and the main technological structure of society. The essence and peculiarity of this complete technological base consists not only in the highest level of automation but also in that, firstly, that its technological structures will be already able to develop the auto-reproducing structures on the principles of extended reproduction and, secondly, it will be in fact, a globally integrated technological base connected from within by means of global technetronic informatization. So it is necessary to determine the post-industrial global economy as the global technetronic and information economy.

Forming of world financial market. The information revolution has just become its prerequisite. The new information technologies connected the main financial centers and considerably decreased the transaction costs of financial deals and time necessary for their execution.

The changes of activity conditions of financial institutions in the connection with deregulation of banking activities became the important globalization factor in the financial sphere. The obstacles in conducting various financial operations by the banks and other financial institutions were eliminated in the process of deregulation. The financial holdings offering the client any services in the field of financial mediation appeared in consequence of it. Just the holdings are dominating today on the world financial market.

The growth of uncertainty related to the rates of exchange and rates of securities became the peculiarity of financial markets in the context of globalization. The new kinds of securities such as derivatives that are derived from other securities appeared. This opened the opportunities for mass speculations and accelerated the process of isolating of monetary and financial sector from the real economy. Everyday volume of operations on monetary and financial markets tens of times exceed the real needs of financing of international trade; this volume almost equals to aggregate currency reserves of all the national banks in the world. The volume of secondary securities market a few times exceeds the world gross product [11, p. 32].

The following figures testify to a scale of development of world financial system. For the last 20 years everyday volume of transactions on the world currency markets has increased from 1 billion dollars to 1200 billion dollars (that is, 1200 times more) while the volume of world trade in goods and services has only increased by 50% [4, p. 1]. The capital in the growing volumes is not going into production but into speculation. The cross-border movement of capital prevails as short-term portfolio investments. This movement is getting out of control of governmental structures; even in the most developed countries only 30% of securities market is controlled by the state. The situation of «bubble» arises in the economy: nominal market value of securities exceeds its real filling and this provokes instability of economics and even the danger for the country.

There is a reason for considering that the forming on a scale of all the world of not simply financial or information market but the creation of financial and information space where not only commercial but the whole activity of mankind is being realized more and more.

Transnationalization of the world economy. The formation of transnational corporations and strengthening of their influence upon the world economic processes are one of the characteristic manifestations of globalization. One can even affirm that the TNC system is the principal motive force of globalization as a metasystem. The openness of the national economies which is one of the key requirements according to Washington Consensus most of all responds exactly to the interests of TNC. The internationalization of production permits TNC to seize markets avoiding customs barriers. Transnational corporations are increasingly detached from the home country in their activities and less and less "national" and more and more «global» remain in them So for example, the American company "Exxon" obtains 75% of its income beyond the

USA. The TNC withdraw from the care of their governments and become, practically speaking, independent subjects of economic activity.

The transnationalization is carried out at rapid paces. For the last year the cross-border mergers and absorptions increased by 53% and reached 526 billion dollars that had been stipulated by the growth in number of megadeals (to a value of over 3 billion dollars). This reflects as growing value of assets on the stock markets so the growth of financial opportunities of the buyers for realizing similar operations. The investments into new projects made 904 billion dollars. Over two thirds of the total value of investments into new projects was still accounted to the share of developing countries and countries with transition economies. By 2020 the value of goods produced in the foreign TNC subsidiaries will be 20 trillion dollars [4, p. 42].

In the world there are about 890,000 of the foreign branches which are in possession of over 103,000 mother companies. The network of branches is indefatigably developing. The foreign TNCs branches ensure the employment of approximately 69 million persons who generate yearly volume of sale at a rate of 28 trillion dollars and value added of 7 trillion dollars [35].

The movement of direct foreign investments can serve as an index of transnationalization. So, in 2013 compared to 2011 the volume of imported FDI increased by 20.6% and one of exported FDI increased by 20.0%; the growth (9.0% and 4.6%, correspondingly) and excess of its average pre-crisis values (Tab. 1.1) are also observed according to the income from imported and exported FDI.

Table 1.1

Dynamics of main indicators of FDI in the world economy in 1990-2013 (value of current prices, billion dollars)

	Years				
Indicator	**1990**	**2005-2007 (average pre-crisis indicator)**	**2011**	**2012**	**2013**
Inflow of FDI	208	1493	1700	1330	1452
Export of FDI	241	1532	1712	1347	1452
Volume of imported FDI	2078	14790	21117	23304	25464
Volume of exported FDI	2088	15884	21913	23913	26313
Income from imported FDI	79	1072	1603	1581	1748
Profitableness of imported FDI	3.8	7.3	6.9	7.6	6.8
Income from exported FDI	126	1135	1550	1509	1622

Profitableness of exported FDI	6.0	7.2	6.5	7.1	6.3

Reference: [26]

In 2013 compared to the previous year the global inflow of FDI grew by 9.2%. According to the forecast of UNCTAD the world flows of FDI will increase by 1.75 trillion dollars in 2015 and by 1.85 trillion dollars in 2016. This growth will be mainly connected with the investments in developed countries because the economic development in these countries is gathering force and scale. At the same time, the unstable situation on some forming markets and risks connected with political uncertainty and regional conflicts can adversely affect the supposed reviving of FDI flows. The record cash holdings, which the TNCs have, ongoing corporative and industrial restructuration, growth of quotations on stock markets and gradual withdrawal of public funds from the capital of financial and nonfinancial companies the participation in which has been used as a support during the crisis, opens new investment opportunities for companies in the entire world.

At the same time, the post-crisis condition of business environment is connected with multiple factors of uncertainty. Such risk factors as the unpredictability of global system of economic control, possible wide-ranging crisis of sovereign debt and imbalances in the budgets and financial sectors of some developed countries as well as the growth of inflation rate and signs of economic «overheating» in the foremost countries having forming markets can still impede upsurge in the FDI sphere.

The successfulness with which the TNCs are advancing to the international markets is based on its competitive advantages, first of all - on the technological leadership. The TNCs have a chance to allocate substantial funds for maintenance of scientific-research institutions, high salary of qualified engineers and managers. The biggest companies in the world founded over 100 large research centers, including ones beyond home country.

The overwhelming majority of mother companies (79%) are situated in developed countries. Lately, they also began appearing in new industrial countries such as Singapore, Republic of Korea and Brazil as well as in China and Russia.

500 largest TNCs concentrate over 1/4 of world production of goods and services, 1/3 of export of industrial production and 3/4 of trade of technologies and management services [4, p. 43]. 84% of all-the-world export of FDI, 10% of world GDP and one third of world export are falling only on the TNCs of developed countries.

The influence of TNCs is based on the actual control of considerable part of transnational capital functioning on the international financial markets which in its majority have an oligopolistic structure. The opportunity to use the secluded intra-company market ensuring them the lesser dependence on the economic policy of governments as well as a successful overcoming of trade obstacles is one of the advantages of TNC. Over one third of world commodity flows is falling on the intra-company trade of TNC realized at transfer prices [4, p. 43].

The TNC positions are also strong in the economic policy. In home countries they form a powerful lobby which greatly influences the governments of developed countries. The TNC are often putting pressure in strict forms upon the governments of the states where their subsidiaries are located, requiring to carry on the economic policy in their own interest and often to the prejudice of national interests of receiving countries.

The transnationalization has both the negative and positive consequences. The weakening of regulating role of the state in economic processes is related, as it has already noted, to the negative consequences. Even in home countries of mother companies (these are mainly highly developed states) the economic control over the TNC activity is becoming less capable of functioning. One of the reasons of this situation is that the transnational corporation can avoid taxation in home country transferring industrial capacities to those countries where the taxation level is low. The positive side of transnationalization as a component of globalization process consists in the intensification of the flows of investment and financial resources, acceleration of rate of international trade and attraction of the more number of countries to the world economic space and to new technologies. Owing to the TNC not in the last place, so-called new industrial countries were formed which took a rather marked place in the world economy.

Strengthening of the role of international organizations in the regulation of world economic processes. The international organizations, in the first instance, economic ones, have begun to exert considerable influence upon the international economic relations from the second half of XX century; this influence is growing more and more. One should especially mark among the international economic regulators the activity of such organizations as the International Monetary Fund, World Bank Group, World Trade Organization, regional banks of development (in particular, EBRD) and some economic bodies of UNO such as UNCTAD, UNDP and ECOSOC.

The increase in the role of the IMF and the World Bank (WB) is caused by unprecedented development of world financial market and growth of external indebtedness of developing countries and countries with transition economies. The amount of indebtedness of developing countries is constantly increasing and in 2013 it reached 4.8 trillion dollars. The external debt makes a considerable interest from the GDP. So, in 2014 it equaled to 22% in Brazil, 23% in Argentina and India, 27% in Mexico, 36% in Republic of Korea and 44% in Turkey. This testifies to the greater drawing these countries into debt [40+ to add 2015 year to the bibliography].

Under such conditions the IMF and the World Bank have advantageous positions for putting pressure upon the governments of countries debtors. The authority of these organizations in the international economic relations is so great that it applies to large international banks which lend the subjects of economic activity (including the governments) in different countries. The solution of the problem of debt restructuration and giving of the next credit to the countries-debtors depends, in the first instance, on the positions of the IMF and the WB. It gives them an opportunity to interfere in the economic policy of governments directly and to reinforce more their role as world economic regulators.

The IMF, World Bank as well as OECD develops special plans for the purpose of solving or softening the problem of international indebtedness. The leading role in their development belongs to the government of the USA. In 1985 "Baker Plan" was declared which had foreseen the realization of liberal economic reforms by countries-debtors as a basic condition for giving credits. In 1989 "Brady Plan" appeared according to which the restructuration and partial debt relief were stipulated by the realization of reforms approved by the IMF and under its strict control. In 1999 the countries of «Big Seven» took decision about the relief of 90% of debt of the poorest countries on condition that they would have realized the program of structural reforms within six years (it concerns only 2% of total indebtedness of developing countries) [4, p. 47].

Thus, the IMF, WB, OECD and WTO execute their activity not only on the international level but also in the national space of sovereign states. As the developed states play the leading part in the guidance of these organizations many statesmen and economists consider their policy as unbalanced. So, one of the experts of the EU Commission notes that the international financial institutions have turned into the bearers of hegemony of developed countries instead of being an instrument of market regulation in the interest of the whole world community. In the opinion of politicians of left orientation, the WTO is the brightest expression of all the system of global corporative management and it is necessary to stop escalation of its influence upon the sphere of international economic relations because the activity of this organization is directed at the protection of TNC interests at the expense of majority of countries in the world.

However, there is a point of view according to which it is necessary to strengthen the regulating role of international economic organizations. The leaders of these organizations are, in the first place, its adherents. So, M. Camdessus, the former director of the IMF, considers necessary to strengthen the policy of the Fund. He expressed the confidence that the collective decisions taken under the aegis of international institutions should become obligatory. And A. Walters, one of the chief leaders of the IMF, affirmed that owing to the globalization of finances the world needed the central bank and the IMF was a natural basis for its creation. It is necessary to release the IMF from "strait-jacket" and to make it independent from governments.

Thus, there is the clear tendency to the transformation of international economic organizations into the structures completely independent from national governments which are executing regulation of world economy on the supranational level and obtaining the functions of world government. The sovereign rights of states are limited not only in the carrying out of their own economic policy but relatively to national property. The proposals related to introduction of a new instrument on debts: "debt-for-nature swaps" - exchange of debt for the right to carry on the ecological programs in the countries-debtors, i. e. the right to control their territory; “debt-for-equity swaps” - exchange of debt for property, are advanced in the American financial circles. A conception of application of norms of private commercial right on which basis the state-debtor can be declared bankrupt and relatively to it the external management of economy is introduced is being considered in the guidance of the IMF and the WB.

So, the international economic organizations together with the TNC and TNB form the global supranational space. The global orientation of transnational corporations and banks reduces the importance of national economies. They are making today “the economic weather”. The average and small subjects of international business are forced to pattern its behavior on the TNCs and adapt themselves to their policy.

Such a notion as **openness of national economy** is closely connected with the process of globalization. The openness means a degree of intensity with which the country “dives” into the international economic relations. As it has been already said, the size of exports and imports of goods and services, export and import of capital and liberalization of legislation about the foreign economic activity of residents and nonresidents etc. are the characteristics of openness. The Global Enabling Trade Index which is calculated by the World Economic Forum is the most widespread index of openness.

According to this index the most “open” country in 2014 was Singapore (the index is equal to 5.9). Hong Kong was on the 2nd place - 5.5, Netherlands - on the third one- 5.3, index of New Zealand was 5.2, and in Finland it was 5.2. The United States were on the 15th place - 5.0, Ukraine occupied 83th one (3.8) and Russian Federation – 105th place (3.5). Chad was the least open country with index 2.5 in 2014 [41]

The degree of openness of national economy depends on the foreign economic policy of the country. Since the second half of the XX century the prolonged tendency towards the liberalization of foreign economic policy in the majority of countries in the world has been formed. This happened under the pressure of GATT/WTO which had been in succession implementing the principles of trade liberalization. Due to this, the tariff rates have considerably decreased in the world trade; if in the early 50ties of the XX century they exceeded on the average 40%, by the XXI century they reduced to 3%.

The openness of national economies contributes to the intensification of international relations, deepening of international division of labor and growth of efficiency of world economy in total. The research carried out in the Michigan University (the USA) show that a one-third reduction of trade barriers in the field of agriculture, goods and services would lead to the growth of volume of world economy in 613 billion dollars [11, p. 40]. However, there are divergences of evaluations of openness influence upon the economic development of different groups of countries. The liberalization of international economic relations is undoubtedly advantageous to economically developed countries because it eliminates the obstacles to the promotion of their goods and capitals on the markets of other countries. So, the USA has obtained almost a one-third of increase of their GNP from the export growth within the 90ties of XX century [8, p. 97].

The situation for developing countries is more complicated. On the one side, the inflow of foreign investments contributes to the economic development of these countries; they get some privileges concerning export of their goods on the markets of the USA, EU and Japan. But, on the other side, when the barriers on the way of import of goods from developed countries have been removed, the national economy proves to be unprotected from competition and supremacy of foreign capital can destroy the optimum structure of economy and break national economic plans. The same problem is faced by the countries with transition economies.

The globalization is accompanied by the deepening of irregularity of economic development of different groups of countries. The developed states are extending their separation from the poorer countries; the contrast between the high-developed center where under 1/6 of population lives, and the outlying districts where the main mass of population of the planet is concentrated has been increasing.

According to the data of the World Development Report, prepared by the World Bank, 2.8 billion inhabitants from 6 billion of population in the planet live on below than 2 dollars a day and 1.2 billion inhabitants live on below than 1.0 dollar a day. The average income of 20 richest countries 37 times exceeds average income of 20 poorest ones. In the countries with transition economies the number of persons living on below than 1 dollar a day 20 times increased in the 90ties of the XX century. The income of 200 richest people of the globe exceeds aggregate income of 41% of population on the Earth [15].

The gap in the income between a one-fifth of world population in rich countries and a one-fifth of inhabitants in poor countries has increased from 32 to 78 times for the last 40 years. Only 1% of all inhabitants on the Earth possesses almost a half of all the property on the planet. The incomes of 0.01% of the richest people on the planet increased so much that if 30 years ago they exceeded the income of 90% of the poorest people almost 200 times, now they exceed their income over 37 times. The average income per capita in 20 richest countries in the world 37 times exceeds the corresponding index in 20 poorest countries; this gap has been doubled for the last 40 years [4].

But, the first five of the most developed countries creates 86% of gross world product, gives 82% of world export and 68% of direct foreign investments and the first five of the poorest countries is not exceeding 1% in all indices [11, p. 41].

The GDP per capita is a synthetic index of development level of the country (Tab. 1.2).

Table 1.2

GDP per capita in some countries in 2014, dollars (according to the PPP)

No	Country		No	Country	
1	Qatar	143,427	46	Poland	25,105
2	Luxemburg	92,049	49	Russia	24,805
3	Singapore	82,762	61	Turkey	19,610
5	Kuwait	71,020	64	Belarus	18,161
10	The USA	54,597	74	Brazil	16,096
15	Australia	46,433	89	China	12,880
17	Sweden	45,986	105	Ukraine	8,668
18	Germany	45,888	124	India	5,855
24	France	40,375	129	Moldova	4,979
27	Great Britain	39,511	140	Yemen	3,774
28	Japan	37,390	153	Tajikistan	2,688
32	Spain	33,711	164	Afghanistan	1,937
34	Israel	32,691	173	Ethiopia	1,589
38	Czech Republic	29,925	183	Liberia	882
44	Greece	25,859	186	CAR	607

Reference: [35 + 2014]

The developed countries concentrate the riches not only created by their own forces but also redistributed at the expense of world resources. So, 25% of used world resources fall on the USA having 5% of world population and up to 80% in all fall on the countries of “gold billion”. The question is about the natural resources such as fuel, ore, earth, water, and wood. The scantiness of resources on the planet creates the great problem for world economic development, including in the context of liquidation of gap in the economic levels. In order to raise the standard of living of the majority of the world's population to the current level of the Western countries, it would have to increase the volume of resource consumption by 20 times. And this exceeds the maximum environmental capacity [4, p. 50].

It should not be considered that the irregularity of development between the developed countries and developing ones is only a consequence of globalization process. There are more reasons and they are quite serious. It is also a difference in the initial and starting development levels: the former colonies were either absolutely non-industrialized or had only sprouts of industrialization in the moment of finding the independence (mainly the 40-60ties of the last century). It is also “a population explosion” which peak has fallen for these countries on the 80ties of the XX century; population growth in many countries outpaced the rates of GDP growth. The lack of qualified personnel, social disturbances and regional wars lasted within decades and corruption of officialdom and ruling clique are other reasons.

At the same time, there are also positive tendencies observed in the economic environment of developing countries. The structure of their economy has improved. At present, a part of manufacturing industry in the material product increased up to 61% and a part of agriculture decreased up to 17%. The volume of industrial product of this group of countries has increased in 6.8 times while it has increased in the developed countries only in 3.5 times for the last 40 years. The volume of real GDP of developing countries has increased in 3.8 times and one of developed countries has increased in 1.9 times for twenty five years [4, p. 51].

The achievements of developing countries became possible in many respects due to the globalization. The foreign investments into the economy of these countries are accompanied by the implementation of advanced technologies. The TNCs transfer there considerable capacities of labor-intensive and resource-productions. The “new industrial countries (NIC)” took advantage of it most effectively. Taiwan, Singapore and China are ahead of developed countries in the rates of GDP growth per capita from 2.5 to 3.2 times and India, Vietnam and Philippines - from 1.8 to 2.1 times. However, the situation in the less developed countries (there are 49 countries having 10% population of the world) is much worse. The income per capita here is slowly growing or even reducing. They have neither natural resources being attractive for investors, nor qualified personnel who could master the modern technologies. These countries need a special assistance of world community, in particular, through the UNO structures and international organizations. The benefits in the external trade and soft loans are provided to them.

Part 2. Typological structure of world economy

Each of more than two hundred countries of the world has its own unique character, differs from others in political, economic, demographic, cultural, and other signs. A variety of the world in national structure, social and cultural characteristics enriches it as the total holistic system. However, the certain countries can be united on some important general characteristics. It is even necessary for implementation of the scientific analysis of world economy in general and economy of the certain country.

There are some ways of classification of the countries depending on the chosen criterion. It is possible to allocate the groups of the countries according to the territory sizes (big, small, the states-dwarfs), according to population, socio-political organization (monarchies, republics), according to the level of economic development and geographical position. As we have already found out in the first part it is advisable to use two schemes: typological and regional. First of all, we will consider typological structure of world economy, according to which all countries of the world are divided into three main groups: developed countries; developing countries; countries with transition economies.

2.1 Economy of developed countries

The group of developed countries embodies the achievements of world economy. These countries have the greatest volumes of GDP, especially per capita, high labor productivity level, the difficult production technology. According to the classical scheme this group consists of 24 countries. They control the most part of world flows of the capital together.

Despite a small share in the world population (14.9%), the developed countries focus 51.1% of world GDP, export 52% of goods and 78% of services in international trade. The developed countries, first of all Group of Seven, take key positions in such influential international organizations as the IMF, the World Bank, the World Trade Organization, the majority of regional development banks, various funds of development. This group of the countries is a nutrient medium for the creation of TNCs and TNBs. The developed countries, based on their economic and political power, the international authority, form and embody the mechanism of a modern world economic order into the international relations. They are “legislators of fashion” on the latest economic models and technologies. They are the samples, which less developed countries seek to reach. More often the group of the developed countries is called the “Golden billion” in mass media - not only because the number of their population makes about one billion people, but because of primary consumption of natural resources (60%) [2, p. 44].

2.1.1. Determining differences of developed countries

Attention to the fact that in group of the developed countries (as well as in other groups) there are considerable differences in the levels of development has drawn in the previous part. It is enough to compare the economic potentials of the first three (the USA, Japan, Germany) with the three of outsiders (Portugal, Greece, Israel); a gap on per capita indicators of GDP between them is double. However there are such peculiar features which unite these countries in integral group of the developed.

The main formal indicator separating the developed countries from others is the size of GDP per capita. It averages (on purchasing power parity) 40 thousand dollars at the average world size of 11.5 thousand dollars. Except for small group of oil-producing countries and “East Asian Tigers” any of developing countries doesn't reach on this indicator of level even the Greece where it makes 25.8 thousand dollars. The high rate of GDP is a consequence of long development of the economic relations which stages outpaced the stages of development of other countries in time. On a way of production the developed countries are ahead already more the half-millennium. Such situation is caused by historical and economic circumstances. In the XIII-XIV centuries in Northern Italy (Genoa, Venice, Florence) external, so-called Levantine, trade in the Mediterranean Sea considerably quickened. The Italian merchants were resellers between the Arab-Byzantine East, which was rich at that time and feudal Europe. Venetians, in particular, bought up spices and expensive fabrics in Constantinople and sold them to the European barons, and even to the kings. They traded also salt, wine. Trade very enriched the Italian merchants and caused a push to economic boost to the Northern Italian cities and further development of the economic relations. The first exchange in the world arose in Venice; there was also developed technique of banking and commercial exchange. Venetians developed modern system of account (simple and double) and system of a public debt.

The heyday of Northern European trade, so-called hanseatic trade, was in the XIV-XV centuries. The German cities which gravitated to the Baltic Sea, especially Lubeck, Hamburg, Bremen, formed the trade union - Hansa which carried out successful trade with the internal German states, the Scandinavian countries, Novgorod and London. The Hanseatic traded in furs, resin, wood, iron, fish, honey, wax, hides, and flax. From the inventory of goods it is visible that Hanseatic trade had bigger economic value, than Levantine, because it covered not only luxury goods, but also consumer goods, and also producer goods.

The third trade way went along Rhine; it connected Hanseatic and Levantine trade. The cities of Bruges, Cologne and other gained a fast development on this way. Fair activity was developed. Goods from all Europe, and also from the East arrived to them. Champagne fairs in the northern France had the greatest value. The French merchants brought there cloth and wines, Italian - spices and silk, German - furs, cloth and metal products; wool, tin and lead arrived there from England.

Thus, the heyday of trade paved the way for further development of the economic relations in feudal Europe. Trans-European trade relations gradually pulled together the people of this region, formed the national markets. Parts of these markets already constantly were focused on the foreign trade. Trade traditions and standards of the all-European value were formed. Strengthening of trade relations was promoted, in a certain degree, by confessional proximity between the people, as the Christianity captured almost all Europe.

Trade development, growth of the cities as trade and craft centers accelerated emergence and distribution of capitalist manufactory. It was the next important stage in development of productive forces of Western Europe which strengthened its economy very significantly after trade. The manufactory took root in cloth and metallurgical branches especially successfully in the XIII-XV centuries. Northwest Europe - Flanders, Brabant, part of Northern France entering the Netherlands - was the most developed industrial region in those days. Flemish cloth was spread across all Europe. It didn't have competitors on quality for a long time. Gradually manufactory production of cloth was extended also in England, Florence. Iron, silver, bronze were made on manufactories in the German principalities and in Czech Republic.

Disintegration of the feudal relations which has intensified in the XVI century, strengthening of absolutism and especially great geographical discoveries gave a new push to development of productive forces of the European countries. The economic powers of the Netherlands, Spain, Portugal and England grew with transfer of trade ways on oceanic spaces. Volumes of trade were increased many times over; there were powerful trading companies for trade with India (The Dutch and English East Indian Company) and other eastern regions, and the American colonies. There was a commodity and stock exchange in Antwerp in the XVI century, at which was carried out the international operations with bills, bonds of the state loans, colonial goods and currency. Amsterdam becomes the trade capital of the world in the XVII century, the trade role of London were grown in the second half of the XVII century and in the XVIII century.

Monarchs of the countries of Europe, especially France, Spain and England encouraged development of the industry, supported manufactories and the trading companies, rendered them various privileges in line with mercantilist policy in the age of absolutism. Manufactory production was the dominating form of the industry in Western Europe to the middle of the XVIII century, whereas production was at the craft stage in the East. At this time economic advantage of the West over the East was already obvious, it was embodied in political and military superiority that led to formation of huge colonial empires.

The acceleration of economic development of Western Europe was increased by transformations in the spiritual sphere; Renaissance and the Reformation had particular importance in this respect. The Renaissance (XIV century - XVI century) promoted the disclosure of creative opportunities of the person, belief in his will and intellect. Ideas of the Renaissance objectively met requirements of the arising bourgeois society. Reformation (XVI c.) had the distribution of Protestantism in Northern Germany, the Netherlands, England, and in the Scandinavian countries, as its consequence. An important feature of this confession was encouragement of “enterprise spirit” in the person, underlining of honest work, thrift. These ideas of Protestantism caused considerable influence on the further course of economic history of Europe and not only Europe. Natives of the Protestant countries (first of all British but also Dutches and Germans) formed colonies of resettlement type which turned into the developed countries then - the USA, Canada, Australia, New Zealand and in a certain degree the Republic of South Africa. The immigrants brought the European culture of production with themselves that was the most advanced in those days.

The industrial revolution which began in England in the middle of the XVIII century and soon thrown to France, the Netherlands, Belgium, Austro-Hungary, and other countries of Europe and North America belongs to the major events which accelerated the economic development of the Western European countries. Transition from the manufactory to mechanical production in tens times increased labor productivity for rather short period of time. It had crucial importance for the statement of economic superiority over other countries of the world.

Technical re-equipment of economy happened unevenly among the countries of Europe, however it came to the end in the last quarter of the XIX century in the majority of them, whereas complex introduction of machine means of production began only with the middle of the XX century in the countries of Africa, the majority of the Asian countries and in some Latin American countries. Thus, the developed countries outstripped “the third world” technically almost for century.

Industrial revolution thanks to intensive development of communications (the railroads, cars, communication) promoted still bigger economic rapprochement of the countries and also Europe with Northern America, Australia (in particular with development of air transport). Thus, conditions for economic integration of the developed countries and distribution of a uniform way of production were developed. The USA, Great Britain, Germany, France, Austro-Hungary, “the small capitalist states of Europe” - the Netherlands, Belgium, Switzerland, the Scandinavian countries were the most developed countries of the world at the beginning of the XX century. Spain, Italy, Portugal, Greece were slightly behind. As for Bulgaria, Romania, Serbia, their lag was essential; technical re-equipment began there with delay and the market relations were developed poorly, therefore their accessory to the “club of developed” was under a big question.

Industrial revolution in Russia was finished at the end of the XIX century. The agrarian reform of 1861 and Stolypin’s reform promoted fast capitalization of economy. The Russian Empire had the highest indicators of growth of an industrial output in Europe in 1900-1913. It took the fifth place in the world on GDP volume and though per capita indicators of the Russian economy were much lower than in the Western European countries (GDP per capita in the Russian Empire was 1220 dollars in 1900, whereas in the USA – 4100, Germany – 3135, Great Britain – 4600, France – 2850, Spain – 2040; however in Italy it was not much higher – 1715, and in Japan even lower – 1135 dollars), nevertheless the Russian Empire was in the group of developed countries [8, p. 46]. After revolution of 1917 the basic change of the way of production was carried out, and the economy of the USSR was developing in other way.

The only country which became developed on its own basis is Japan. The defining event for its economic development was “Meiji's revolution” in 1868 which cancelled feudal orders, cleared away ways to the market relations. Despite traditional centuries-old suspiciousness of Japanese to foreigners, the Japanese bourgeoisie quickly mastered advanced technology of the USA and Europe and Japan turned into the industrial state at the beginning of the XX century, though industrial revolution finally ended here only after World War I.

The economic superiority of the developed countries in a certain degree was fed by the resources of their colonies. Colonial empires were created by Great Britain, France, Spain, Portugal, Italy, the Netherlands, Japan, Belgium, Germany, the USA. Thanks to colonies the developed countries had cheap raw materials and monopolistic positions on sales markets of the goods. However, probably, we shouldn’t only negatively interpret the economic policy of mother countries concerning their colonial possession. Objective course of the development of world economy demanded the construction of industrial facilities, creation of production infrastructure on the territory of the dependent countries for the purpose of more effective use of resources. So, for example, quite wide railway system, locomotives, cars, rails, other metal production were made, power plants were constructed in the first half of the XX century in India which was a colony of England. Gradually the effect from the exploitation of colonies was decreased. Consumption of raw materials was relatively reduced and their value for production significantly fell under the influence of scientific and technical revolution. Expenditures on the creation of administrative apparatus and the troop in the colonies became less and less covered by benefits from the exploitation of local resources. Therefore the colonial empires collapsed not only because of the liberation movement of the oppressed people, not only under the influence of intensification of the democratic forces in mother countries, but also because the exploitation of the colonies became economically unprofitable.

Scientific and technical revolution gave a new impulse for economic development of the developed countries. Scientific and technical progress comes out and extends from these countries as they have for this purpose both necessary material resources and the developed scientific potential. There is even more accurate differentiation of the developed countries and outsiders under the influence of scientific and technical progress. If in general the distinctions sometimes are smoothed out on the indicators of GDP and industrial production, the technological gap increases. It has crucial importance during an era of transition to a post-industrial stage of development.

Integration processes, particularly among the industrialized states has greatly increased since the second half of the twentieth century. Successful evolution of the Western European countries within the European Union testifies that economic integration is effective among the developed countries. Experience of the EU showed that rapprochement, alignment of the key economic parameters of member countries are carried out in the process of integration. Especially it is visible on the example of Greece, Portugal, Spain and Ireland which were considerably behind the “classical” industrial states both on absolute, and on per capita indicators in the 1950s. Their belonging to group of the developed countries doesn't raise doubts in our time.

Historical and economic features of formation of group of industrially developed countries explain why these states create the specified group, what circumstances caused its structure. Along with economically common features the group of the developed states was united also by political and even by traditional factors. So Greece and Portugal couldn't be compared with other Western European states by the level of economic development at the beginning of the XX century, however they were united by a community of historical and cultural development.

The community of historical and economic development is an outer environment where the group of developed countries has been formed. The inner environment is stipulated by the **mode of production**. The high level of development of commodity production and market relations is inherent in all the countries of this group. The commodity relations also apply to labor force. The absence of non-economic compulsion is an important feature of this mode of production which is traditionally called a capitalist one by many researchers and politicians. The economic processes are regulated by commodity-money relations. The main purpose of production becomes profit.

These features characterize the market relations as a whole. The market economy is reigning today in the majority of the countries in the world and is functioning according to the mechanism which principles have been laid down as early as XV-XVI centuries. However, the developed countries are notable for a high degree of maturity of market relations. As it has been noted, the process of production and capital concentration, supremacy of oligopolies, development of national monopolies into the transnational ones and formation of transnational banks takes place in their economy.

The overwhelming majority of TNCs has their own headquarters in developed countries. Over 800,000 foreign subsidiaries of TNCs which belong to 63,000 mother companies are numbering in the world today; 79% of mother companies are located in developed countries. The TNCs provide about 50% of world industrial production, over 70% of world trade are inherent in them, 40% of this trade occur within the TNCs at transfer prices. Over 80% of registered patents as well as about 80% of financing of research and development are inherent in the TNCs [8, p. 48].

The intensive development of **information systems** has an importance for the post-industrial stage of economic development. The part of investments into information and communicative technologies of developed states is growing every year and makes from 5% to the GDP in Japan and Italy to 7.7% in Sweden.

The high level of development of **social sphere** that is expressed in high average income of population, substantial expenses for provision of pensions, education, public health and protection of the environment is a defining feature of developed countries distinguishing them from other ones. It is important that the tendency of increase in expenses for social needs and in the income level of population has become rather considerable for the last decades.

The so-called **human development index (HDI)** can serve as a generalizing criterion of social security level of population in the country. It is calculated as a weighted aggregate of the average per capita of income, salary, purchasing capacity ("consumer basket"), level of education, medical care etc. The maximum value of HDI equals to 1.0. According to this index, the developed countries are in the lead. The top ten leaders include Iceland, Norway, Australia, Canada, Ireland, Sweden, Japan, the Netherlands and France. For comparison: Russia occupies the 67th place, Belarus – 64th, Ukraine – 76th and Moldova – 111th one. Guinea-Bissau (175th place), Burkina Faso (176th place) and Sierra Leone (177th place) take the last places [8, p. 50].

The high living standard in the developed countries is stipulated by powerful development of economy as a whole and social policy that is carried out.

2.1.2. Dynamics of economic development of developed countries

Within all the period of existence of developed countries their economy has unevenly developed. One state, then another state occupied the leading positions. Since the middle of the XVII century to the first half of the XIX century the indubitable leadership has belonged to Great Britain that has been considered "workshop of the world" for a long time. Since the middle of the XIX century the USA, that occupy the leading place till present, have come out in first place in the global economy. The positions of Great Britain were gradually weakening. Germany has been coming to the fore in Europe in the last quarter of the XIX century, France has been doing the same since the sixties and then Japan is appearing there.

The United States reached the highest share in the world economy after the World War II. Then they produced 51% of industrial production of non-socialist world. This situation was established under the influence of many reasons, which will be discussed further. But one of the major causes is that on the territory of USA the military operations have not carried on for any of world wars; the American companies were enriching themselves in military supplies to the warring countries. The USA concentrated a considerable mass of world gold stock. The transition to the gold exchange currency system (according to the decisions, firstly, of Genoa Conference and, then, of Bretton Woods Conference) equated the dollar to gold in the international monetary relations. This consolidated even more the positions of the USA in the world economy.

However, the share of the USA in the world production was gradually beginning to reduce under the influence of competition of Western European countries and Japan. The Western Europe has been restored after the World War II by the middle of the 50ties already. On one hand, it was a consequence of the American assistance according to the "Marshall Plan" (allocation of credits and investing into the economy of European states) and, on the other hand, it was an efficient economic policy of state leaders in these countries. Ludwig Erhard, chancellor of FRG, is called the father of “German miracle” which has become apparent in the unexpected spurt of the country on the way of economic development in the sixties. Robert Schumann, the French Prime Minister, and Jean Monnet, Chairman of the Commissariat on Planning and Administration in the government of France, developed and realized the idea of foundation of the European Coal and Steel Community (ECSC) which afterwards was changed into the European Union.

The incredibly high rate of development of Japan in the 1970s became the even greater “economic wonder” that soon put it on the second place in the world. Here one can also detach two main factors among the factors of rapid development: the American investments and internal policy of the government. The USA “fed” the economy of Japan, especially in the 1950s, during the war in Korea when they placed military orders at the Japanese enterprises. The home policy of government of Japan was rather flexible and efficient. Particularly, the government actively encouraged the purchase of foreign licenses and «know how» by the Japanese companies that permitted Japan not to lose its speed in the technological development.

In the past two decades the definite equalization of positions of developed countries and rapprochement of their rates of development have been observed. It is especially characteristic for the 1990s. The economic cycles periodically contributing to the increase and decrease in rate of economic growth exert a certain influence on the development dynamics. The phase of decrease often results in the crisis. The deepest crisis in the history of developed countries was observed in 1929-1932 when their aggregate GDP fell in 17.7% and export did in 25.3%. There was a deep crisis in 1945-1946 which influenced the decrease of GDP in 11% [8, p. 52]. In the post-war period the economy of developed countries was developing more quietly: the crises have no longer been so deep. The crisis in 1974-1975 connected with sharp rise in prices for petroleum as a result of purposeful action of countries of OPEC was appreciable. At that time the industrial production of industrial countries reduced to 5%. In 1981-1982 the regular crisis decreased the output of industrial production in 4% [6, p. 52]. The posterior crisis was in 1997-1998 but it mainly stroked the countries of Southeast Asia and touched little of developed countries of Europe and South America.

In the 1990s the economy of developed countries was developing more slowly than in the previous decades. The peculiarity of this period is a resolute movement of economy of the USA (except 1991) and braking of the rate of economic growth in Japan (Tab. 2.1).

Table 2.1

GDP Growth Rate (in % to the previous year)

Countries	1991-2000	2001-2005	2008	2009	2010	2011	2014
World	**...**	**3.8**	**3.2**	**-1.0**	**4.6**	**3.7**	**4.8**

Developed countries	**2.2**	**2.1**	**1.6**	**-3.9**	**2.3**	**2.8**	**2.8**
The USA	3.1	2.6	1.3	-2.4	2.8	2.2	3.9
Canada	...	2.5	0.6	-2.5	3.0	3.0	4.0
Great Britain	...	2.4	0.7	-4.3	1.6	2.8	4.0
Germany	...	0.7	1.3	-5.0	3.3	4.5	3.1
France	...	1.6	0.7	-2.1	1.6	2.5	1.8
Italy	...	0.7	-0.7	-5.0	1.1	2.5	1.0
Japan	0.9	1.2	-0.4	-5.7	3.0	1.2	1.4

Reference: [2, p. 45+https://ru.wikipedia.org]

Since 2002 the situation in the economy of developed countries has been somewhat leveled, the development rate have been growing and they are still under the average world one. The globalization mechanism is acting in such a way that the decrease of economic activity in one of world centers of economy is negatively reflected on other ones. So, the 1% reduction of growth rate of GDP in the USA provokes braking rate of the GDP by 0.2-0.4% in Western Europe.

In 2008 the world economic crisis began, which was conditioned (except the recurrence of economic development) by high prices for hydrocarbon feedstock and food-stuffs; mortgage crisis in 2007 in the USA and some other countries which had entailed bankruptcy or nationalization of a few large bank institutions and increase in unemployment. The crisis spread very soon all over the world. However, it became the most appreciable for developed countries and countries with transition economies. If the average world decrease in the GDP in 2009 made 1.0%, it was 2.4% in the USA, 5.0% in Germany and Italy and 5.7% in Japan. Since 2010 the world economy has been gradually coming out of the crisis but the economic restoration rate of developed countries is not high. In 2014 the signs of deceleration appeared again in the economy of this group of countries.

In spite of slowing down of economic growth rate at the turn of two centuries, the positions of developed countries remain rather firm in the world economy. Their gap with other countries in the main economic indices is very big. The dynamism of the economy of developed countries is stipulated by certain development factors among which the expansion of markets of direct and portfolio investments takes a determining part that, in its turn, is due to the growth of consumers' and industrial demand in these countries. The international movement of investments the main mass of which just belongs to the developed countries is of particular importance.

The peculiarities of development dynamics of economy of developed countries in the second half of the XX century, as it has already noted, resulted in the reduction in the share of the USA in the world production and increase in the share of Japan as well as of the countries in the Western Europe. However, there was no fundamental change in positions. The USA remains the leading state in the world in almost all major absolute economic indices. And if the EU is considered as a common economic center, it leaves behind the USA in the volume of external trade. If even one excludes the mutual trade of the EU countries, then its part in the world export will also exceed the export of the USA: 18.8% and 16.4%, correspondingly. The integration of Western European countries within the EU gave an impulse to their economic development. The abolishment of customs taxation in the mutual trade, free movement of capital and manpower, substantial strengthening of industrial cooperation and, at last, political amalgamation, contributed to the expansion of internal market in the Western Europe. The openness degree of the EU economy is higher than one in the USA and Japan. If in 2014 the export quota made 9.4% in the USA and 14.9% in Japan, it was 22.8% in France, 33.0% in Great Britain and 41.4% in Germany.

The USA is in the lead in the industrial development. Its part in world industrial production makes 16.6% while it is 6.9% of Japan and 5.4% of Germany.

Thus, the developed countries form three **centers of world economy:** the USA, Western Europe and Japan.

2.1.3. Features of economic structure of developed countries

The post-industrial phase of economic development which the developed countries have achieved is notable for, as it has been noted, outstripping growth rate of sphere of services while substantially slowing down the production rate in the agriculture and mining industry, i. e. in the primary sector. The share of manufacturing industry also decreased, but the role of this branch remains leading, despite the fact that it yields to the services in cost volume in the GDP structure. The Table 2.2 is giving an idea of economic structure of developed countries in 2014.

Table 2.2

Structure of the economy by sectors in 2014, % to the GDP

Country	Agriculture	Industry	Services
The USA	1.2	22.1	76.7
Japan	1.4	24.0	74.6
Germany	0.8	28.1	71.1
England	0.7	21.6	77.7
France	1.7	18.5	79.8
Italy	1.9	25.2	72.9
Canada	1.9	27.1	71.0
Sweden	1.8	27.3	70.9
Portugal	2.5	22.8	74.7
Spain	3.2	25.8	71.0

Reference: [2, p. 47 + http://ubiznes.ru/top]

Despite a small part of **agriculture** in the economy, this branch is high-industrialized in the developed countries and provides the needs of that group of countries in foodstuffs and raw material. The USA, for example, occupies the second place in the world (after China) in the production of cotton, sugar-cane and beet. The USA and Canada are as the largest grain exporters; Australia – wool and meat; France – grain, sugar and wine; the Netherlands, New Zealand and Denmark – dairy produce and Italy, Portugal, Greece and Spain – citrus plants, olive oil and wine. The productivity of agriculture in the developed countries is few times higher than in other countries. At the same time, the developed countries are the largest importers of agricultural output such as meat, cotton, hides and skins, coffee, tea, cacao and other produce of tropical farming that is conditioned by the wide internal consumers' market and high purchasing capacity of population.

The developed countries are the major producers of **industrial production.** The branches of manufacturing industry are developing at an outstripping rate and the development of extractive branches has been considerably slowed up. For a period of 1956-1999 the volume of world production of finished products increased by 7.8 times and the volume of world production of product of mining industry increased only by 3.3 times. In the aggregate value of industrial production of the USA the share of extractive branches makes 6.4%, Japan – 8.8% and Great Britain – 8.7% [2, p. 48]. The well-being growth of population of these countries increased the demand for industrial product of consumers' nature about complex production, especially domestic electronics. If in the 60s-80s the demand for televisions sets, radio receivers, and washing machines was quickly growing, since the 90s the personal computers have been coming into the life even more and telephonization has been impetuously developing.

The mechanical engineering is the leading branch in the manufacturing industry of production direction. The equipment for industrially developed countries is the major item of export and import. So, in the export of the USA its part makes 49%, in the import – 46%; in ones of Germany – 49% and 34%, correspondingly; France – 36% and 36%, Great Britain – 41% and 38% and Japan – 71% and 20%. The electro-technical and electronic production such as electric motors, electronic equipment, communications units etc. are especially actively developing today in the mechanical engineering industry. In the EU countries 10% of all the manufacturing industry in the region is inherent in the electro-technical and electronic equipment. “Siemens” (FRG) and “Philips” (the Netherlands) are the famous companies in the field of electronics. However, the Western Europe yields to the USA and Japan in the development level of electronics. Even on the European market the key positions in deliveries of data processing equipment and domestic electronic equipment belong to the American companies and ones in deliveries of electronic components and domestic electrical appliances do to the Japanese companies.

The traditional branches of mechanical engineering such as machine-tool construction and production of means of transport and power equipment are developing at somewhat slower rates; however, their importance in the economy of developed countries remains significant. Germany occupies the first place in the world in the export of metal-working machine-tools. Japan, the USA and Germany occupy the first places in the world production of automobiles. The great share in the economy of the USA belongs to military industrial complex (MIC) with which the production of space technology, arms, aircraft construction and electronics are connected. In particular, the American companies “IBM (International Business Machines)”, “Microsoft” and “General Electric” play the leading part in the world production of electronic equipment which is also used in the MIC.

The forming of communications network is an obvious example of the development of **service sector. T**here were 51 million telephones in the world in 1950. And now their number exceeds 1 billion telephones. Over 1 billion persons in the world use Internet today.

The high dynamic development of the service sector is supported by the considerable inflow of investments (it is sent at it over 50% of all the volume of investments).

The sphere of services subdivides into the consumers and industrial sectors. The public utilities, urban transport and communications, tourism, hotel industry, entertainment industry etc. are related to the consumers sector. The services of credit and financial institutions, marketing, leasing, insurance, construction, transport network as a whole, telecommunications and services of scientific-research companies are related to the industrial sector, or business services.

The credit and financial services are especially quickly developing in the industrial sector. The American and Japanese banks are leading ones. Such famous banks as “Chase Manhattan Bank” and “Citicorp” are controlling a considerable part of world loan capital market. There are also many famous banks in the world community among the European banks.

The stock exchanges mainly located in the developed countries are actively functioning. The quick development of such a kind of services as research and development and information science is a characteristic feature of economy of developed countries in the last decades. The investments into scientific-research and experimental-design developments (research and development) grow every year and reach significant sums in the leading industrial states. Each solid company of the USA, Japan or any European country has a science laboratory or the entire network of research institutions. The changes concerning the sources of investments took place in the investments into the scientific developments. If in the 60s-70s the initiative regarding the support of science and technology came from the governments, since the late 90s the private companies became the main investors. Their part in the financing of research developments in the industry makes 74.5% investments into this sphere in the USA, 98.6% ones in Japan and 90.1% investments in Germany. The investments into the scientific sphere became a very profitable thing and obtained international character (80% of financing of research and development, for example, is inherent in the TNCs).

So, the structural changes in the economy of developed countries are stipulated by the course of scientific and technical progress and deepening of international division of labor. The share of old and traditional branches such as agriculture, extractive, light and food industries decreases in the structure of their national economies. At the same time, the share of high-technology and capital-intensive industries grows and the role of information science and scientific research strengthens. The developed countries have exclusively big superiority in the personnel of scientists and qualified engineers, workers, in the capital compared to other countries in the world, so their role in the world economy will be also considerable in the perspective.

2.1.4. The economy of the United States of America

The United States of America is the most developed country in the world, one of the largest in territory and number of population. The area of its territory is 9.4 million km2 (the fourth place after Russia, Canada and China) and the number of population is 313.85 million persons (the third place after China and India). The GDP of the USA equaled to 17,419 billion dollars in 2014 (the second place after China). The share of the USA in the gross world product (GWP) reaches 19% based on PPP; if one counts at the current rate of exchange, it reaches 21.5%. The specific gravity of the USA in the world industry is 18%.

These figures, though abstractly, characterize the enormous power of economic potential of the USA. Its influence on the world economy is so considerable that even small recessions in the American economy adversely affect the economies of many countries in the world. And, on the contrary, the economic recession of the USA means the expansion of its market, including one for import that contributes to the reviving of conjuncture of many commodity markets. The part of the USA in the world commodity export makes 8.4% (the third place after China and the EU) and 13.2% in the import (the first place among world importers). Thus, the internal market of the USA is very attractive for businessmen from other countries. The American market is an important factor of development of national economy for some even developed countries, for example, over 30% of commodity export from Japan is directed to the USA. The part of the USA in the external trade of services is also substantial: 15% in the export and 13% in the import [2, p. 50].

The huge economic potential of the USA determines its political might which is also expressed in the international economic relations. The influence of the USA on the activity of such organizations as OECD, the World Bank, IMF, Economic and Social Council of UNO and WTO is indisputable. So, the admission or non-admission of any states to the WTO just depends, in the first instance, on the position of the USA. They initiate the policy of economic blockade of states which, in opinion of the American government, threaten the national security of the USA or break the international principles of democracy (Libya, Iraq, Yugoslavia, Afghanistan and Syria are among the latest examples) through the mechanism of NATO where the USA are also a leader.

The USA has the biggest part of installments in the funds of authoritative international organizations: in many organizations of UNO system, in the World Bank and IMF. In some cases the number of votes which the state has in the course of taking of important decisions depends on the part of deposits. For instance, in the IMF the USA has 18% votes, while Japan and Germany have 5.5% and France and Great Britain have 5.0%. There is also a similar situation in the International Bank for Reconstruction and Development where the quota of the USA makes 17%. And though the USA cannot blockade the adoption of decision undesirable for itself alone, the weight of its vote considerably influences the voting. The activity of some organizations of the UNO system appreciably depends on deposits into their funds, so the position of the USA with the largest contributions is of great importance for them.

The economic structure of the USA is a typical demonstration of post-industrial stage of state development: the services which share makes 76.7% of GDP are the leading sphere.

The service sector covers transport and communications, trade, finances and credit, insurance, public catering, industrial and domestic services, tourism, education and public health, science and state administrative apparatus.

Over 25% of sphere of services are inherent to the financial services, insurance and real estate business, 22% – to trade, 26% – to business, legal and social services, 8.3% – to transport and communications and 18.5% – to public administration [8, p. 61]. Lately, the development of consulting, marketing and management services as well as new information technologies gained in a priority importance. The service sector provides 80% of the whole increase in employment in the country.

The finance and credit are one of dynamically developing trends of services in the USA. New York is the leading financial center of the world economy. The New York stock exchange is the largest in the world. The role of this city is especially great in the emission of shares and bonds as well as in the trade of securities. The share of market capitalization of listing companies of the USA makes 31.4% on the world market of shares.

The United States has a very capacious internal capital market absorbing not only national but also foreign capital. The inflow of FDI is considerably fluctuating from year to year: in 2003 the minimum volume of FDI into the economy of country has been marked – 64 billion dollars; the volume of FDI reached the maximum value in 2008 (328 billion dollars). In 2010 the volume of received FDI made 194.5 billion dollars and in 2014 it was 188 billion dollars. Switzerland, Great Britain, Japan, France, Germany, Luxemburg, the Netherlands and Canada are the most active investors into the economy of the USA. 84% of FDI are inherent in them. A considerable part of FDI which have come is directed to the manufacturing industry in the USA, particularly, 41% of total volume of FDI is coming to the industrial sector. The wholesale and retail trade (21%) is on the second place. A low percentage of investments are coming to the construction and transport [2. p. 52].

The volume of received portfolio investments also changes every year. If in 2009 it made 220.9 billion dollars, in 2010 – 172.4 billion dollars and in 2014 – 164 billion dollars.9{http://www.vestifinance.ru/articles/49627}

The USA is the largest creditor on the world capital market. Such famous banks as “JP Morgan Chase”, “Wells Fargo”, “Bank of America”, “Citigroup” and “US Bancorp” form the leading cohort of the largest world banks.

The external trade is one of the main motive powers of economic development of the USA. In 2013 the USA occupied the second place in the volume of exports of goods after China (1.6 trillion dollars) and the first place in the volume of imports (2.3 trillion dollars). The passive trade balance is being formed at the expense of negative balance in the trade in raw material and fuel and also finished goods. The USA has an active balance only in the advanced technology trade. The balance of trade in services has been active within 20 years (in 2013 the USA exported services by 687 billion dollars and imported them by 462 billion dollars).

Though **the industry** of the USA yields in the part in the GDP, it is the powerful one in the world. 20% of the world production of industrial goods is inherent to the USA. The productivity of labor in the American industry substantially exceeds the corresponding index in the main competitors. The statistics of the USA divides the industry into extractive and manufacturing ones and power engineering. The share of manufacturing industry makes over 80%. At the same time, the USA occupy the first place in the world in the production of electric power and is also a member of the leading group of countries in the output of coal, oil, gas and ores of ferrous and non-ferrous metals. The provision of the American industry with its own source of raw materials strengthens its «rears». However, the major factor of development of industry of the USA is the following: wide internal market, high-quality competitiveness of the American goods; leadership in research and development and stable positions of the American TNCs on the world markets of industrial goods.

Practically all the branches and types of production entering the industrial spectrum of modern economy are highly developed in the USA. But the specific gravity of individual branches has notably changed for the last decades of the XX century. The role of such old industries as textile and metallurgical ones has reduced. The USA yielded its positions in the production of ferrous metals to China and Japan. Even such a traditionally «American» industry as automotive industry which has symbolized America is not already priority one in its development rate, the Japanese also left the Americans behind in this industry.

At the same time, the aerospace and electronics industry, production of new materials, laser technology and robotics are rapidly developing. The highest income is obtained in the electronic and electro technical industry. Just investments into the newest technologies provoke a high growth rate of the American economy. More than a half of all the investments into the industry are spent on the purchase of computers and informatics tools.

The share of investments into information and telecommunication technologies makes 3.2% of the GDP. According to “FT Global 500”, the companies “Apple”, “Microsoft”, “IBM”, “Oracle” and “Google” are the leading ones in these industries. Every decade the expenditure for research and development in the USA are doubled.

The agriculture of the USA makes the largest volumes of output in the world. The country occupies the second place in grain and meat production (after China). The share of the USA on the world food market makes 15%. They supply 50% of corn, 20% of beef and a one-third of wheat to the world market. They are the largest producers of soy-beans and citrus plants and belong to the leading countries in cotton and sugar-cane picking. The USA is a net exporter of foodstuffs.

The agriculture of the USA is rather industrialized, equipped with modern machinery and appliances and has a high productivity. The scientific and technical progress also penetrates rather successfully in this sphere of the American economy; the achievements of biotechnology, up-to-date agricultural engineering and progressive methods of management are being implemented. At the same time, the agriculture is under the special protection of the government, farmers receive the grants from the budget; they have tax incentives and subsidies for export. The productivity of labor in the agriculture is constantly growing (in 1947 one worker of agriculture in the USA provided 14 persons with foodstuffs and at present he provides 98 persons).

The economy of the USA is characterized by high dynamic development. Though the USA are not deprived of the influence of the economic cycle as all the countries having the market economy, its economic development is relatively more stable compared to some other countries.

Since the middle of the 1980s the economic reforms carried on by the government have led to the substantial turn in the development of the American economy. The quickly growing importance in the world economy of science intensive and high-tech industries of production in which the USA have an indisputable advantage has favored the acceleration of its development and steady raising of estrangement from competitors. The 1990s proved to be especially favorable for the development of economy.

The Table 2.3 is giving an idea of economic development of the USA for the last several years.

Table 2.3

Economic development rate of the USA, %

Indicator	2000	2006	2008	2009	2010	2011	2013
GDP increase	4.1	3.4	1.3	-3.5	3.0	1.5	2.5
Increase in the production	2.0	4.2	0.2	0.2	3.0	4.1	2.5

Reference:[2,p.54+http://finliga.com/review/ekonomika+ https://ru.wikipedia.org]

Since 2008 the economic crisis which, according to experts, can be comparable with the deepest in the history of country crisis of 1929-1933 has been beginning. Especially it affected the financial sector and it influenced particularly on the temporary drop of USD rate. The industrial production has reduced and the unemployment has increased. In 2009 the greatest drop of development rate (3.5%) was observed in the economy of the USA but it was lesser than one in the

European countries. Since 2010 the development rate of the USA has become to increase gradually and they reached 3.9% in 2014. This testifies to the fact that the American economy has proved to be rather stable compared to the European one which experienced the financial shocks.

2.1.5. The economy of Japan

Japan belongs to the most developed countries in the world. In 2014 Japan was the fourth-largest economy in the GDP volume (in PPP) in the world after China, the USA and India (4751 billion dollars). The share of Japan in the GWP makes 5.56% and 8.1% in the world industrial production. Japan is among the world leaders in the production of ferrous metals, electric power, automobiles, ships and especially computer equipment. The part of Japan in the world production of TV sets makes 60%, 14% in steel production and 12% in the production of chemical fibers. It takes second place in the world in tonnage of merchant marine and first place in fish catching. Japan is the leading capital exporter and the largest creditor in the world and its banks are the most powerful on the world credit and financial market. The Japanese finished goods, in the first instance, electronics, are winning the markets of many countries in the world owing to the high quality and reliability. At the same time, Japan absorbs the large volumes of energy carriers, mineral and agricultural raw materials and foodstuffs importing them from other countries. The Japanese foreign trade balance has being reduced with significant positive for the last decades. But in the late XX century the economic development of the country became slower and its rate is notably lower than in other developed countries. Japan found itself before the necessity to carry on the serious economic reforms.

The main share of production in the economy of Japan of pre-war period was inherent in the heavy industry: metallurgy, power engineering, heavy engineering, basic chemistry and petroleum refining. This structure has mainly being remained up to the 1970s of the last century. As in those times the prolonged tendency of price drop for raw material, including mineral one, had formed on the world markets, Japan increase powers in the branches of heavy industry on the imported ores of metals, oil and gas and chemical raw material. Practically not having iron and manganese ores and extracting only copper from non-ferrous metals, Japan has taken second place in the world in melting of steel, aluminum, copper and other non-ferrous metals within almost all the last half a century. It only yields to the USA in capacity of oil-processing plants, though all its oil is coming from other countries.

The mechanical engineering developed at an especially fast rate. If the output in the manufacturing industry has increased as a whole in 11 times for 1953-1971, one in the mechanical engineering has increased in 25 times [6, p. 66]. The relatively cheap manpower generalized the competitiveness of also labor-intensive production: automotive industry, radio and television equipment and light industry. In the late 60ties Japan took first place in the world in the production of automobiles, transistor radio and television sets and later on in the production of metal-cutting lathes. Since the 70ties the external economic situation for Japan has been substantially changing. Firstly, the prices for oil as well as for some other natural resources sharply increase that have had a morbid effect on the Japanese economy; the power- and metal consuming types of production lost the incentive of further development. In 1973-1974 the import prices increased by 2.1 times and by 86% in 1979-1980 [8, p. 66]. Secondly, the developed countries entered into the stage of post-industrial development when the traditional industries, especially metallurgy, heavy engineering and basic chemistry no longer played the leading part. Thirdly, the salary of the Japanese worker increased and reached the level of one in other developed countries and this liquidated the advantage of Japan in the cost price of product at an expense of cheap manpower.

Under these conditions the radical reorganization of the structure of the Japanese economy was required. The energy crisis induced to implement energy-saving technologies. The specific fuel consumption for production of unit of commodity has considerably reduced. The production rate of electric energy and ferrous metals has sharply slowed down. The rise in price of manpower led to the substantial decrease in the share of product of light industry. At the same time, the high-technology types of production, especially electronics and robotics, developed at a fast rate. In 2014 the GDP structure in the major sectors of the economy of Japan was divided in the following manner: agriculture – 1.4%, industry – 24.0% and services – 74.6%.

The employment in sectors differs not much from the GDP structure: 3.9% are inherent in the agriculture, 26.2% in the industry and 69.8% in the services [2, p. 56].

The share of industry decreased compared to the 50s-60s, but it is still higher than in the USA or in Western European countries and the share of services is somewhat lower.

Despite the shortage of crop areas, the agriculture of Japan provides 70% of the country's needs in food. The main cultures are the following: rice, potatoes, sugar-cane and sugar-beet, and citrus plants. The considerable portion of vegetable cultures is grown in the artificial environment. The agriculture is notable for high intensity and crop capacity, high level of chemicalization.

The small farms prevail in the agriculture. The government protects the agrarian sector by the protectionist measures. Only in 1994 the ban on the rice import was removed, in spite of the fact that the Japanese rice is 2.5 times more expensive than the American one and Thai rice is 5 times more expensive.

The industry of Japan is increasingly focused on the science intensity industries. The share of mechanical engineering in the structure of manufacturing industry grew from 30% in the 60ties almost to 60% in the 90ties. The electronics, aerospace machinery, telecommunication facilities and robotics became the priority industries. The share of Japan in the world production of color television sets makes over 60%, robots – 50% and semiconductors – 40%. Moreover, Japan takes first place in the world in the production of ships (52% of world volume), automobiles (30%), tractors and metal-working equipment. Despite the decrease in the role of traditional industries, the positions of Japan are stable enough in the world production of steel (14%), synthetic fibers (12%), rubber, refrigerators and washing-machines.

In the 70s-80s the government supported the depressed industries by rehabilitation: the perspective enterprises were given credits and privileges and hopeless ones were closed. The situation was the most complicated in the following industries: smelting of aluminum and open-hearth steel, production of chemical fertilizers and fibers, shipbuilding, textile and clothing industry. In the 90ties the state refused from the care of non-competitive industries; its products became replaced by imports. To a considerable degree this import consists of goods made in the subsidiaries of the Japanese corporations abroad.

The amalgamation of private enterprises into different associations, cooperatives and unions is a peculiarity of the Japanese economy. Some of these enterprises turn into the TNCs (Tab. 2.4).

Table 2.4

The leading industrial corporations of Japan, in accordance with the data of “FT Global 500"

Corporation	Net profit, billion dollars	Number of employees, thou. pers.
«Toyota Motor»	2.2	320,590
«Honda Motor»	2.9	176,815
«Canon»	3,0	197,386
«Mitsubishi»	2.9	58,583
«Nissan Motor»	0.5	157,624
«Komatsu»	0.3	38,518
«Mitsui»	1.6	41,454

Reference: [2, p. 57]

The trade, financial and banking services, information science, communications and tourism obtained the great importance in the service sector. The role of services connected with the maintenance of production such as consulting, engineering and marketing is growing. Since the middle of the 80ties Japan has become the largest creditor in the world, the total sum of its foreign assets exceeds 1 trillion dollars. Japan had no external debts for a long time; there was positive offset balance. However, since the 90ties of the last century the economic situation in the country has become worse. In 2014 its external debt made 2.8 trillion dollars (57.2% of the GDP). (pydell.livejournal.com/54576.html) At the same time, Japan takes first place in gold and foreign currency reserves which sum makes 1.246 trillion dollars among the developed countries and second place in the world (after China) (as for 1.06.2015) [https://ru.wikipedia.org/wiki].

In the 80ties of the last century Japan took first place in export of direct investments, in the 90ties it yielded to the USA and France and in 2014 it takes second place among the world investors after the USA. In 2014 the volume of FDI outflow from the economy of Japan made 136 billion dollars. The main part of investments is sent to the USA (12.73%), to the countries of West Europe (33.88%) and to the Asian countries (34.12%). The most part of the Japanese investments flows into the chemical and pharmaceutical industry (17.0%), finances and insurance (16.5%), extraction of minerals (14.2%) and wholesale and retail trade (10.7%). 10.6% of the Japanese investments are coming to the world mechanical engineering industry where 6.3% of total investments are inherent in the production of electric machines.

In 2014 the country is still not among the top twenty countries with the highest indicator of FDI inflows [26].

According to the data of "Bloomberg", the companies "Asia Alliance Holdings Co Ltd", "Privee Turnaround Group Co Ltd" and "Sun Investment LLC" are the largest Japanese investors. The latter bought 49% of shares of the Swedish company-producer of motor cars "Saab Automobile AB" in 2012 [2, p. 58].

The credit and financial system of Japan is represented by private and state banks. The Central Bank of Japan and the Development Bank of Japan and a few social financial organizations are directly subordinated to the state. There is a group of the largest banks in the world among the private banks of Japan (Tab. 2.5)

Table 2.5

Indicators of the Japanese largest banks and financial holding companies

Name of TNB	Net profit, billion dollars	Number of employees, pers.
«Mitsubishi UFJ Financial»	4.16	84,266
«Mizuho Financial Group»	2.56	57,014
«Sumitomo Mitsui Financial Group»	2.91	57,888

Reference: [2, p. 58]

The dynamics of economic development of Japan in the second half of the XX century is characterized by change of rhythm depending on the character of economic processes carrying on both within Japan and in the world space. Three periods can be distinguished, which are clearly visible by the rates of economic growth.

The first period covers the 50s-60s which are characterized by very high development rate. In the 50ties the average GDP increase made 15%. It was the time of restoration of the Japanese economy, supply the production with the newest equipment and substantial investments into the industry and agriculture. In the 60ties the accretion slightly reduced but still remained high enough, 11% as an average.

The second period (the 70ties-80ties) is characterized by moderate rate: 3.8%-4.5%. It was already the period of stabilization of mature economy. The low rate in this period is also explained by appearance of the previously mentioned problems: energy crisis and necessity of structural reconstruction of industry.

The third period began in the 90ties and it is noted by extremely low rate of the GDP increase, 1.4% a year as an average, it is considerably lower than development rates of other developed states, competitors of Japan on the world markets (Tab. 2.6).

Table 2.6

Dynamics of GDP and unemployment growth in Japan, %

Indicator	**1990**	**1995**	**2000**	**2005**	**2007**	**2008**	**2009**	**2010**	**2011**	**2014**
GDP growth	5.6	1.9	2.9	1.9	2.4	-1.2	-6.3	4.0	-0.5	1,4
Level of unemployment	2.1	3.2	4.7	4.4	3.8	4.0	5.1	5.1	4.9	4,0

Reference: [2, p. 59 + htts://ru.wikipedia.org]

It seemed that in 2000 the Japanese economy has been already coming out of the stagnation. However, just in the last quarter of that year it showed a regular slump which was also continuing in 2001. The economy was also developing limply in 2002, after that the development rate of economy accelerated and at last the Japanese economy went out of prolonged stagnation. However, the world economic crisis which began in 2008 broke development rate of economy of Japan again.

The unemployment is growing owing to the reduction of volumes of production. Though the unemployment level in Japan is lower than in the majority of other developed states, it has a disturbed tendency of growth. Since 2000, for the first time in the last decades, the unemployment level started to approach 5% of all the able-bodied population.

The economic situation in Japan is characterized by recession due to the sharp slump of investment activity in the late 2008. The government increases state expenses trying to stimulate the economy. The state subsidies helped to improve the situation in the late 2009 and in 2010. But the economic situation was shaken because of strong earthquake and tsunami in 2011. The supplies of power energy became strained because Japan temporarily closed almost all its nuclear power stations. The evaluations of direct expenses for restoration of buildings, plants and infrastructure vary in the range of 235 billion dollars to 310 billion dollars. In 2011 the GDP (in PPP) decreased almost in 0.5%. However, in 2012 Japan began to go out of economic drop and in 2013 it became leader of developed world in economic growth rate (7.9%).

2.1.6. The economy of Germany

Germany is one of the most developed countries; it belongs to the “Group of Seven” of economically powerful and influential states. In 2014 the FRG takes fifth place in the GDP rate (in PPP – 3,722 trillion dollars) (after China, the USA, India and Japan), its share in the GWP makes 3.8%. Germany is the most developed country in Europe. It is the EU «locomotive»; the development rate of the integration association depends largely on the state of its economy. One can assert with confidence that the EU achievements, in the first instance, are based on economic stability of Germany. It has a powerful industry; the FRG takes first or second place in the world in some products of electro-technical engineering industry, machine tools, chemical, optical and mechanical industry.

The FRG depends to a greater extent than the USA and Japan from the state of world market. In 2014 its share in the world export and import made 7.7%. The share of export in the GNP of Germany makes over 20% that is one of the highest indices among the states of the “Group of Seven”.

Germany has a developed scientific and technical base, the expenditure for research and development makes 3% of GDP; but the FRG yields to the USA and Japan in scientific and technical potential.

Germany has a system of social protection of population, one of the best in the world, and high average level of salary. At the same time, in 2014 it took 18th place in GDP per capita (45,900 dollars) but it has a high productivity of labor (68,840 dollars of GDP per one employed) but lesser than in the USA (97,920 dollars), France (74,770 dollars), Canada (74,400 dollars), Japan (66,570 dollars) and Italy (72,650 dollars), though 4.85 times more than in China (14,190 dollars) [2, p. 61]. The high quality of German product to a certain extent compensates its rather high cost price on the world markets.

Germany is a large capital exporter, it is the fifth creditor in volume in the world and in 2014 it took seventh place in FDI export (58 billion dollars) and fifteenth place in FDI import (27 billion dollars).
{http://unctad.org/en/PublicationsLibrary/wir2014_overview_ru.pdf.}

Germany is playing an important geopolitical part, especially in Europe. Being situated in the center of Europe, it has been taking the key positions in the policy and economy in this part of the world for almost one and a half century. Since the second half of the XX century its geopolitical role has been strengthened. It became apparent, most of all, in the leading position of Germany within the EU. Since the 90ties the geopolitical influence of FRG on the countries of the Central and Eastern Europe for which it has been gradually becoming one of the major trade partners and investors has increased. The development perspectives of Eastern European countries depend on the position of Germany in many respects.

Germany is notable for its high share of industry among the most developed countries. The main sectors of the economy have such positions in the GDP structure (%): industry – 28.1, agriculture – 0.8 and services – 71.1.

For a long time the heavy industry has been a basis for industry of Germany. In 1955 its share in all the industrial production made over 73%. The structure of industry began to become transformed gradually, under the influence of scientific and technical progress. The share of coal industry and ferrous metallurgy reduced; at the same time, the electronics, instrument-making, automotive and aerospace industry were developing at a high rate. However, even today Germany is detached in the world economy as one of the leading producers of products of heavy engineering industry and the largest exporter of metalworking machinery and chemical product.

The most competitive industries in Germany are the following: automotive industry, aircraft construction, production of locomotives and carriages, machine-tool construction, instrument-making, electro technical industry, precision mechanics and optics, chemical and pharmaceutical industry, ferrous metallurgy. The mining industry takes secondary place but at one time the coal and potash salts were an important factor of industrial and agricultural development. After the World War II a lot of mines were closed down under pressure of oil and gas competition. The famous Ruhr Basin has gradually lost its value of the «black heart» of Germany. The reconstruction of ferrous metallurgy was carried out, the output of ordinary brands of metal decreased and the part of alloy steels increased. The heavy engineering industry gave up its place to nonmetal-consuming and high-technology mechanical engineering.

After the reunion of Western Germany and Eastern Germany the further structural changes continued in the industry. In the East the overwhelming majority of enterprises of ferrous metallurgy and heavy engineering industry were closed down. The funds were invested into the development of precision mechanics and optics and food industry. The greatest number of employed in the industry is inherent to the sector of general mechanical engineering and machine-tool construction while the automotive industry, chemical, food and electro technical industries are in the background. The traditional industries of country such as brewing and wine-making are widely known ones. In the FRG 4,000 sorts of beer are produced and each German consumes as an average 150 liters of beer a year.

The industry of Germany is notable for high level of production concentration. The large enterprises making only 2% of total number cover 30% of all the employed in the industry and produce a half of product. 100 largest companies concentrate 60% of total turnover and over 50% of the total number of employed persons in the manufacturing industry. In the early 90ties 7 among 50 largest industrial companies in the world were German ones. According to the data of “Financial Times”, the corporations “Siemens”, “Basf”, “Daimler” and others given in the Tab. 2.7 are the largest and the most famous ones.

Table 2.7

The largest industrial corporations of Germany in accordance with the rating of “FT Global 500”

Corporation	Profit, million dollars	Number of employees, thou. pers.	Industry of activity
«Siemens»	5,312.0	405,000	electrical engineering, electronics and power

			engineering
«Basf»	6,100.4	103,449	chemical industry
«Daimler»	6,021.4	260,100	motor-car industry
«Volkswagen»	9,150.0	399,381	motor-car industry
«Bayer»	1,741.6	111,400	chemical industry
«BMW»	4,307.9	95,453	motor-car industry
«Linde»	1,345.4	48,430	chemical industry

Reference: [2, p. 63]

19 corporations among the largest 500 are German ones. The FRG takes seventh place in this index after the USA (158), Japan (34), Brazil (34), Great Britain (33), China (27) and France (24).

The industrial policy of the government is directed toward the increase in production competitiveness and stimulation of the development of high-technology industries. The state creates favorable conditions for cooperation of economy and science and supports small and medium-sized enterprises in the field of implementation of new technologies and innovation measures. The demonstration centers where the representatives of medium-sized and small business can get to know information about the latest technological level.

The agriculture, though it has a small part in the GDP and in the number of employed persons, meets the requirements in food in 80% and entirely in consumption of wheat, sugar, beef, cheese and butter. The production concentration takes place both in the industry and in the agriculture. If in 1950 there were 1.6 million farms, then by the middle of the 90ties 550 thousand farms remained. The productivity of labor increased. In 1950 one farmer «fed» 10 persons and over 80 persons in the 90ties. However, till now the agricultural enterprise average in size has been remaining typical for Germany. Almost 90% of all the farms have an area of 50 ha each. The livestock farming is a basis of agriculture. It gives four fifths of all agricultural products. The average milk yield from one cow is over 4,786 liters a year. The FRG takes first place in the EU in the development of pig-breeding.

The following data testify high industrial level of agriculture in the FRG: here the number of tractors per unit of area is 4 times more than in the USA; the fertilizers per each hectare are applied in the greater amount than in England, France and the USA.

The agricultural industry of Germany is characterized by the greater cost price of product than other EU countries, especially France, the Netherlands and Denmark. Thai is why a great attention is paid to the protection of agrarian sector from external competition. The state realizes an active policy providing tax incentives to the farmers, establishing higher tariffs for import of agricultural output from beyond the EU as well as regulating prices in the farmers' interest. The agrarian reform in the EU countries (1992) determined the allocation of direct subsidies as the main point of support of agriculture.

Despite the success in agriculture, Germany remains the largest importer of agricultural product in the world.

Germany somewhat yields to other highly developed countries in the development of **service sector.** The trade, transport, banking and financial services as well as public administration are the major industries of this sector. About 10% of created gross value is inherent to the trade, 4 million persons work at its enterprises.

Germany has a developed banking system. The German Federal Bank is a bank of issue. The EU Council of Central Banks heads the Federal Bank. According to the rating of «Global 2000», in 2010 among the private banks in Germany the most powerful ones were the following: «Deutsche Bank» (39.75 billion dollars), «Commerzbank» (8.72 billion dollars), «DVB Bank» (1,56 billion dollars), «Aareal Bank» (0.90 billion dollars) and «IKB» (market capitalization of 0.69 billion dollars) [2, p. 65].

The lesser number of financial groups is the peculiarity of FRG not only compared to the USA but also to Japan, France and Great Britain where the number of such groups makes 15-20 ones and which does not reach 10 ones in the FRG. It is explained by the enormous concentration of banking capital in the hands of the first three above-mentioned large banks which control about four fifths of share capital in the country. The substantial role of unions of employers is an important feature of financial capital in the FRG. As a rule, the representatives of the largest concerns and banks are at the head of these unions.

The activity of all credit institutions in the FRG is controlled by the Federal Agency on Oversight of Credit Activities. If the credit establishment gets into difficult situation, tools saving deposits start to act indemnifying for losses of depositors.

The operations with securities in the stock exchanges are growing at a high rate. There are eight exchanges in Germany which are located in Berlin, Bremen, Stuttgart, Frankfurt am Main, Dusseldorf, Hamburg, Hannover and Munich. The exchange in Frankfurt is the largest one; it takes in importance fourth place in the world after New York, Tokyo and London exchanges.

The post-war economy of FRG is notable for instability in the **development dynamics** which has reflected merits and demerits of economic model and have been a reason of change in economic policy of the government. The economy of FRG achieved the highest development rate in the 50ties when the neoliberal model had been implemented. The GDP increase made as an average 15%-20%. But in the 60ties the positive factors of swift economic development have already settled themselves in many respects. The high level of social expenses required the increase of taxes from corporations and state budget was taken down with deficit. In the first half of the 60ties the state expenses grew twice as fast as the GDP. In 1966 the economic crisis broke out, the first one in the post-war period, though it was not long and deep.

In 1968 a new upsurge of the economy began, its growth rate made 5%-7% annually. But the crisis in 1974-1975 was graver. It has been strengthened by the world fuel and energy crisis: let take into account that Germany is a considerable oil and gas importer. The level of consumer prices in the country achieved a steep rise of up to 7% a year and the inflation gathered rate. The GDP decreased by 5%, industrial production – by 12% and volume of internal private investments – by 18.5%. The mass unemployment has been growing. The way out of this crisis has been carrying on very slowly and in 1980-1982 a new crisis occurred which was accompanied by mass bankruptcy and decline in living standards of population.

Since 1982 the economic growth has begun which has been lasting for almost ten years. For this period the radical reconstruction of technical base of the economy has been carrying out. The companies sent up to 50% of industrial investments into the production modernization and rationalization. The GDP growth rate fluctuated from 1.5% in 1987 to 5.7% in 1990. The inflation lasted on the level of below 3% but the unemployment was still remaining high. The early 90ties coincided with the unification of Western Germany and Eastern Germany into the single state. It represented a powerful incentive of further economic growth, though the first years of reunion yield a lot of problems. The economy of the former GDR proved to be not adapted to the needs of world market. A great number of enterprises have been closed down because of it. The state had to waste substantial funds for industry modernization and compensation to the unemployed. It provoked the economic crisis in 1992-1993. However, for this once the drop in the economy has lasted not for a long time. The investments which had been put into the renewal of eastern lands started to work at last. In 1994 the GDP increase on the «new lands» made 10% that was a record for Europe.

After 1995 the growth rate of economy of Eastern Germany notably dropped and became lower than in the western lands of FRG. So, in 1997 the GDP increase made 2.4% in the West and only 1.8% in the East; in 2000 the gap became even more: 3.2% and 1.1%, correspondingly. The economic modernization in the East is carried out not so fast, as hoped. There the labor productivity is growing slower than the salary. So, the salary of the Eastern German workers compared to the Western German ones made 49.3% in 1991 and 77.1% in 2000; the productivity of labor in the same years made 41.9% and 63.3%, correspondingly. In 1996 the GDP per capita in the eastern lands made 60% of western level. Over 1 trillion marks were transferred to the East which went mainly not to make industrial investments, but to satisfy the social support of the population that adversely affected the general economic development of country and especially its financial position. The GDP growth rate in the 90ties were moderate (average annual – 1.77%), lower than in the USA, but higher than in Japan (Tab. 2.8).

Table 2.8

Dynamics of GDP and unemployment growth in Germany, %

Indicators	2000	2001-2006 (average annual)	2007	2008	2009	2010	2011	2014
GDP increase	3.3	1.1	3.4	0.8	-5.1	3.6	2.7	1.2
Level of unemployment	8.0	9.7	8.8	7.6	7.7	7.1	6.0	5.5

Reference: [2, p. 67]

The beginning of the new century was characterized for the German economy by a low development rate (Tab. 2.8). The crisis in 2008-2009 complicated even more the situation. Since 2011 the slowdown in GDP growth has been observed in Germany that one can explain by decrease in orders in the industrial sector. In 2014 it has already made 1.2%, i.e. the risk of repeated recession is rising. The reduction of the GDP growth is explained by social generosity of government and geopolitical challenges as well.

2.1.7. The economy of Great Britain

Great Britain belongs to the group of most developed countries in the world. In 2014 it took tenth place (based on PPP) in the GDP size. In the same 2014 Great Britain held 17th place in the world (19 billion dollars) in FDI volume into other economics and 11th place in received FDI volume (37 billion dollars).

London is one of the largest financial centers; it takes first place in number of functioning foreign banks. The stock exchange is situated here; it is third in volume of operations in the world (after New York and Tokyo). London is a large currency center through which one third of currency operations as well as the greatest volume of insurance operations in the world are being conducted. London is controlling a considerable share of world exchange market of metal, oil and other strategic goods.

Great Britain played a particular part in the world economy. It was one of the first countries to carry out the bourgeois revolution and to pass from feodalism to developed market relations. The industrial revolution has begun for the first time in Great Britain and at one time it was producing much more industrial product than any other country in the world. England was named as the «workshop of the world». For a long time Great Britain has been the major exporter of goods and capital. It was one of founders of international insurance system (office, and eventually Lloyd Corporation). The British colonial empire was the largest one in the world; the English administration and the English capital left noticeable traces (both negative and positive) on the economy of many developing countries. For a long time the English pound of sterling has been the most reliable currency on the world currency market.

However, Great Britain begins to lose gradually its leading positions. The USA in the 60ties of the XIX century and Germany in the last quarter of the same century left it behind in volume of industrial production and GDP. Great Britain proved to be on the third place. After the World War I Great Britain which had suffered from hostilities less than the countries of continental Europe (including Germany) recovered its second place (after the USA) in volumes of GDP and industrial production not for long. But already in the 30ties of the XX century Germany left it behind again. The situation repeated after the World War II when Great Britain for the same reasons takes second place again and not for long again. Germany in the 50ties, Japan in the 60ties and France in the 70ties leave it behind. As a result, Great Britain proves to be on the fifth place (among OECD countries) in the GDP volume. It is already overtaken by Italy in some economic indices. So, in the second half of the XX century the positions of Great Britain in the world economy are steadily weakening.

But in the 90ties the specific gravity drop of Great Britain is stopping. The GDP increase rate becomes stable: the recession afflicting the majority of developed countries in 1991-1992 was not so deep here. The unemployment level was not high either.

Despite the relative lag of Great Britain from its major competitors, its role in the world economy remains greatly important to date, especially in the financial and credit sector. Its political authority in the world community is also great. Great Britain was among the first founders of UNO (it is a permanent member of Security Council), OECD and NATO. It occupies a special and non-standard position in the EU (about what the question will be further), but its influence is greatly considerable even here.

The branch structure of the British economy in the post-war period underwent substantial changes. First of all, it became apparent in the reduced share of «old» industries such as textile, metallurgy and shipbuilding. The competition strengthened on the side of new industrial countries and led to the exclusion of textile industry, the former pride of England, from the world markets. As a whole, the role of light industry in Great Britain has considerably reduced. The reason also was in a greater transference of ferrous metallurgy to developing countries. In the 60s-70s production increase in the above-mentioned industries was negative, especially in shipbuilding. The production rates of locomotives, carriages, automobiles and motor cycles considerably decreased.

At the same time, electrical engineering and electronics, chemical industry quickly developed which annual increase rate in the 60ties reached 6% and even 8% in machine-tool construction. If in the domestic electrical engineering the positions of Great Britain are weaker than ones of its competitors, then it is among the leaders in the production of large electronic computers and in the aerospace machinery (it yields in the output of space engineering only to the USA and France). The company «International Computers Limited» (ICL) in electronic industry, «Rolls Royce» in the aerospace and military industry and «British Telecom» (BT) in the production of communication facilities play an important role.

Great Britain loses the leading positions in the motor industry which it had in the early XX century. A considerable part of motor-car production in the country is controlled by the American capital. The company «British Leyland» carries out the main output of automobiles in Britain and the corporation «Rolls Royce» reoriented itself for production of motors and aerospace engineering.

The production of organic synthesis such as plastics and synthetic fibers, petroleum chemistry and pharmacy are developing in the chemical industry at an outstripping rate. In the last industry Great Britain scored particular success (by the way, as early as in 1929 just A. Fleming, the English scientist, discovered penicillin for what he was rewarded with Nobel Prize).

As a whole, the part of manufacturing industry in Great Britain as in the economy of other developed countries has been steadily decreasing. If in 1950 it made 30%, then it was already only 18.8% in 2000. As to the mining industry and power engineering, in the first post-war decades they decreased volumes of production. It was connected with prolonged recession in the coal and iron ore industry. However, the situation sharply changed when opened and developed oil and gas fields on the shelf of the North Sea. The oil production in the British sector of shelf began in 1975 and soon the country not only provided itself in full with its own oil but also became its exporter. However, the cost price of the English oil is high enough because of complex conditions of its production and its competitiveness essentially depends on the level of world prices for energy carriers. «Ekofisk» is a well-known oil-field. The pipelines are laid from oil and gas boreholes to the British coast. The greater part of oil and gas is produced and processed by the English-Dutch company «Royal Dutch Shell» and the English one «British Petroleum».

Oil and gas make 70% of all the energy carriers consumed in Great Britain. Despite the rather large coal deposits, its share in the consumption has substantially dropped. The atomic power producing a quarter of all power energy in the country is building capacities; but the share of nuclear power stations (NPS) in the British power engineering is much lower than in the French one.

The agriculture in Great Britain is one of the most productive ones in the world. Despite the fact that its share in the GDP makes only 1.0% and 0.9% of employed population work in this industry, it meets in full the requirements of the British in wheat, barley, oats and pork and in considerable measure in potatoes, beef, mutton, wool, sugar and eggs. As a whole, the agriculture satisfies in 80% the needs of population in Great Britain in food. Its growth rate is pretty fast (average annual index is 3%). The livestock-raising (70% of all products) is the leading branch of agriculture. The agriculture enjoys the effective support on the side of the British government.

Like in other developed countries, the main share in the GDP pattern belongs to the **service sector** (77.7%).

The leading role belongs to the credit institutions in the service sector. The share of London banks makes 20% in the international crediting. The most powerful banks according to the rating of magazine *Forbes* are the following: «HSBC Bank» (profit – 5.83 billion dollars), «Barclays Bank» (15.17 billion dollars), «Lloyds Banking Group» (4.57 billion dollars) and «Standard Chartered Group» (profit – 3.38 billion dollars).

The Bank of England carries out control and regulating functions in the credit and financial sector. The City is a quarter in London where the English banks and branches of foreign banks, commodity and stock exchanges and insurance companies are concentrated; it is a center of business activity in Great Britain. Among the British insurance companies the largest ones according to the rating of magazine Forbes are as follows: «Aviva» (profit – 1.75 billion dollars), «Prudential» (1.11 billion dollars) and «Legal and General Group» (profit – 1.39 billion dollars).

The banks of Great Britain are widely known due to the highly qualified consultations in law and book-keeping and services in privatization. The similar services provide a considerable profit from external economic operations to Great Britain.

The development dynamics of the economy of Great Britain in the post-war times is characterized by a lower rate than one in France, FRG and Japan, its competitors. It became the reason of relative lag and loss of positions in the world economy. At the same time, the dynamics of the English economy is more stable than in other countries. The production drop during the crises was not so deep because there were not any peak splashes observed during the upsurge (as, for example, in Germany or Japan). Such a uniformity of development rate is explained to a substantial extent by the policy «stop-forward» which the government of Great Britain tried to carry on in order not to allow «overheating» of the economy (Tab. 2.9).

Table 2.9

Dynamics of main indicators of the development of the economy of Great Britain, %

Indicators	**Average Annual Values**					**2008**	**2009**	**2010**	**2014**
	1970-1980	**1980-1990**	**1990-1995**	**1995-1999**	**2000-2007**				
GDP increase	19,	3,2	1,4	2,6	2,8	-0,1	-4,9	1,4	4,0
Growth of the industry	1,5	0,87	0,79	1,3	0,19	-2,9	-10,2	2,1	0,7

Reference: {2, p. 71 +http://www.ved.gov.ru/files/images/country/Britain/2014/Economic%20Indicators%20UK%202013.pdf}

The decrease in GDP growth rate in 1970-1980 and in 1990-1995 attracts attention. It is a consequence of fuel an energy crisis of 1973-1975 in the first case and also one of unhealthy adaptation of the economy of Great Britain to the EU pattern because of a later entry into that organization. In the second case it was an influence of world economic crisis in 1991. On other hand, relatively high development rate of the economy have been observed in the 80ties and since the second half of the 90ties. Proceeding from the late 70ties, the development of oil and gas deposits in the North Sea exerted positive influence on economic indicators of Great Britain.

The growth has begun in the economy of Great Britain since the second half of the 90ties. The increase in consumers' demand from the part of population of the country became the major motive force of economic development in this period that was a consequence of their income growth. For example, in 2001 the consumers' expenses of population grew by 3.5%, expenditure for durable goods and product of high-technological industries and sale of mobiles fast increased. Every year over 20 million Englishmen spend their holidays abroad. The employment growth of population is a factor favoring the expansion of demand. Since 1995 till 2000 the number of working places has increased by 1.6 million pers. In 2000 the real salary raised by 5% and unemployment reduced to 5.3% of the number of economically active population.

The service sector developed most dynamically which rate exceeded 4%. At the same time, the industry developed unevenly. In the nineties the investments into the economy, mainly into the private sector, have been growing. The high growth rate in the industry is inherent to electronics, pharmacy and instrumental production. However, growth rate of industry as a whole remains rather low. The development rate of agriculture decreased; this industry incurred sizeable losses because of the cattle falling ill with encephalitis («mad cow disease») and then with foot-and-mouth disease. The EU prohibited import of all kinds of meat and dairy products and livestock from Great Britain.

The expansion of external demand for goods and services from Great Britain exerted positive influence on development dynamics of the British economy in the 90ties. The increase of world prices for oil which Great Britain is exporting has had a favorable effect in this direction.

Despite the economic growth, the inflation level in the country remained low enough, 2.5% as an average. Since 2008 the situation in the economy of Great Britain has substantially become worse. The world crisis which, in particular, was accompanied by considerable drop in prices for oil led to the reduction of industrial production and weakened the British positions on the world commodity markets.

At present we can speak about the stable restoration of the British economy after recession. The experts of the IMF predict that the economy of Great Britain will become the faster developed one among the countries of "Group of Seven" (http://www.vestifinance.ru/articles/47888). A number of countries have been able to recover from the crisis faster. The German economy returned to its previous level as early as 2010, while the United States and France - in 2011.

2.1.8. The economy of France

France is a highly developed country which has a considerable influence both on international economic relations and on world policy. It is a member of the «Group of Seven», enters into NATO, OECD and takes second place in the EU in economic potential. In 2014 France took ninth place in the world in GDP volume (2,581 trillion dollars in PPP) after China, the USA, India, Japan, Germany, Russia, Brazil, and Indonesia. It is a large capital exporter and takes third place in the world in volume of banking activity. In Europe France is the third state by area (after Russia and Ukraine) and in number of population (after Russia and Germany). France has a developed aerospace industry, nuclear power, chemical industry and service sector. France takes fourth place in the world in agricultural output (after China, India and the USA) and second place in its export (after the USA).

France has the fifth volume of commodity circulation of external trade (after the USA, Germany, China and Japan). It actively exports tourist services attracting a lot of tourists from all over the world. The development of scientific industries has a great importance for the French economy. France takes fourth place in the world in aggregate expenses for research and development. It has a rather developed military complex. France is one of few countries capable to put into orbit civil and military satellites by own funds.

However, France notably is behind the USA, Japan and Germany in level of scientific developments and introduction of its results in the economy. It yields to the same countries and also to the European countries of northern region in GDP per capita.

As a result of long orientation of the French economy toward the financial and credit activity **the structure of the economy** of France was not balanced enough. It has become especially apparent for a period between two world wars and after the finishing of the World War II. The industry of France fell behind the American, German and English ones not only in volume of production but also in technical equipment of industry with modern machinery and appliances. The state policy was directed toward the termination of industrialization of the economy, modernization of industry and reorganization in the agriculture in the 50ties-60ties of the past century.

The quick development of industry became a consequence of activation process. The average growth rate of industrial production made 7.6% in the 60ties and the share of industry in all the production increased from 33% in 1960 to 38% in 1970. The share of agriculture, on the contrary, has decreased for the same period from 12.5% to 8%, despite the growth in productivity of labor in this field. In the 70ties the situation changed the appearance a little: in 1980 the specific gravity of industry made 37.6% and one of agriculture was 6%. But in this period the important structural changes came about inside the industrial production. The production of machines and equipment, precision mechanical engineering, shipbuilding, aerospace and military industry and automotive industry grew at faster pace. The electro-technical mechanical engineering and production of means of transport, especially aircraft and motor industry, came to the fore in the structure of industry where positions of France were traditionally rather strong.

In the 80ties and especially in the 90ties the specific gravity of electronics and aerospace engineering increased even more and the share of metallurgy and heavy engineering industry decreased. But the significant decrease of the share of industry in the GDP and growth in service sector were the determining tendency. France entered the post-industrial development stage of the economy.

In 2014 the overall structure of the economy of France was the following (in % to the GDP): industry – 18.5, agriculture – 1.7 and services – 79.8.

In the structure of **industry** of France the leading role belongs to the manufacturing industries, especially connected with the movement of scientific and technical progress. France is among the leading countries in the world in output of rockets, aircraft, locomotives and equipment for atomic power (the second place after the USA). It possesses advanced technologies in the working of rare-earth and other metals such as germanium, radium, chromium and titanium and has weighty achievements in robotics, communication facilities, and production of new materials, biotechnology and microelectronics. Among the branches of the French industry the following branches have a paramount importance in the world market:

- aerospace industry;
- arms production;
- general mechanical engineering;
- automotive industry;
- non-ferrous and ferrous metallurgy;
- electronic and electro-technical industry;
- atomic power;
- pharmacy and perfumery;
- chemical industry;
- railway engineering.

The aerospace industry of France is one of the most dynamic in the world. It is closely connected with development of military industrial complex. At one time France created «Caravella», one of the best civilian medium-range aircraft; «Concord», supersonic aircraft (jointly with Great Britain); «Aerobus», passenger liner. «Aerolia», «Aircelle», «Safran» and «Zodiac» occupy the leading stands in the aerospace industry.

The positions of France in the automotive industry decreased compared to the early XX century. It yields to Japan, the USA, Germany and China in output of automobiles. But the French coaches are traditionally notable for its quality and find a quite wide market. The automotive industry of France is characterized by a great degree of concentration; the overwhelming majority of coaches is produced by «Renault» and «Peugeot-Citroen». Its shares in the world motor-car production make 3.5% and 4.6%, correspondingly; they produce almost all the automobiles in the country and provide its 100% export.

In the field of metallurgical industry of France the leading part belongs to companies producing aluminum. The industrial group «Pechíney-Ugine-Kuhlmann» and company «Imetal» have strong positions in non-ferrous metallurgy. The company «Pechíney» is also one of the leading in chemical industry. France takes third place in the world after the USA and Germany in export of chemical products.

The concern «Thomson» taking first place in the world in output of navigation equipment for aircraft and in electronic production in Europe leads in the electro technical industry.

Energy of France is based on nuclear power plants. The country has no significant oil or gas, and coal use for electricity production is not efficient enough. Therefore, the share of electricity produced in nuclear power plants reaches 76% in France. It is one of the highest rates in the world.

France has a developed food industry, which inferior production in Europe only to the German. In the structure of industry sugar, wine, oil, flour, meat and dairy production stands out especially.

Light industry, which in the XIX century praised France for its silk fabrics, knits, lace, sewing items, has a small share in total production today. However, the light industry of France is specialized in the production of expensive clothes, fine perfumes, and jewelry. Paris is the world center of high fashion.

French industry is characterized by a high level of production concentration. Concentration is accompanied by the formation of large industrial groups. About one hundred of such groups focus more than half of employed people in industry. The largest and most important groups are: «Compagnie française de petrol», «Peugeot-Citroen», «Renault», «Thomson-Brandt», «Saint-Gobain-Pont-à-Mousson», «Pechiney Ugine Kuhlman», «Compagnie Generale de electricite», «Rhone-Poulenc», «Denene-Nord-est-in Longwy», «Michelin», «BSN-Gervais-Danone». Most of these groups were created by merging two or three large firms or by the absorption of one firm to the other. For example, "Peugeot" absorbed company "Citroen", and then also the European branches of the American company Chrysler. The group "Pechiney Ugine Kuhlman" was formed after the merger of companies "Pechiney" and "Ugine Kuhlman".

Agriculture of France is one of the most developed in the world. It produces one fourth of the agricultural products of the EU. Production and export of agricultural products of France rank first places in Western Europe. France has a fairly wide range of specialization in agriculture; it produces large volumes of wheat, barley, sugar beets, wine, milk, butter, meat, eggs, fruits and vegetables. The feature of the structure of agricultural production in France is high share of agronomy, compared with other Western European countries. Agronomy accounted for 46% of all agricultural products in 1980; today it accounts for one third, and the leading sector is the cattle.

Medium (10-50 ha) and small (less than 10 ha) farms are predominated in agriculture of France. The concentration of production here is not as high as in other EU countries. However, large farms, which comprise only 17% of the total, produce 52% of the production. French village is characterized by a sharp distinction between the two types of households: family and commercial. Family farms are characterized by semi natural character and commercial - provide the bulk of the products. Large enterprises have better land, use modern machinery and hired labor, and often have their own facilities for the processing and marketing of agricultural products.

A characteristic feature of French agriculture became the association of peasants into cooperatives in various forms. About 30% of farmers are merged in the agricultural cooperatives. The cooperatives collect 70% of grain, produce almost half of milk and 40% of dairy products. In total there are about 4 thousand cooperatives in the country, which are united to the French Confederation of agricultural cooperatives. They also have the main volume of production of meat, wine, tobacco, sugar beet.

The agricultural sector of France is most benefited from European integration. Protected by external protectionist barriers against competition from the USA, Canada and some developing countries, French agriculture has got free and duty-free access, to the markets of partners in the EU, where its competitiveness is higher than in other countries of the union. In addition, the French government gives its agriculture subsidies and other benefits.

Financial and credit systems are the most important **in the service sector** of France. Although the role of loan capital in the economy is declined, but the value of entrepreneurial capital is increased. France is already not a main exporter of capital, but its role on the international capital markets is large enough. Banks have always had strong positions in the French economy. The largest of these was formed in the mid-nineteenth century. The level of concentration of the banking sector of France is ahead of the USA, Japan and Germany. There are 6 French banks among the 50 largest banks in the world.

All France credit institutions (banks, mutual credit unions, finance companies, etc.) are combined into a single professional organization - the French Association of Credit Institutions. The banking sector, which accounts for about 70% of the total balance of credit institutions, takes the leading place in the modern structure of the credit system.

The main part of banking operations is accounted for three banks: “The Banque Nationale de Paris”, “Credit Lionne” and the “Société zhene morality”. In addition to these giants, big banks also are “Indosuez”, “Paribas”, “Credit commercial de France”, “Credit industrial et commercial”. Particular importance has the co-operative Bank “Credit Agricole”, which caters to a predominantly agrarian economy, it is (as “Credit Lionne”) in the top ten banks in the world. Merger of banks “Societe Generale” and “Paribas” happened in the late 90s, the largest French banking group was formed in such a way.

French leaders of the banking sector, according to the rating of “Forbes”, are shown in Tab.2.10.

Table 2.10.

The leading banks of France

Rank of Forbes	Name of the bank	Profit, million $	The number of employed, thousands of people
11	«BNP Paribas»	10,5	198,423
44	«Societe Generale»	5,3	160,704
99	«Credit Agricole»	1,7	87,520
409	«CIC Group»	1,1	20,601

Reference: [2,p.77]

Dynamics of growth of the economy of France in the postwar period was characterized by irregularity of rhythm. Almost a quarter of a century after the war, economic growth rates were high enough. The average annual growth of GDP for 1950–1973 was 5.1%, which increased the volume of gross domestic product almost in three times. High growth rates of development were caused by restore of the war-shattered economy, foreign investments according to “The Marshall Plan”, by the restructuring of the national economy according to the trends of scientific and technological progress, and economic policy of the state.

During this period France had the largest gains in the economy. There was done a wide inflow of resources to the industry and increasing of production of its goods. The share of advanced industries was increased in the structure of the industry, uprating export of their products. The share of industry in GDP increased significantly. Productivity of the industry also increased. If the gap in labor productivity between the USA and France was in two times in 1950, it was only 37% in 1973 [8, p.87]. The GDP growth rate was above the normal figures for Western European countries (4.6%) in that time. France was only after to Germany and Japan by the pace of development in the group of developed countries. Share of France in total world GDP has increased (by 1%) and it took, as was already noted, the fourth place among non-socialist countries. However, weaknesses of the French economy emerged at the end of the period of prosperity: lower level of concentration of industrial production, compared to major competitors; higher share of the agricultural sector in the economy; very high materials and energy intensity of industrial production; chronic inflation that has devalued the national currency - franc. These deficiencies were gradually accumulated and affected particularly acute in times of global economic crisis 1973-1975, which became a turning point from which the economic development of France dramatically slowed down (Tab. 2.11).

Table 2.11

Dynamics of GDP and industrial production France, %

Indicator	Annual averages				2008	2009	2010	2014
	1971-1980	1981-1990	1991-1996	2000-2007				
GDP Growth	2,3	3,3	1,1	2,1	-0,1	-2,6	1,5	1,8
The growth of industry	3,2	1,2	0,9	0,7	-2,5	-12,8	5,5	-2,0

Source:[1,p.8+CIAWorldFactbook+ http://www.ereport.ru/stat.php?razdel=country&count=france&table=ipecia]

The economic crisis of the early 70s literally shocked France. Unemployment has tripled, and the profitability of companies decreased in three times. The next decade was also difficult for France because its economy was influenced by the “debt crisis” in developing countries. France invested this group of countries intensively, but the debts were returned untimely or were not returned at all. The public debt of France grew quickly too. Investment in national industry was decreasing; negative balance of foreign trade was growing. Since the second half of the 80s, the economy picked up somewhat. World prices for traditional French products increased, and decreased for energy resources. The foreign trade balance became positive. However, the dynamics of domestic investments remained rather weak.

The economic recovery was short, and France was faced with new challenges - decline in industrial production, increased unemployment, decreased volume of investments in the early 90s.

The period 1974-1996 is called “bitter thirty years” in France. Especially unprecedented was falling of investments. The share of industry in GDP was decreased. However, such processes were implemented in French economy in these years, which gave positive results in the second half of 90ties: consumption of materials and energy intensity of industrial production were decreased; the share of advanced industries were increased, as some traditional industries (metallurgy, heavy machinery) had to be reduced because of their lack of competitiveness. At the same time, the growth of labor productivity (France takes one of the first places in the world by this indicator) influenced the decline in employment. The share of the agricultural sector was decreased. Since 1997 the rise of the French economy started particularly in high growth of industry and foreign trade, the pace of investment dramatically increased after a long decline and the unemployment rate has decreased.

It seemed that the “bitter years” for the economy of France was left behind. However, the crisis (2008-2009), dramatically worsened the economic situation of the country again: in 2009 the real GDP decreased by 2.6%. The unemployment rate increased from 7.4% in 2008 to 11% in 2014. The increase in the unemployment rate caused a decrease in state revenue and the increase in the value of the payment obligations that have affected the state of public finances in France. The state budget deficit rose sharply from 3.4% of GDP in 2008 to 4% of GDP in 2014, the public debt of France has increased from 68% of GDP to 96.1% over the same period [2, p. 79]. http://www.ved.gov.ru/exportcountries/fr/about_fr/eco_fr/].

2.1.9. The economy of Italy

Italy is a highly developed post-industrial country. According to the level of economic development, it is on the tenth place in the world; according to some economic parameters, it is already ahead of the UK and France. Italy has a slightly higher rate of post-war economic development, late industrialization, a higher proportion of light industry and agriculture, the exclusive role of tourism compared with other developed countries. A distinctive feature of Italy is much greater participation of the state in regulating the economy, than in other developed countries. The public sector accounted for 20% of added value, 24% of investments and 15% of employment. The unemployment rate in Italy is higher than in most EU countries. The peculiarity of the Italian economy is the considerable share of the “shadow economy”, which is not typical for Western European countries. Another feature is the rapid development of small and medium business in the late twentieth century.

Italy is a member of the OECD, the European Union and NATO.

On global markets Italy is known as manufacturer of ferrous metal (second place in the EU), railway rolling stock (second place in the world), road construction machinery, textile machinery (third in the world), cars (especially racing cars “Ferrari”), office equipment, personal computers (firm «Olivetti»), refrigerators, washing machines, garments, footwear, furniture (second place in the world), building materials, as well as citrus fruits, wine, olives and olive oil.

The organic coexistence of three sectors: large corporations, state enterprises and cooperative sector is inherent for **the economic structure** of modern Italy. In addition, “informal sector” of the economy is widespread.

The powerful corporations, mostly of "family" type, are on the “top floor” of the Italian economy. About 60% of the value of securities is in the sole ownership of the majority shareholding; in the ownership of the top five shareholders (for each firm) - about 90%, while only 2% of the shares are in the ownership of small holders [8, p. 92]. Financial-industrial groups of Italy have a holding structure. They unite one third of all Italian firms with half of all employed in the economy under their control. The Italian companies widely use practice of mutual agreements, joint participation in capital (joint participation covers 85% of all companies in the country).

State sector maintains a fairly strong position despite the measures of denationalization, which were implemented in the 90s. It accounts for 19% of added value, 24% of investments and 15% of employed persons (excluding agriculture). The management of state property, as it was already mentioned, is in the hands of the Institute for Industrial Reconstruction (IRI). A feature of regulation of activity of the enterprises subordinated to IRI is to cover the losses of some enterprises at the expense of redistribution of income of other businesses.

The cooperative sector is an important component of the economic system of Italy. There are about 90 thousand cooperatives with 8 million of shareholders. This sector includes 107 “national banks”, 715 rural craft & savings banks, which account for respectively 12 and 14% of the assets of the national banking system [8, p. 92]. Geographically, the cooperatives are divided into industrial districts, the constellations, groups, networks. The constellation is the cooperation of a small number of enterprises (5-10). There is one important thing among them, to which all other ones orient their production. The network is an association of independent, but technologically related enterprises. Often networks operate on the principle of franchising, and then they depend on large companies (such as “Fiat”, “Benetton”). The specifics of the districts activity is extensive use of local resources, including labor and local traditions of production.

Small business, united in the cooperative movement, do great economic activity, including on foreign markets. The most significant role of small and medium enterprises is in the production of textiles, fashion clothes and footwear, household appliances, food products. Especially large share of cooperatives is in the ceramic industry; Italy produces 30% and exports 60% of world ceramics.

The government supports small and medium enterprises, encouraging in particular the timely purchase of new equipment. But the main reason for the success of this sector lies in the flexibility of entrepreneurs, their ability to adapt to market conditions, providing proper attention to the design in production. The result of the activation of the cooperative sector is the relatively large share of small and medium enterprises in foreign trade: 40% of exports are accounted for enterprises with number of employees less than 300 people, while the share of large corporations is 20%. The interests of the cooperators are defended by the Confederation of Industrialists (Confindustria).

The concentration of economic power in the hands of the state is not always accompanied by the efficiency of state management. The corruption among the representatives of the administrative apparatus is fairly common. This is accompanied by massive evasion of entrepreneurs from paying the appropriate taxes resulting in significant budget deficits. In addition, it has become a source of proliferation of "shadow economy", which controls a quarter of the GDP of Italy.

The "shadow" sector of the economy uses the labor of illegal immigrants. In the South, especially in Sicily, some people are engaged in criminal business.

Sectoral structure of the Italian economy matches the type of the post-industrial stage, which are inherent to the predominance of the service sector. However there is a slightly higher share of industry in Italy, especially light, compared with other leading countries. Branches of the economy of Italy occupy such positions in the GDP structure in 2014: agriculture – 1.9%, industry - 25.2%, service sector - 72.9%.

The peculiarity of the Italian **industry** is extremely limited local resource base, significant energy imports. Accordingly, the main production share is in the manufacturing industry. Compared with other countries of "Group of Seven" the proportion of heavy industry is small, and the share of light industry is much higher. Another feature is the lag of Italy in the production of science-intensive, technically complex products due to insufficient investments in research and development.

Leading industry of Italy is mechanical engineering, where two-fifths of all industrial workers are employed, and a third of the total value of industrial production and a third of exports are created. A leading position in mechanical engineering is occupied by the production of vehicles and computer equipment. The car companies 'FIAT', 'Alfa Romeo', 'Ferrari', "Maserati" are very important in the world. In 1986 FIAT acquired a controlling stake of the company "Alfa Romeo". FIAT is a huge concern, which has in its subordination automobile factories for the production of aircraft engines, locomotives, rail cars, trolley buses and trams, construction companies, metal manufacturing, trucking and shipping companies, hotels and newspapers. By the way, Italy is the birthplace of scooters.

For a long time the shipbuilding has been one of the leading branches of the Italian mechanical industry but the protracted crisis in the world navigation made considerably worse the situation in this industry. «Italcantieri» is the Italian main shipbuilding company.

The electro-technical and electronic industry of Italy is developing fast enough, but it is mainly concentrated in the output of household appliances. For a long time Italy has taken first place in the world in production of washing machines and refrigerators. It is also famous for its office equipment and computer engineering. The company «Olivetti», once famous for its type-writers, is producing today personal computers and other electronics as well.

The chemical industry is the second most important one of Italy. It is mainly specialized in output of organic chemical products such as plastics, chemical fibers, car tires and pharmaceutical goods. Nearly a quarter of chemical industry is controlled by the company «Montedison». It has been formed by consolidating of one of the Italian oldest companies «Montecatini» with «Edison» in 1965. «Montedison» is controlling petroleum refining and petroleum chemistry, production of plastics and by-product coke industry; numerous plants of silicate-ceramic, textile and food industries, some popular newspapers and enterprises of movie industry also belong to it. The company «SNIA Viscosa» has the strongest stands in the output of synthetic fibers and the company «Pirelli» has the same positions in the production of car tires.

Italy is the second (after Germany) producer of ferrous metals in the EU. The metallurgical industry of the country almost entirely works on imported raw materials.

The company «Benetton» specializing in making of high-quality finished clothes and knitwear goods is the most famous in the light industry, it has its own shops in 110 countries in the world. Italy takes third place (after China and the USA) in shoe making and first place in its export in the world.

The food industry of Italy occupies the third place after mechanical engineering and chemical industry in product cost. The Italian wines, canned fruit, olive oil as well as macaroni in which production Italy takes first place in the world are especially well-known. The output of sugar and cheese has a great share in product of food industry.

The production of building materials which mainly works on local raw materials occupies an important place in the structure of the economy of Italy. Italy is known as a large producer of cement (company «Italcementi»), art glass, faience, cut glass, special glass for vehicles, for optical examples and laboratory ware.

«IRI» controls the significant part of industrial enterprises in the country. It amalgamates over 150 plants in various industries such as mechanical engineering, shipbuilding and ferrous metallurgy. «ENI» is also a state holding which is mainly controlling chemical and petroleum refining industries. FIAT is a private corporation like «Montedison», but the latter has a share of state capital.

The agriculture of Italy has an agricultural area. Plant growing gives 58% of agricultural output and livestock farming does 42%. Despite the favorable climatic conditions, Italy ensures food self-sufficiency only by 75%-80%. The cereal crops occupy more than a half of arable land but the areas under grain have been gradually reducing under pressure of competition of other EU countries. Italy three times yields to France in grain harvests and the main cultures are wheat, corn and rice. Every year Italy gathers 6 million tons of fruits and 15 million tons of vegetables (including 5 million tons of tomatoes). In Europe Italy yields only to Spain in harvest of citrus plants (3 million tons) and olives. Grapes harvest is 10 million tons a year and over 90% of it is processed into wine in which output Italy takes first place in the world.

The livestock farming plays a secondary part, firstly, because of insufficient fodder supplies and, secondly, because of competition of cheap animal products from other EU countries. Dairy cattle production develops mainly in the north of the country where the best pastures and stock of forage are concentrated and sheep breeding is in the south, especially on the Island of Sardinia where they also produce the best cheese.

In the post-war period the agriculture of Italy underwent technical reconstruction. The strong commodity farms have been created, especially in the North. The productivity of labor in the agriculture substantially left behind this index in other industries and in the economy as a whole.

However, at present the agriculture of Italy yields to the majority of other EU countries in level of the productivity of labor. The considerable fragmentation of farms is one of the reasons of this position. The large latifundia in the South are often granted on lease by small parts and have a low profitableness.

Service sector in Italy is greatly various in structure but tourism and banking activity are particularly detached.

Tourism for Italy is an important source of inflow of foreign currency. According to various estimates, every year from 30 million to 50 million tourists visit Italy, who leave 6-8 billion dollars in this country. Italy takes first place in the world in number of places in hotels and campings (3 million pers.). The tourism provides work for over 1 million Italians. Three quarters of business turnover from tourism are inherent in three cities such as Rome, Venice and Florence. The tourists visit necessarily Vatican City State and San Marino, independent states which are closely connected with Italy in economical respects. The tourists are seeking to see numerous castles, cloisters, picture-galleries, famous cathedrals and other architectural structures. The seaside and mountain-skiing resorts are also attractive for them. Lately, the so-called «shopping tourism» has been developing attracting to Italy wholesalers of goods produced by small and medium-sized enterprises as well as individual consumers of Italian shoes and clothes.

Unlike the industrial monopolies in Italy which rather notably yield to foreign competitors, a great number of Italian banks reached significant dimensions and take sound stands in the world credit and banking system. The following banks enter the first hundred of the largest in the world: «Banco di Roma» («Roman Bank»), «Banco nacionale del Lavoro», «Banco comerciale Italiana» («Commercial Bank»), «Credit italiano» («Italian credit»), «Camera dirisparmio lombarda», «Institut bancario San-Paolo di Torino» and others. Besides, the special state credit institutions such as «Mediobanca», «IMI» and «Mediocredito» are large credit establishments. «Banco Italiano» («Italian Bank») which is also a central bank of issue exercises control of all the credit and banking system.

Like in other developed countries, financial groups have been formed in Italy, which are controlled by large banks. One of these largest groups is «Fininvest», private union with the number of employees of 26,000 pers. and turnover of over 7 billion dollars. The major lines of activity of the union are as follows: television, publishing, advertising business, production and distribution of TV products and films and insurance; it has a network of department stores. «Fininvest» belongs to Silvio Berlusconi, the former president of Italy.

The dynamics of economic development of Italy is characterized by a higher rate in the first post-war years and gradual drop in the 70ties-90ties. In the first decades after the finishing of the World War II Italy left behind the USA, Great Britain and Germany in development rate yielding only to Japan and Canada. The growth rate was especially high in the industry that was explained by considerably lower salary level of Italian workers compared to this level in other developed countries. It increased the competitiveness of Italian goods on external markets. In the 50ties the annual increase in industrial production in Italy made 8%-9%. In 1961-1970 the average accession rate of industrial production in Italy made 7.2% while it was only 4.4% in the USA, 2.4% in Great Britain, 6.7% in France, 5.8% in the FRG and 15% solely in Japan. The GDP growth in this period was equal to 5.3%.

The spurt in the economic development of Italy in the 50ties-60ties strengthened its positions in the group of developed countries. These were the years of not only high rate of industrial production but also ones of capital accumulation, growth of the productivity of labor and financial power, expansion of external economic relations and consolidation of political positions of Italy in the world. But in the posterior decades the conditions of economic development for Italy somewhat changed. After the long struggle of trade unions for welfare of workers, proceeding from the seventies, the wage level of Italian workers has substantially increased and almost reached one of other countries in Western Europe. However, it adversely affected the competitiveness of Italian goods and eliminated one of factors contributing to fast rate of economic growth. The world energy crisis which had fallen on the middle of the seventies was another reason of drop in rate. For Italy which almost entirely depends on the import of oil the sharp increase in its prices has been a very severe blow. The GDP growth in the period of 1971-1980 has already made 31%.

The economy of Italy has been unevenly developing after the energy crisis in the middle of the 70ties; the short-term raises of development are alternating with deep slumps in the production. The deficit of state budget and balance of payments increased in the country and the number of unemployed persons increased. Italy has entered a period of short-term reviving after which the stagnation came since the middle of the 80ties till 1990. In the early 90ties Italy dropped behind other countries of the «Group of Seven» in level of the productivity of labor and in GDP indices per capita.

In the 90ties the economy of Italy has been developing at a slow rate being dropped in 1993 and 1999. The GDP growth in Italy was lower than one in the majority of other developed countries. So, if in 1991-2000 average annual growth rate in Italy made 1%, then it was 3.5% in Japan, 2.9% in the USA, 2.6% in Great Britain and 1.8% in Germany. The unemployment level made 12% in 1997 and it slightly decreased by the early 2002; the number of unemployed persons made 2.2 million pers. [8, p. 98].

Development rate of the Italian economy remains low in 2000-2006. The crisis of 2008-2009 made even worse the state of the economy of Italy. In 2008 the GDP growth made 0.7%, the growth of industry made -1.5%, in 2012 it was -2.4% and -4.2%, correspondingly [11]. According to the data of the Research Centre of Confederation of Italian Industry Centro Studi Confindustria, GDP of the country has decreased by 9.1% for years of crisis (2007-2013). Because of negative growth rate of the national economy the losses for the said period have made 200 billion euro (nearly 3,500 euro in per capita terms). The experts predict a partial recovery of lost positions only by 2019. In 2014 the GDP growth ceased to be negative and made 1.0%.

The maintenance of budgetary discipline and strengthening of the role of Italy in the development of common European policy in the overcoming of consequences of financial and economic crisis became the main priorities of government.

2.2. The economy of developing countries

2.2.1. Developing countries in the world economy

The boundary between developed and developing countries is rather relative. The GDP index per capita is commonly used as a criterion; the classification on the parities of purchasing power of the currencies has being carried out. Besides, the historical and political conditions of development of the countries are taken into account.

The developing countries are sometimes considered within individual geographical regions. So, there are 22 developing countries detached in the Asia-Pacific Region (APR), 34 ones in Latin America and in the Caribbean, 16 in the Middle and Near East, 8 in South Asia and 52 in Africa.

The developing countries are economically notable for significant variety. The long-term strategic aim as an economic development which has given a common name to this group consolidates them in a large group.

83.6% of population in the world lives in developing countries. They produce 30.4% of the world GDP; 30.5% of the world export and 29.0% of the world import, 30.9% of the world FDI and 34.5% are inherent in them. The specific gravity of industrial goods in common world export of goods from developing countries makes 59.0% while the share of high-technology product is only 20%. 28% of population, 6.8% of world export, 7.3% of world import and 13.5% of world GDP (in PPP) are inherent in six largest countries such as Mexico, Pakistan, India, Indonesia, Brazil and Argentina [2, p. 124].

The industrial production is gradually moving from northern regions to south ones. In this, the number of employed persons in the industry and agriculture is decreasing in the group of northern countries at an expense of mobility of labor in non-material production and the number of employed persons in the industry is increasing in the group of southern countries. A higher rate of economic growth has been characteristic for developing countries for the last 50 years compared to developed countries (average excess makes 2.5 times)

2.2.2. Factors of economic development of developing countries

The improvement of economic situation in developing countries has been provoked by a few reasons.

- Transference of some industries from developed countries to developing countries. Many labor-intensive industries such as clothing, textile, shoe industries, instrument-making and electronics were oriented toward cheap and numerous manpower of developing countries. Resource-production and power-consuming industries such as smelting of non-ferrous metals, petroleum refining, electric power and woodworking depend on the sources of raw materials. Environmentally harmful industries such as petroleum refining, manufacture of mineral fertilizers, pulp and paper industry and chemistry of organic synthesis were excluded into the countries of «the third world» because of high expenses for environmental measures in developed countries.

In turn, developing countries created favorable investment climate, the preferential taxation as within the country, and in zones of joint business for attraction of investments.

- Stabilization of political situation. Nationalization of economy after obtaining independence by the countries, elimination of dictatorships, the terminations of the military conflicts and civil wars increased appeal of the countries to foreign investors. The governments of developing countries promised steadily high profits, inviolability of the invested capitals and the acquired property. However some countries are characterized by instability of a political situation (Tropical Africa, Afghanistan, Iraq, etc.).

- The general favorable economic situation in the world caused by growth of a social production both in developed, and in NIC and the oil-exporting countries. It caused increase of demand for raw materials and fuel that recovered a consumer demand in developing countries. Strengthening of a role of multinational corporations in the world and in the markets of developing countries led to inflow of foreign investments, improved state of the economy, promoted industrialization of earlier traditionally agrarian countries, expanded crediting of developing countries from the developed. The capitals of the oil-exporting countries which accumulated from export of energy carriers, and income from export of finished products of NIC also became one of investment sources.

- Carrying out structural reforms in economy of developing countries as a result of the industrialization, which was begun earlier. There was a reorientation from the extracting productions on processing (labor-consuming and even knowledge-intensive). With high rates the engineering and social infrastructure, a services sector, tourism, banking, insurance, communication developed. Forms of property changed: the state property was privatized, the private sector of economy was comprehensively supported at the state level by investments, legislative and tax base. The tough financial policy for decrease in a rate of inflation, fight against corruption, and the shadow capital was carried out.

- Reorientation of production from import-substituting strategy of development on the export-oriented. Many developing countries were earlier very dependent on an environment of world export as made the limited list of export goods, and at the same time rigidly depended on import of numerous groups of goods. Now they considerably expanded the nomenclature offered on export of goods, having passed from the category of monofunctional to multifunctional that allowed, in particular, for some of them to resist during Asian financial and economic crisis of 1997-1998, and also world crisis of 2008-2009.

The economic recovery in the countries of “the third world” promoted to increase in production of absolute and average per capita GDP that stimulated internal investments and domestic market.

High rates of GDP of a number of developing countries, imbalance of branch structure, supply and demand in the world market provoked the crisis of 1997-1998 which in particular influenced economies of the countries of Southeast Asia and which negatively influenced on rates of development practically of all developing countries. Recession of monetary crisis in the middle of 1999 recovered rates of development of world economy and economy of developing countries.

Progressive changes in the countries of the East and South considerably are defined by an intensification of the international division of labor, reindustrialization, a modulation of a number of labor-consuming and high technologies from the developed countries in the developing. However for the last are characterized disproportions in the economic device and “focality” of development of the advanced forms of production. Transition of developing countries to industrial development led to decrease in specific weight occupied in agriculture from 75% in 1950 to 50% in 1998.

The agriculture share in structure of GDP depends on the level of development of national economy. So, in Brazil it is 5.8%, in India – 17.2, Egypt – 14.5, the Republic Korea - 23%. In the least developed countries it is higher: Ethiopia – 41%, Malawi – 30.3%, Togo - 46%.

The role of export-oriented productions as guarantor of currency receipts and economic recovery increased in developing countries. Thus in creation of such productions the major role is played by branches of TNCs.

The TNCs and their branches control considerable part of export of developing countries. The largest TNCs monopolized the world market and divided it into the separate segments controlled by the countries of “gold one billion” - the USA, Japan, Great Britain and Germany.

Process of accumulation of internal and external investments became more active after attainment of independence in the 1950s and 1960s and nationalization of production in developing countries. At an initial stage the foreign capital went generally to export-oriented raw branches, but over time for it became more attractive import-substituting productions, so the tendency of industrialization of the countries of this group began to be shown.

The share of developing countries in foreign investments increased from 38.2% in 2000 to 45.0% in 2011. The countries with dynamically developing economy - Brazil, Mexico, India are the most attractive to foreign investors.

The role of the state and public sector in economy was essential. In many countries of "the third world" the concept of etatism - large-scale intervention of the state in economy, nationalization of the industry and infrastructure, government control of the prices, exchange rate, foreign trade, and the industry - was realized.

At the initial stage of development of national economies it was the justified measure directed on concentration of economic resources in one hands. For smoothing of social, economic and political problems the governments constantly manipulated by prices for products of the state enterprises. For decrease in unemployment rate, the number of occupied at these enterprises was artificially overestimated. Sometimes in political goals (contrary to economic interests) signed contracts for delivery of raw materials, a consignment of goods or providing concessions to the concrete supplier or foreign firm.

This model of development justified itself in the countries where in power there was an erudite elite, which managed to consolidate forces and means in interests of society. Examples of that are Singapore, the United Arab Emirates, Taiwan and Kuwait. The model of etatism led to corruption in a number of large by the sizes territories of developing countries, owning considerable natural, economic and financial opportunities for economic development. Therefore countries which quickly develop, generally realize another - neoliberal model of development at the present stage.

This model of development was widely applied in the countries of the Latin America (LA). The last 20-30 years all countries of LA used the model developed in the 50ties by experts of the Economic commission for Latin America and Caribbean Region. Authors of model of "peripheral economy" suggested carrying out structural transformations on formation of import-substituting industrialization. Thus the special part was assigned to development of economic integration and regional cooperation.

The state as the regulator of macroeconomic policy had to play a major role in realization of this model. The import-substituting policy gave the chance to develop new productions and to maintain rather high rates of economic growth in LA.

Since 70ties, the countries carried out attempts of overcoming of a depression and ensuring economic growth, but they weren't directed on cardinal changes, and had character of adjustments for the purpose of stabilization of an economic situation and control of decline in production.

In the 90ties the new model – "The Washington Consensus" which was supported by the IMF was offered and recommended also to all countries with transition economies. In relation to the countries of LA this model was as follows:

1. ***Budgetary discipline***. The budget deficit shouldn't exceed the reserves allowing financing it without inflation growth. Deficiency under the current articles (without percent of payment for debts) should be kept at the level of 3% of GDP no more.

2. ***Priorities of the public expenditures***. Expenses have to be reoriented from the political sphere (management, defense, ambitious projects) to the economic sphere - key branches, health care, education, and infrastructure.

3. ***Tax reform***. Reduction of tax rates and expansion of tax base with application of an ascending scale of the taxation.

4. ***Financial liberalization***. Refusal of preferential treatment of crediting of “exclusive” borrowers. Development of market mechanisms of regulation of interest rates.

5. ***Exchange rates.*** Application of a uniform exchange rate, its level has to stimulate a rapid growth of nonconventional export.

6. ***Trade liberalization***. Reduction of customs tariffs to 10%.

7. ***Direct foreign investments***. Elimination of barriers to attraction of DFI, creation of conditions for the competition in domestic market between foreign and national firms.

8. ***Privatization.*** The state enterprises have to be privatized.

9. ***Deregulation.*** The government has to revise laws and resolutions which rigidly limit the competition or activity of new economic subjects.

10. ***The property rights*** have to be protected legislatively and extend including on informal sector.

The first positive results of introduction of this model were received in Argentina and Brazil. In other countries (Bolivia, Guyana, Guatemala, Honduras, Paraguay, Peru) during implementation of the stabilization programs in a varying degree based on more rigid regulation of an exchange rate at first revival of economy was noted, crediting volumes extended, but it was connected with short-term consumer boom, first of all, on a commodity market of long use. Uncertainty in stabilization of economic development and expectation of the next round of inflation promoted redistribution of the income on consumption to the detriment of investment.

Having created model of relative stabilization at the first stage, the countries of LA started forming model of social and economic development. The sizes of direct taxes decreased and the sizes of the indirect increased. If in the countries of OECD they were 65% of the total amount of taxes, in LA - 25%.

The public expenditures decreased. The paradoxical situation is characterized for the countries of LA when, on the one hand, the state had excessive impact on all spheres of economy, and with another - was extremely weak and couldn't realize effectively the functions as was under the influence of various political and economic elite. Thus it was compelled to assume functions not peculiar to it and impracticable obligations, rolling in corruption and tightening the country in a debt hole.

Fast liberalization of external sector of economy and foreign trade became one of the main positive results. Level of customs tariffs was decreased, the number of levels of customs protection decreased too.

In parallel there was a process of liberalization of process of inflow of the foreign capital. The national private and state capital prevailed to the middle of the 90ties in LA. Equal conditions were provided also to the foreign capital to the middle of the 90ties in LA.

Hierarchy of developing countries can be presented in the form of pyramid, which top is made by NIC with high rates of economic development and the highest (as among developing, and many developed countries) GDP per capita. They are followed by the countries of the average level of development which keep in the last decades high rates of economic development with dynamics on their acceleration. Underdeveloped and poorest countries are closer to the basis of the pyramid - the most numerous group. It is also inhomogeneous and is followed by a positive tendency of transition of the certain states to higher level of a pyramid. India, Bangladesh, Nigeria, Pakistan and other countries are the example of it; they left the lowest group and passed one step above over the past few years.

Developing countries differ on labor productivity level quite significantly. The highest labor productivity level is in the new industrial countries, the lowest - in the countries of Tropical Africa. But even in some countries with dynamic economy, for example, in India it is still far from world-class productivities.

2.2.3. Main economic problems of developing countries

In developing countries the model of the “catching-up” development which has apparent defects is realized. The aspiration to provide the economy with one industrial goods inevitably causes the necessity of import of other goods and means of their production. To satisfy these escalating requirements, it is necessary to increase export or to attract the loans constantly. Since 50ties export expansion was problematic as the world prices for raw materials and agricultural production constantly decreased due to application in the developed countries power - and the material-saving technologies. It led to growth of external debt of developing countries, and increase of their dependence on new articles of import (Tab. 2.12).

Table 2.12

External debt in 2014 (one billion dollars)

Countries	External debt
Argentina	111,5
Brazil	475,9
India	412,2
Republic of Korea	430,9
Mexico	354,9
Philippines	72,8
Thailand	86,1
Indonesia	223,8
Turkey	359,5

Reference: [4].

Chronic lag of export of developing countries from needs for import was especially sharply shown during an energy crisis of the 70ties. Due to multiple growths of prices for oil in the countries, which aren't provided with these raw materials, import of other types of goods was sharply reduced, industrial outputs decreased, commodity and monetary deficiency grew. It caused **inflation, decline in production** and growth of external debt. When prices of oil were stabilized in the world market, the accumulated debts and economic problems began to constrain rates of development of the countries.

Only those countries which managed to diversify the economy due to industrial production till this time avoided economic recession. These include South Korea, Taiwan, Singapore and Hong Kong. Rates of their industrial growth from 1970s were higher not only among all developing countries, but also the majority developed, in this connection they began to be called as four “dragons” of Southeast Asia. Thailand, Malaysia, Indonesia recovered from the crisis relatively quickly; their cheap labor force was used by the “dragons” of Southeast Asia (SEA) from 1970s.

In the international division of labor another rather heterogeneous group of countries was detached at a high development rate which economy had been developing under influence of various reasons: India – at an expense of significant natural resource potential and accent on development of national heavy industry; Turkey – at an expense of timely use of production slump in the countries of the CIS; Pakistan – at an expense of economic assistance of the USA which considerably increased during the presence of Soviet troops in neighboring Afghanistan and Sri Lanka – at an expense of expansion of tea export.

The execution of decolonization of the economy, agrarian reforms, import-substituting and export-oriented industrialization, creation of economic and social infrastructures, adjustment and improvement of models of macroeconomic regulation, mobilization of national resources as well as wide attraction of capital, experience and high technologies of developed countries contributed to the modernization of socio-economic structures of outlying countries. This process involved not only the «tigers» of SEA but also several large countries such as Mexico, India, Brazil, Indonesia etc. It substantially accelerated development dynamics of underdeveloped countries. If in 1900-1938 its GDP growth per capita made 0.4-0.6%, then in 1950-1999 it was 2.6-2.8%. In 2014 GDP growth per capita, in particular, in Indonesia, the Dominican Republic, Malawi and Ecuador was equal to 5.0%, 6.9%, 7.0% and 3.5%, correspondingly.

Since the 1980ties **the tendency of gap reduction between developed and developing countries** has become apparent for the first time in the history of world economic development. The annual GDP growth rate for 1991-2000 made 2.2% in developed countries and 5.0% in developing ones. At the same time, if in the post-war period the processes of convergence (rapprochement of development levels) were strengthened in developed countries, then in developing ones the stratification of countries continued in development levels: 27 countries approached to developing ones and 50 countries began to be considered as underdeveloped ones.

The economic growth was provoked by withdrawal from the financial crisis in the NIC for the majority of countries of Asia. In Latin America the slowdown of development rate is connected with the consequences of monetary crisis in Brazil and industrial slump in Argentina. At present this slump to a certain extent has been overcome at an expense of external trade, improvement in common conjuncture of market and revival of tourism

The saving of reputation of «raw appendage» or «banana republics» for developing countries will more critically affect afterwards the decrease in its growth rate because of **unfavorable conjuncture** on the world market. The excess of supply over demand is stable way on the agricultural market and further this tendency will be remaining. The subsequent introduction of material- and energy-saving technologies reduces demand for raw materials for industry.

The developing countries feel **a shortfall for carrying out scientific researches and introduction of the latest achievements of science and technology.** They are obliged either to buy not quite new technologies, or permanently remain in position of the overtaking persons that also does not contribute to its development and reduction in the gap between developed and developing countries.

The level of scientific and technical progress in these countries is restrained by scanty level of human potential development which is characterized by **low qualification,** high level of illiteracy, including functional one; that impedes a fast assimilation of advanced technologies. We should note that population growth in many states pass ahead of dynamics of production volumes that leads to the reduction of GDP index per capita and also adequately testifies the drop of living standard. 5 billion persons live in developing countries and 7.8 billion persons are forecasted by 2025.

The low level of technical equipment of agricultural industry as one of the main employment sectors and source of population livelihood in the majority of developing countries as well as high dependence of this industry on weather conditions, substantially restrains its development.

The poor development level of engineering, social and market infrastructure, low level of education and health protection, lack of development or poor development of transport, telecommunication and financial infrastructure and rudimentary level of computerization restrain the inflow of foreign investments as one of growth sources.

The constantly appearing **internal and external conflicts,** prosperity of the narcotics business, trafficking in arms and human beings, support of world terrorism, flourishing of underground economy and «money laundering» reduce the attractiveness of countries for long-term investors of large and medium-sized business, which are substituted by small businessmen seeking to «make quick money» at an expense of doubtful financial operations to the detriment of national interests of developing countries.

2.2.4. The economy of Brazil

The territory of Brazil occupies 8.5 million km2 and the number of population makes 207.7 million pers. The specific gravity of Brazil is 2.89% in the world GDP, 1.42% in the world export and 1.23% in the world import. The economic growth in the country in the 1970ties (average annual GDP growth rate was 8.5%) changed into the slump in the 1980ties (1.4%) and some growth in the

1990-ties (2.0%). The GDP increase was 3.1% in 2006, 2.7% in 2011 and 1.6% in 2014.

Brazil enters to the first ten of world leaders and has its own aerospace complex. By the middle of the 90ties it began to take third place in the world after Japan and Republic of Korea in output of sea-going ships, fifth place in output of tractors, sixth in the manufacture of arms and aircraft, seventh in output of motor-cars and smelting of steel and tenth in the production of metal-cutting and metal forming machine tools. The country feels a lack of investments. There is a low specific gravity of participation of internal sources in the investment of economic development in Brazil (19.3% of GDP in total). For 1991-1997 the inflow of FDI has grown by more than 4 times but the investments mainly were short-lived and in case of changes in political or economic situation they «left» the country.

The measures on increase of national accumulations, raise in reliability of banking system and development of capital market are taken by the government. In order to regulate the financial market the government utilizes instruments of tax policy. 7% tax on foreign investments into short-term obligations and 5% one into privatization funds are established in Brazil.

In 1998 the significant progress in the development was achieved after carrying out the wide privatization in oil and electric power industry and in the financial sector.

There were some measures on reduction of inflation taken. If it made 2489.1% in 1993, then it was 3.6% in 2007 and 5.9% in 2014. The high rate of inflation and high interest rates lead to speculative banking operations. When reaching the financial stabilization, many banks, which income growth substantially depends on volumes of speculative operations, have become bankrupts.

Brazil is guided by national capital in the investment policy. In this, it takes an active part in the processes of subregional integration, tries to unite South American states around itself and to withstand the economic expansion of the USA. Brazil represented an initiator of foundation of MERCOSUR. Its aim is to create the common market of the countries of Latin America.

In terms of **economic reforms,** the mass privatization is carried out in the country, measures on increase of competitiveness of local enterprises are taken, a private initiative is encouraged and foreign investments are attracted. For a period of 1980-2011 the volume of attracted FDI has been equal to 471.2 billion dollars. In 2014 Brazil took fifth place in the world in FDI inflow (64 billion dollars) [4, p. 143].

The expensive objects of infrastructure such as telecommunication and telephone communications, electricity and gas, output of electric power etc. are privatized.

Brazil possesses one of the richest natural resource potential in the world. It occupies the fifth place in the world by area, second place (after Russia) in reserves of timber and iron ore, fourth place in reserves of bauxites and fifth place in ones of manganese ore. Moreover, the country takes leading positions in reserves of zinc, beryllium, niobium, platinum, nickel, uranium and gold. Brazil enters the first six of countries in hydro potential of rivers.

Industry produces 26.4% of GDP and its branch structure is presented by extraction of minerals such as iron ore, bauxites, gold and gems, ferrous and nonferrous metallurgy, mechanical engineering (including output of aircraft, sea-going ships and riverboats, satellites), electronic and food industry and timber industrial complex.

Agriculture (5.5% of GDP) is specialized on production of wheat, corn, cocoa, coffee, cotton, sugar-cane and sugar-beet. 20% of manpower is employed in this industry.

In **the service sector** (68.1% of GDP) the main part belongs to financial services (one of the major financial exchanges in the region is placed in São Paulo) and tourism.

Lately, the problems of disproportionate development of different parts of country have become aggravated, and “depressive” regions have appeared that provokes the growth of social tension in the country.

2.2.5. The economy of India

India takes second place in the world by the number of population (1.21 billion pers.) and seventh one by area (3.3 million km2). India is on the fourth place in the world in GDP volume (3.3 trillion dollars). In 2014 the external debt made 412.2 billion dollars and its specific gravity in GDP was 23%. The output of GDP per capita is 5.86 thousand dollars.

India belongs to the group of developing countries having a medium-sized level of income. The country produces 5.6% of world GDP, 1.67% of world export and 2.59% of world import, 2.57% of world industrial production and 10.91% of world agricultural output. However, taking into account the considerable number of population, the indices per capita are much lower than ones in highly developed countries.

India has been a member of UNO since the moment of its foundation, one of founders and leaders of the Non-Aligned Movement and occupies a special position in non-proliferation of nuclear and rocket weapons and creation of nuclear-free zone in South Asia. India is a member of the South Asian Association for Regional Cooperation (SAARC) and “Colombo Plan”.

In the last years India went to the post-industrial development stage. In 2014 in GDP output the agriculture occupied 17.6% and industry did 29.7%. 52.7% of GDP is inherent in service sector such as transport, trade and communications. The GDP growth rates were marked on the level of 6.0% in 1991-2000. It is lower than on the average in Asia (6.6%) but higher than in developing countries as a whole (5.0%). In 2014 the GDP growth rate made 8.7%.

We should note that the population of India is doubled every 30 years and GDP has been doubled every ten years since 1980. Thus, the significant growth of GDP per capita is provided but for the present India could only pass from the group of the poorest developing states to one having a medium-sized income. Its

GDP per capita 1.8 times lower than in other countries in Asia and 1.9 times lower than in developing countries in total.

The specific gravity of GDP in India in the world output of goods and services constantly changed during the century: at first it has decreased till 1970 and then steadily increased. But, nevertheless, for the time being it is not comparable with the share of Indian population (17%) and availability natural resource potential.

Describing the share of India in the world agricultural output, we should mention that it has reduced compared to 1900, whereas the specific gravity of other countries in Asia and developing ones as a whole has increased.

India takes first place in the world in output of sugar, second place after China in cultivation of jute and tobacco, cotton fiber and cotton fabrics and third place after China and the USA in coal production and also in output and consumption of cotton.

India has a rich natural resource potential. It enters the first ten of countries in the world by the number of population, overall area of territory, worked lands, river hydro, stock of timber, reserves of coal, iron, uranic, manganese, chromite ore, bauxites, diamonds and other gems. However, the country is not rich in oil, so India imports it and oil products.

The specific gravity of India in the world industrial production has begun to grow since the 1980ties. The development strategy in so-called «lines of penetration» was worked out which became main lines connecting the four largest parts of country such as Mumbai, Calcutta, Madras and Delhi. These railway lines formed a quadrangle which sides were named as «growth corridors». Thanks to the developed infrastructure available, they began to involve the major industrial construction projects in the country. The enterprises of ferrous metallurgy and heavy mechanical engineering became to appear here. The «growth corridors» were considerably expanded involving new undeveloped sites.

Despite the significant natural resource potential, the industry development was restrained by the lack of source of raw materials and deficit of financing funds.

The structure of **industrial production** in the forming of GDP is the following: textile industry – 17.2%, oil and coal industry – 16.5%, ferrous and nonferrous metallurgy – 14%, mechanical engineering – 12%, food industry – 11.4%, pulp and paper industry – 7% and electro technical industry – 5%.

The growth rate is observed in the industries of information and computer technologies. 5% of world market of computer equipment and software belong to India.

The agriculture remains as the main link of the economy, 52% of able-bodied population is employed in it. The government continues realizing the principles of the «green revolution» in the agriculture directed at the irrigation of areas under crops, expansion of sown areas under high-yielding variety of plants and more active utilization of mineral fertilizers and agricultural machinery.

The constant shortage of state allocations is felt in the agriculture. The significant investments are put into the creation of rural infrastructure. The policy of price liberalization for agrarian products contributed to the growth of private investments into the agricultural output.

The private sector, which provides 75% of GDP in the country, plays the leading part in the economy of country. It is in the lead in the light, food and medical industries, in trade, mechanical engineering, construction and motor transport. 25% of GDP output is inherent to the government sector. It prevails in defense industry, power engineering, aircraft, railway and sea transport, communications and metallurgy. The government sector is involved in research and development. India disposes of high electronic technologies, space industry and nuclear power.

In recent times the centralized planning was substituted by market mechanisms. A wide access was opened for private companies to such, earlier exclusively public sectors as aircraft construction, shipbuilding, ferrous and nonferrous metallurgy, electric power and aircraft transport.

Several times the banking system was reformed for the years of independence in India. In the 1950ties the large commercial banks began to be founded together with small ones. In 1969, with the purpose of more even distribution of credit resources, 14 banks and in 1980 another 6 ones were nationalized. The banks were obliged to allot 40% at the least of all the credits to priority industries of the economy. The strict control of banking activities on the side of government led to the deterioration of its financial position. In the 1990-ties the government proceeded along the liberalization path of banking sector. The foundation of new private banks, including ones with foreign capital, has been permitted. These establishments could issue shares to raise capital but the stake remained with the state.

Despite the economic growth, according to the data of the World Bank, 25% of population in India is below the poverty line having income of less than 1 dollar a day. For improving the economic situation in the country the state began to pay higher attention to the development of small enterprises. As a result, their share in the industry reached 40%, in industrial exports – 45%, in total exports - 35%.

Constant redundancy of labor, limited purchasing power of the population, insignificant progress in economy became a basis of mass development of traditional forms of economic activity. Attraction of new technologies allowed carrying out modernization of a small-scale production, technically to pull it with the large one.

The state pursues policy of protection of domestic market against the active foreign competition which creates conditions for a survival of the small enterprises focused on poor segments of the population. This market has its own specific: demand is limited by a narrow set of essential products; it is poorly subject to changes that allow not spending additional resources for modernization and updating of the range. It is typical for textile, shoe, tanning, glass and construction production in which the small enterprises make 70-80%. Government has developed a list of goods prohibited for the production by large enterprises. It includes 800 items of goods, which it is advisable to buy from small producers at fixed prices. This virtually guarantees the sales of these products.

The policy of “rural industrialization” is realizing in India - the enterprises for processing of agricultural raw materials on small creameries, the device for rice drying and mills are creating. It gives the chance to increase employment of the population and to use local resources more widely. A decision was made on creation, especially in economically backward areas, clusters of small enterprises as centers of growth.

The number of manpower in India makes 523.5 million people, 7% of them are jobless.

The government developed the new economic program providing acceleration of liberalization of the economy, increase of growth rates of agricultural production to 5% a year, stimulation of foreign business. In 40 priority industries, including the automotive industry, production of artificial fertilizers and the power equipment, the government guarantees to foreign investors a controlling stake.

Specific weight of India in inflow of portfolio investments into developing countries makes 9.5%. Priorities are given to investments into development of infrastructure and key industries of economy, including the export-oriented ones.

Having rather capacious domestic market, the economy of India is focused on its filling and takes respectively insufficient part in the international division of labor. For export arrives only 7% of GDP. In structure of the Indian export textile products - 24%, agricultural production – 18.9%, jewelry – 14%, cars and the equipment – 8.1%, leather and leather products – 4.4%, pharmaceutical goods - 4% prevail.

The share of India is 20% of tea, 10% of spices, products from leather, precious and semiprecious stones, 5% of iron ore and its concentrates, cotton fabrics, textile products in world export. The specific weight of raw materials was reduced at the expense of increase in specific weight of an industrial output (76% of all export) in recent years in structure of export.

The country remains the largest producer and the exporter of tea. Duties on import of tea from Bangladesh, Nepal, and Sri Lanka were lowered or ensuring constantly growing its domestic demand, and reduction of export of high-quality grades.

Specific weight of India in world export of agricultural production makes 1%.

Such products as: oil and oil products, natural gas, cars and the equipment, production of chemical industry, gold, silver, precious and semiprecious stones for the jeweler industry prevail in the structure of import.

The main trade partners of the country are: the USA, Great Britain, Japan, Germany, the United Arab Emirates, Belgium, Italy, and recently - NIS of Southeast Asia.

Foreign financial aid plays an important role in economy of India; its annual size makes 7 billion dollars. Main creditors are “India Development Forum”, IBRD, IDA.

2.2.6. Economy of the least developed countries

The group of the countries, which include the least developed, that is low-income countries, is quite numerous. Experts include from 54 to 60 countries in this group. Mostly the level of social and economic development is estimated by indicators of literacy, GDP per capita, purchasing power, the size of an external debt, structure of national economy, employment of the population in various spheres of production, etc.

There are about 50 countries in the world with GDP per capita less than 1025 dollars a year on classification of the World Bank. Their greatest number is in Tropical Africa to the south of Sahara (38 states), in the Latin American and Caribbean region: Haiti, Honduras, Nicaragua; in Asia - Afghanistan, Butane, Yemen, Cambodia, Laos, Myanmar, Nepal.

Reasons of poverty of these countries are different: consequence of an injurious colonial policy (Haiti, Myanmar, Côte d'Ivoire), peripheral situation (Nepal, Butane), lack of considerable reserves of minerals (Chad, Niger, Benin), dictatorships (Honduras), lack of an outlet to the sea (Mali, Central African Republic, Uganda), underdeveloped transport, financial and social infrastructures.

Underdeveloped countries are differed from other ones in an uncontrollable and unregulated demographic situation at which GDP growth of the country doesn't keep up with population growth. There are low life expectancy (on average 40-57 years old), high mortality (20-26 ppm), including children (135-170 ppm) in these countries. Processes of pseudo-urbanization in a bigger measure complicate already numerous economic problems. About 1 billion people in developing countries suffered from constant malnutrition; about 1.3 billion people had daily profits of less than 1 dollars; more than at 1.1 billion people the expected life expectancy didn't exceed 40 years.

The main part of the consumer budget goes for food in underdeveloped countries. 25 countries are allocated in the world, where was a decrease in caloric content of an annual diet for the last 25 years. If more than 2 thousand calories were the share of one person on average per day in 24 countries in 1970, there were only 17 countries with the same indicators in 1996, and 8 countries fell below this level: Angola, Burundi, Zaire, Zambia, Cambodia, Mozambique, CAR and Chad. We will add to them Rwanda, Ethiopia, Eritrea, and the total number of the population of "the countries of malnutrition" will make 460 million people.

The basis of the economy of these countries is extensive agriculture. 40% of GDP fall to its share. 80% of the working population is engaged in this sphere.

Many types of agricultural production are the main export items of these countries and provide 90% of currency receipts (for example, cocoa in Côte d'Ivoire and Ghana, coffee in Nicaragua and Ethiopia). Falling of the prices or demand for similar production instantly reduces receipt of currency to these countries. The intensification and modernization of low-productive agriculture in these conditions is problematic due to the lack of possibility of accumulation of the capital for its subsequent investment into modernization.

Financial and political instabilities in the majority of the countries of this group hinder their integration into the world economy and do them unattractive for foreign investments.

Problems of economic development. Underdeveloped countries have no sufficient resources for overcoming the poverty by own forces. Lack of rich mineral deposits doesn't allow gaining the income from a mineral rent. Development of the available mineral deposits and their production depend on inflow of external investments that interfered by political instability and lack of transport infrastructure. Low level of literacy, high percent of functionally uneducated population constrains development of labor-consuming productions in these states of productions. The world community constantly gives help to this group of the countries in various forms, but lack of effective control of its distribution doesn't allow using similar receipts rationally.

The lowest level of accumulation of means of the population and the production capitals does impossible investment of branches for creation of means of production, preparation of the qualified labor, improvements of technologies. Low level of accumulation is the result of poverty and at the same time the reason of their preservation. The insignificant volume of investment doesn't provide implementation of new technologies. For example, the cumulative sum of all DFI, invested in economy of less developed countries such as Africa and Haiti during last 40 years is equal to 136 billion dollars that is in 3.6 times less, than investments into economy of Brazil for the same period (483.9 billion dollars). Low domestic demand even on essential products doesn't allow creating enterprises not only of mass, but also of series production.

Underdeveloped countries are at the initial stage of development of the industrial society. Such branches as: mining of raw materials, and also recycling of agricultural raw materials and production of food and goods of daily demand are mainly developed in these countries.

Industrial production is concentrated generally on small enterprises in these countries. Small enterprises take the second place after agrarian sector by numbers of employed and are largely related with this sphere by production relationships. These enterprises use the available insignificant raw material resources more effective, deliver consumer goods to the population and make the instruments for agriculture. It is especially important in conditions of underdevelopment storage and refrigeration facilities, underdevelopment of infrastructure and constant power outages. For example 70% of craftsmen work in areas without electricity or running water because of problems with the electric power in East Africa. Besides, production intensification level at such enterprises is lower, than at large ones, which give the chance to create additional workplaces. The big specific weight of the live labor, including unaccounted cases of work of families, children and females, is present at such enterprises.

Ability of the small enterprises to adapt to an unstable economic situation found reflection in their special forms - association of industrial and agricultural activity. It is so-called “rural industrialization” and “small industrialization” which are mainly created outside the large cities for the maximum approach to a source of raw materials. Such forms of business give the chance to expand scales of use of local natural resources, and to reduce outflow of labor from rural areas due to development of labor-consuming productions.

Clusters are created in a number of developing countries; they are the groups of small territorially connected enterprises carrying out joint purchases of raw materials and sale of finished goods. Small enterprises maintain the competition to larger producers of similar production thanks to economy on administrative staff and more careful studying of the local markets.

There is a considerable differentiation of small enterprises on degree of technical armament, specialization, a skill level of shots, labor productivity. Cooperation of the small enterprises with the large ones leads to high-quality changes in the industry. New incentives of growth of a small-scale production are created by internationalization of the world economy with an active role of TNCs. The small enterprises in textile, shoe, clothing industry are the objects of interest of TNCs. The number of small enterprises on production of national crafts extends. Handicraft and craft workshops with the big specific weight of manual skills enjoy support of the government of the countries not only taking into account economic needs, but also for the purpose of preservation of cultural heritage. **Informal** (unorganized, informal, unregulated) **sector** is functioning widely**.** The population which is occupied in traditionally backward branches of economy and it isn't considered by official statistics, differs by the low incomes which could be frequent in natural form, and people, who are on the verge of a physical survival are typically included to this sector. These are the smallest enterprises making goods and services, and also independent, self-busy producers in the cities. In Asia and Africa more than 50% of the women, who aren't occupied in agriculture, work in the informal sector (Zambia-72%, Gambia - 62%) covering mainly retail trade and traditional services for these countries.

High rates of urbanization promote overflow of the cities by excess labor. The specific weight of informal employment makes 20-60% in cities. Textiles, carpets, toys, footwear, costume jewelry, wigs, artificial flowers are produced in the informal sector.

2.3. Countries with transition economies

Most of the former socialist countries, making the transition from socialist to market methods of management belong to countries with the transitional economy. The former republics of the USSR: Ukraine, Russia, Belarus, Moldova, Latvia, Lithuania, Estonia, Georgia, Azerbaijan, Armenia, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan; former socialist countries of the Central Europe: Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Serbia, Montenegro, Croatia, Slovenia, Bosnia and Herzegovina, Macedonia, Albania; the Asian countries - China, Mongolia and Vietnam are countries with transition economies. Socialist orientation was kept by North Korea (DPRK) and Cuba for the purpose of creation of communism.

Countries with transition economies can be divided into three groups by the geographical feature and by the features of social and economic transformations:

- countries of the Central and Eastern Europe, and also Baltic countries (Lithuania, Latvia, Estonia);
- CIS countries and Georgia;
- China, Mongolia and Vietnam.

2.3.1. Prerequisites of formation of the transition economy system

The concept "transitional economy" means the transformation of the centralized non-market model of economic development with rigid command and administrative methods of management in open economy in which the market mechanism of functioning is combined with flexible methods of state regulation. The socialist model of economy, as we know, started to be realized since 1917. At first Russia (since 1922 - the USSR), and then Mongolia (since 1921) were the only countries which applied this model before World War II. A number of the countries of "national democracy" which began to be called as the socialist countries subsequently were formed after World War II. German Democratic Republic (GDR), Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Albania, Yugoslavia was examples of this type of countries in Europe and China, the North Korea (DPRK), Vietnam – in Asia. Cuba has taken the path of socialism in 1961. About two tens of developing countries chose socialist orientation in the 1960s and the 1970s, but the methods of socialist managing in their economies didn't gain broad development.

Let us consider some typical moments of the command system of economy. Total centralization of management of economy can give short-term effect in the most intense situations connected with deep social and economic crisis. So, it was succeeded to carry out industrialization in short terms by the extraordinary tension of forces, excessive use of human and natural resources in the 30ties in the USSR. In the same way the economy, which was destroyed during the Great Patriotic War, was quickly enough restored. Concentration of resources in hands of the state promoted the creation of strong base of the heavy industry and development of research and production capacity of the country in post-war years. The advancing development of the Soviet Union in the field of astronautics and nuclear power in the 1950s and the 1960s is confirmation of this conclusion.

However internal contradictions of system of socialist economy interfered with long development of the positive tendencies stated above. Elimination of a private property, monopoly of the state for means of production, lack of the normal competition didn't stimulate labor productivity growth. High growth rates of the industry were based mainly on enthusiasm of toilers who sincerely believed in reality of a victory of communism in the 1930s and the 1950s. Subsequently the enthusiasm started dying away, and the system couldn't develop methods of effective work incentives. So, proceeding from the second half of the 1960ties, the growth rate of the economy of the USSR and other socialist countries has been slowing down and its aggregate specific gravity in the world economy has been decreasing. The socialist states left considerably behind the developed countries in the level of productivity of labor and quality of product (excluding a narrow field of aerospace and military-technical production).

The administrative-command system of economic management showed inflexibility in mastering of possessions of scientific and technical progress. According to the predominant theory of priority of production of means of production, the emphasis was laid on even more rising of potential in heavy industry. It led not only to the drop in service sector but also provoked the destruction of the economy in total. Despite the rather large infusions of funds into research and development, the socialist countries were even more significantly left behind the western countries in the development of high-technology production. None of the socialist countries passed to the post-industrial development stage.

It should be noted that even positive elements of centralized system of economic management (for example, accelerated industrialization) were unequally realized in different countries. They brought the greatest effect in the countries having a previous low development level of industry and of the economy in total such as the USSR, China, Rumania, Bulgaria, Yugoslavia, Albania and DPRK. At the same time, the positive consequences of centralized industrialization in Poland, Czechoslovakia and Hungary were less apparent and the GDR appreciably lost before the FRG in the economic development.

The socialist system of management was being introduced into the economies of different countries in different degrees. It was most deeply and consistently realized in the USSR that was also conditioned by longer duration of existence of the state. By the early 1990-ties the views of many people were anti-market ones that became apparent under the conditions of transition period.

The administrative-command system acquired the most distorted form in China in the 1960ties, period of so-called «big jump». The collectivization took the form of the creation of communes where the socialization was applied not only to the means of production but also to paraphernalia of peasants. The commune was considered a «self-sufficient» economic unit capable to provide its members with everything required. And what is more, the primitive agricultural enterprises which had nothing in common with agro-industrial complex were propagated in agricultural communes. The domestic smelting of cast iron is the most striking example. The production of these enterprises was utterly low-quality and, in the main, of little use. Thus, the resources were wasted for nothing and adequate returns were not provided. The productivity of labor was very low in all the sectors of the economy. The distribution system of common foods existed in the country. In the external economic policy the government kept to the autarchy, i. e. self-reliance when reducing at most the volumes of external trade. This policy led, after all, to the famine on an unprecedented scale which involved tens of millions of people.

In the socialist countries of Central Europe (also in Lithuania, Latvia and Estonia) the introduction of socialist economic system took place much later and in most of countries was not so deep and comprehensive as in the USSR. So, in Poland and Yugoslavia there was no collectivization of agriculture realized, small private property prevailed in this sector. The land was not nationalized in

Czechoslovakia and Hungary and, a private sector also existed together with collective farming. In these countries it was also permitted to practice small private business in service sector such as trade enterprises, hairdressings, coffee-houses etc. In Yugoslavia the nationalized enterprises had a considerable degree of self-government and free determination of nomenclature of manufactured products, its sale and pricing. The competition of enterprises existed in the country and centralization of control of the economy was not so strict as in the USSR. On the other hand, in Yugoslavia the unemployment (phenomenon not typical of the socialist system) and inflation grew.

The bipolarity of economic models was stipulated by incompatibility of command- administrative and market methods of management. The world socialist system was formed which developed on a scheduled basis. The Council for Mutual Economic Assistance (CMEA) which had been founded in 1949 became the organizational form of this system. Its members were the USSR, the GDR, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania (it has terminated membership since 1962), Mongolia, Vietnam and Cuba; Yugoslavia participated in some structures of CMEA.

Within CMEA the socialist countries succeeded in achieving some coordination of external economic activity. The predominant share of external trade in each country was inherent in the CMEA and quite a lot of common objects of the economy were constructed. However, the effectiveness of CMEA as a whole was low. The volumes of mutual trade of countries members of CMEA substantially yielded to the indices of countries of European Economic Community. The integration in the monetary and credit sector and in the interstate movement of manpower was even less efficient. It deals that the CMEA was, first of all, the political organization. The economic integration was being considered as a subordinate process which must contribute to the achievement of political goals. Besides, in the conditions of strict centralized planning the integration process acquired unnatural character, in fact, was broken. When disintegrating the socialist system the CMEA also ceased to exist that its artificial character had demonstrated.

The braking of economic development in the socialist countries began as early as the 1960ties, despite the fact that the quantitative raising of industrial capacities in the industry and growth of general macroeconomic indices were observed. But the detailed analysis allowed to detect structural disproportions. The absence of market regulator led to the fact that a great number of product not sold well was manufactured. At the same time, the acute shortage of many kinds of product is felt. The industry became ever more resource- and energy-consuming, return of investment funds into basic funds decreased and productivity of labor reduced. The growth rate of national income declined.

The lowest rates were fixed in the countries which had been already industrially developed before the World War II. So, if for a period of 1960-1986 the national income has four times increased in the USSR, 5.2 ones in Bulgaria, 7.2 times in Rumania, then it increased only in 3.2 times in the GDR, 3.1 times in Poland, 2.8 times in Hungary and 2.7 ones in Czechoslovakia [8, p. 133].

In the 1980ties the crisis of economic system of socialism has already become apparent. The main macroeconomic indices began to drop swiftly. So, the national income produced in Ukraine in 1990 compared to the previous year declined by 3.6% and one produced in 1991 decreased by 13.4% more [8, p. 133].

The gap with developed countries in the use of achievements of scientific and technical progress became ever greater. So, for example, in 1990 only 12% of electric power was produced in atomic power stations in the USSR, whereas there were 19% in the USA, 33% in the FRG, 74% in France and 20% in Great Britain. The specific gravity of output of electric steel and oxygen steel made 48% in the USSR while it was 100% in Great Britain, Italy, France, FRG and Japan. The specific gravity of cement production by progressive «dry» method made 17% in the total volume of output of cement in the USSR, 60% in the USA, 78% in Japan and 90% in the FRG [6, p. 137].

It became clear that those positive factors which stimulated the extensive development of economic system of socialism had been exhausted already. The transition to market system of management became objective and inevitable.

2.3.2. Economic reforms of transition period

The attempts to prevent the total crisis of economic system of socialism were taken as early as the 1960ties. In the USSR the idea of «market socialism» was proclaimed which had to be embodied into the economic reform of 1965. The reform envisaged the allocation to the enterprises a more free hand in the planning of production nomenclature, disposition of wage fund, independence in the choice of partners relative to cooperation and sale of product when coming to external markets. It actually was the model similar to the Yugoslavian one which has already existed in fact. If the reforms were realized, then the crisis of socialist system would be delayed and in case of intensification of reforms the Soviet economy would smoothly evolve into market one. But it did not occur because of sharp opposition of conservative political circles which predominated in the leadership of communist party and government of the USSR. The reform has been curtailed in the late 60ties already.

In the socialist countries of Central Europe the reformatory attempts proved to be successful, though they also were far from being radical ones. So, in Hungary the enterprises got the right to sell independently its products; within payroll they could determine the number of employed persons and when releasing any number of workers the rest received higher salaries. The price reform was carried out as a result of which the prices of internal market were determined with regard for world ones. The price reform was also executed in Czechoslovakia, the prices for resources increased and ones for consumer goods reduced. In Poland the zone, where market (and not directive) prices acted, was expanded in the 1980ties, the private property was admitted not only in the agriculture but also in the industry. The system of centralized planning was gradually substituted by system of governmental orders to the enterprises. The foreign exchange market was legalized.

So, in the European socialist countries the reforms were carried out which had been developed as an analogue of the Soviet economic reform of 1965 (unfortunately, not realized in full). This in many respects explains that fact that in the given group of countries the transition to the market economy in the nineties has realized much faster and more efficiently than in the former republics of the USSR.

China was the first, which begin a properly deep reform of the economy on market principles. In 1978 the Chinese government under the leadership of Deng Xiaoping proclaimed the beginning of long and successive reform of the economy. Originally, the reform of the economy of 1965 in the USSR became a model for it. But afterwards the leaders of China run bold and radical reorganizations. The reform began from the agriculture where it was allowed to have personal plots (after the total socialization in the communes it was a really decisive step). The small private business in the industry and service sector was also legalized. It gave an appreciable impetus to the increase in volumes of output and salary growth as well as to the expansion of internal market.

The fact that the market economy has been formed and developed under the leadership of communist party when retaining the main social and administrative structures and rule of communist ideology both in the governmental circles and among the wide mass of population is a specific feature of economic reforms in China. It stipulated phasing in the reforms realized without cardinal destruction of existing social system. This way of reforms is «evolutional».

At first the market regulation was considered by the Chinese government as an auxiliary one to the planned economy. In the late 1970ties the reform became apparent in the permission of negotiated prices, development of private sector, introduction of family contract as well as foundation of joint ventures (having official and private capital) under the strict governmental control.

In the 1980ties the course for building up of system of the socialist commodity economy was proclaimed, the planned economy was also retained but its scope got somewhat narrow. The pricing reform took place on this stage. The nomenclature of goods with the centrally established prices decreased and the list of commodities (ones of consumer nature in general) with market-regulated prices was expanded. The price liberalization was gradually enlarged.

By the early 1990s the creation of «the socialist market economy» has been proclaimed as the main direction of economic reforming of China. Predominance of common ownership while simultaneously developing of the multi-level economy was its basis. The mixed joint-stock companies were actively founded where the state had a major shareholder holding. The enterprises of defense industry, up-to-date technologies and other subjects of management falling under the influence of state monopoly were not subject to corporatization. The attraction of foreign capital was allowed in other industries. The offices of foreign banks (there are over 100 of them) were opened in the country.

The economic reforms in China yielded impressive results. China is fast advancing to the group of developed countries from the country which population has balanced on the brink of starvation. In the 1980s and in the first half of the 1990s the average growth rate of its GDP made 11%-12%, output of gross industrial product – 12%, agricultural output – 7.5%, export – 8% and import – 32%. Today China has already taken second place in the world in GDP volume (based on PPP).

Unlike China, in the countries of **Central Europe and of the CIS** (except Belarus) the reforms in the economy were carried out in the «shock» version, i. e. it was focused on the economic reorganizations at the early possible date to radically transform the socialist economic structures.

Let's consider the peculiarities of reforms in the **countries of CEE.** The radical economic reforms in these countries began in 1989-1991. The main directions of economic reorganizations became the following:

- macroeconomic stability and control of economic situation;
- price reform and introduction of market mechanisms;
- development of private sector, privatization and reforms in industrial structure;
- revision of role of government in the economy.

At first these transformations led to the chaos in the economy but in a few years the situation was stabilized and the stabilization programs gave positive results.

The development program of private sector, privatizations and reforms of industrial structure meant the realization of structural reconstruction of the economy in the countries of Central Europe, changes in ownership, introduction of bankruptcy procedure, liquidation of monopolies and trade and industrial reforms.

The revision program of the state's role in the economy envisaged the transition from command-administrative system to the regulation carrying out in the whole civilized world. With this purpose the reform of legislation has been implemented assigning to the competency of the state tax and budgetary management of the economy and pursuit of credit and monetary policy. The adequate amendments have been also introduced in the social programs.

The goal of economic transformations in the countries of Central Europe came to the fact that at its first stage the macroeconomic stabilization, that is, stoppage of production slump and resolution of the problem of external and internal debt would take place. Later on, the price and trade reform took place, convertibility of national currency was provided and prices were brought to conformity with production costs and level of world prices. And only then there was reform of tax and social sectors conducted, employers got tax incentives and the population defended themselves from the threat of unemployment.

However, the consequences of reform proved to be slightly worse than it had been supposed. So, the slump in production was found to be very high in the first years of reforms, free pricing provoked a considerable growth in prices when simultaneously reducing the income, the mass unemployment appeared and all the old relations were destroyed within the CMEA. So it was necessary to adapt to the new conditions of management as soon as possible.

It's fair to say that at first the reforms have been specified to be prolonged, gradual and evolutional which were being conducted owing to the mixed economy and with the support of the West. Actually, the reforms proved to be more dynamic and almost everywhere the way of entering the market using «shock therapy» was chosen.

The deceit of public expectations turned out to be the most negative consequence of the reforms in Central and Eastern Europe: the rapid and significant increase in the standard of living had not occurred.

The stage of «shock therapy» finished mainly in the middle of the 1990s after which the economy of countries in Central Europe became stable and process of dynamic development began. Poland reached a pre-reform level of output in 1996 and other countries of this group did it in the late 1990s. In 2000 the annual GDP growth made 5.0% in Poland, 2.6% in Czech Republic and 5.6% in Hungary. The countries of Central Europe become attractive for investors. The direct foreign investments for 7500 million dollars came to Poland, for 5108 million dollars to Czech Republic and for 1944 million dollars to Hungary [8, p. 138].

In the **countries of the CIS** the reforms were being realized under more complicated conditions: the transition to market methods of management has collided with grave difficulties and terminated later. The question will be in more detail about peculiarities of reforms in the CIS in the Part 4.

The relatively deeper and more decisive economic transformations took place in Russia, Georgia, Armenia, Kazakhstan and Kyrgyzstan which had chosen the «shock» version. The reforms in Belarus are being promoted slower, in an «evolutional» way and with the lesser social losses.

2.3.3. Development dynamics and structure of the economy

As it has been noted, the radical break of economic foundations in the first phase of reforms was accompanied by deep drop in volumes of output and socio-economic crisis. The withdrawal from the crisis was not simultaneously performed in different countries; ones which had earlier begun reforming were the first to go out of it. Ukraine was one of the last countries to overcome decline in production. The monetary and financial crisis in August of 1998 which had begun in Southeast Asia had a negative influence on economic development in the countries of the CIS, especially Russia and Ukraine. This crisis provoked the «capital flight» from our countries.

The dynamics of economic development in some countries with transition economies in the 1990s is shown in the Tab. 2.13.

The Table shows that the countries of so-called «Visegrad Four» (Poland and Hungary) have already had a positive GDP increase in the 1990s having overcome the difficulties of transitional period as early as 1989-1992. The economy of other countries in the region of Southeast Europe (Bulgaria and Rumania) developed slower and unevenly. In these countries the conditions of reconstruction of the economy and problems bound up with them are the same as ones in the countries of the CIS. The Asian republics in South Caucasus and Central Asia have gradually aligned their economy after deep drop in volumes of output in 1991-1993, proceeding from the second half of the 1990s. However, they have not yet reached pre-reform level of output.

Table 2.13

GDP dynamics in percent to the previous year

	1993	1994	1995	1996	1997	1998	1999	2000
Ukraine	-11	-17	-6	-5	-1	-1	0	6
Russia	-9	-13	-4	-3	1	-5	3	8
China	17	17	17	10	9	8	7	8
Poland	4	5	8	6	8	6	6	5
Bulgaria	-1	0	2	-9	-6	4	…	5
Rumania	2	3	6	3	-6	-6	…	2
Hungary	0	2	5	1	4	5	5	6
Kazakhstan	-5	…	-8	1	2	-2	2	10
Belarus	-10	…	-10	3	11	8	3	6
Azerbaijan	-23	…	-12	1	6	10	7	11
Armenia	-42	…	7	6	3	7	3	6
Georgia	-45	…	3	11	11	3	3	2
Uzbekistan	-21	…	-1	2	5	4	4	4
Moldova	…	…	-3	-6	2	-6	-5	2
Kyrgyzstan	-4	…	-5	7	10	2	4	5
Tajikistan	...	...	-12	-17	2	5	4	8

Reference: [8, p. 139]

The difficult situation with the restoration of the economy was observed in Moldova and Ukraine; the change for the better has begun only since 2000. The GDP increase rate in the first years of new century is given in the Tab. 2.14.

Table 2.14

GDP growth rate in 2001-2014

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2014
Ukraine	10.8	5.3	9.1	12.0	2.9	7.5	7.5	1.9	-14.5	4.2	-5.4
Russia	5.1	4.7	7.3	7.2	6.4	8.2	8.5	6.4	-7.8	4.0	2.1
Belarus	4.7	5.0	7.0	11.5	9.4	10.0	8.6	10.2	0	7.6	3.0
Moldova	6.1	7.8	6.6	7.4	7.5	4.8	3.0	7.8	-6.0	7.4	6.0
Kazakhstan	13.5	9.8	9.3	9.6	9.7	10.7	8.9	3.2	1.2	7.3	5.8
Poland	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.8	4.7
Hungary	3.8	4.1	4.0	4.5	3.2	3.6	0.8	0.8	-6.7	1.2	5.1
China	8.3	9.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.3	8.9
Bulgaria	4.2	4.7	5.5	6.7	6.4	6.5	6.4	6.2	-5.5	0.2	3.2

Reference: [4, p. 81]

The substantial drop in absolute size of GDP in all the countries except China became the consequence of economic changes in the beginning of transitional period. The reconstruction of the pre-reforming level took place in Poland in 1994 and slightly later it occurred in Czech Republic, Slovakia, Hungary and Slovenia. Other countries, except Russia, did not reach the GDP level which was on the eve of reforms. So, in 2000 the aggregate GDP in the countries of the CIS made 66% in total and industrial product was 60% of the level of 1992. The adequate values for agriculture were 72%, retail commodity turnover – 76%, payment services – 32% and freight traffic – 24%. The investments into fixed capital reduced to 33% of the level of 1991 [6, p. 140].

At present the GDP volume and its index per capita are greatly polarized in the countries with transition economies (Tab. 2.15)

Table 2.15

GDP indicators (based on PPP) in the countries with transition economies in 2014

Country	GDP, billion dollars	GDP per capita, thousand dollars	Country	GDP, billion dollars	GDP per capita, thousand dollars
China	17,617.0	12.9	Bulgaria	129.0	17.9
Russia	3,565.0	24.8	Lithuania	79.6	27.1
Poland	954.0	25.1	Croatia	88.5	20.9
Ukraine	371.0	8.7	Azerbaijan	165.0	17.6
Rumania	393.6	19.7	Georgia	34.7	7.6
Vietnam	511.0	5.6	Slovenia	61.1	29.6
Czech Republic	315.0	29.9	Latvia	48.2	23.7
Belarus	172.0	18.2	Estonia	35.6	27.0
Kazakhstan	418.0	24.0	Kyrgyzstan	19.2	3.4
Hungary	246.0	24.9	Moldova	17.7	5.0
Uzbekistan	172.0	5.6	Turkmenistan	82.1	14.2
Slovakia	153.0	28.2	Armenia	24.3	7.4

Reference: {4, p. 82 }

The given figures testify rather low level of GDP index per capita in the countries with transition economies that is a feature of underdevelopment of the economy and low living standard of population. It can be compared the following: Portugal has the lowest GDP index per capita among the developed countries (22.0 thousand dollars) and only Slovenia, Czech Republic, Slovakia and Lithuania leave it behind a little among the countries with transition economies; other countries has lower indices. Thus, even relatively successful post-socialist countries did not haul up to the level of «the poorest» developed country.

According to economic potential, character of reformation and relative level of development, the foreign countries with transition economies can be divided in the following groups:

1. China and Russia as the countries with enormous natural resources and manpower, significant industrial potential and absolute GDP indicators;

2. Poland, Czech Republic, Slovakia, Hungary and Slovenia as the countries in Central Europe which have advanced farther than other ones in the direction of reformation; they have a relatively high GDP level per capita;

3.Estonia, Latvia and Lithuania as the post-Soviet republics which have already entered the EU and have the most positive results of reformation and average level of GDP per capita among the former republics of the USSR;

4. Rumania, Bulgaria, Croatia, Serbia, Bosnia and Herzegovina, Macedonia and Albania as the countries in Southeast Europe having lesser developed economy and low level of GDP per capita;

5. Belarus, Azerbaijan and Kazakhstan as the countries of the CIS having an average economic potential and level of GDP per capita near the average world level;

6. Georgia, Armenia, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan and Moldova as the countries of the CIS having a low level of economic development and low index of GDP per capita;

7. Vietnam and Mongolia as Asian countries having substantial natural resources but very low index of GDP per capita.

2.3.4. The economy of Russian Federation

The Russian Federation (RF) is the largest by the territory state in the world and takes sixth place by the number of population (after China, India, the USA, Indonesia and Brazil). It disposes of the biggest total reserves of natural resources, especially fuel and energy ones.

Russia is the official successor of the former USSR as in the part of its assets so about its international debts.

After the disintegration of the USSR the main part of potential of the former common economic complex proved to be in Russia. The share of Russia makes over 60% of national income of the former Union, 76% of its territory and more than a half of population. Among other countries formed on the territory of the former USSR the favorable conditions for development of the national economy having the lowest level of dependency on external factors arose in the Russian Federation. These prerequisites are the following:

- availability of practically almost all minerals on its territory;
- availability of diversified industrial potential in all branches of heavy and light industry;
- availability of powerful scientific and technical potential.

Russia entered the third century with a great number of problems which solution in many respects will determine the place of this country in the world economy. First of all the question is about the problems of market reformation on which the fortune of Russia will depend.

The most powerful natural-resource potential and actual leadership among the countries members of the CIS can be related to the distinctive features of the RF. These features cannot affect the perspectives of development and growth of role of this country in the world. At the same time, we should not forget that the common principles of market relations in themselves do not give anybody of participants of international division of labor any privileges and, on the contrary, they put everybody in more or less equal conditions and require the recognition of common «rules of the game».

The peculiarity of initial level of construction of the national economy of Russia consists in the existence of considerable differences in the structure of economic potential of separate regions. So, the main part of manufacturing industry is in the European part of the RF and in Urals, whereas the extractive industries are concentrated in Western and Eastern Siberia. The industries of the maritime economy prevail in the Far East but there is no a clear specialization of industry in mining and manufacturing ones.

Russia occupies the substantial part of territory of Europe and Asia that opens opportunities for it to play an enormous and active part not only on these two continents but also in the whole world. So, Russia occupies an exclusively advantageous geopolitical position. Now, when the question is about wide inclusion of Russia in the common world economy this truth becomes quite intelligible. After all, one should most effectively use an advantageous geopolitical position of the country, on the one hand, and contribute to the development of the Russian regions, on the other hand.

Speaking about the place of Russia in the world economy, it should be noted that its entrails contain practically all the elements of the Mendeleev table. The possession of significant energy resources gives especial stability to the economy of Russia. So, the share of Russia makes 4.1% in the world oil reserves and 24.3% of natural gas [1, p. 95]. Russia has the longest extent of coastline in the world (almost 38,000 km). It means that the country disposes of considerable area and submarine resources of continental shelf. In particular, the advanced marine reserves of carbohydrates of only the Far North are comparable with analogous reserves of the Persian Gulf zone and Caspian basin.

According to the experts, the potential of Russia has not been claimed in the meantime. And then, the great reserves of further intensification of growth of the economy exist in the country. In 2014 Russia took sixth place in the world in GDP volume (based on PPP) after China, the USA, India, Japan and Germany. The Russian indicator of GDP per capita is 15 times less than the American one. Brazil is near to Russia in GDP volume. So now the question of assuring its competitiveness in the world level is very topical for Russia.

Russia continues to be the leading state in the field of space technologies and possesses a powerful military and industrial complex. The human potential is an important factor of economic one of Russia. According to the foreign experts' confession, the level of education and vocational training of the Russian citizens makes them to be capable of solving any technical and economic problems. The system of training of specialists of all the levels corresponds to the world norms owing to which there is a great demand for them practically in all the developed countries. However, there is no mechanism of efficient use of human and economic potential in the country for the present which is typical for the society having a developed market system.

Russia relates to the countries having a wide trade structure of the economy. It was notable both for developed manufacturing industry and industries of raw materials in the structure of the USSR. As it has been already noted, the highly specialized kinds of industry were mainly concentrated in Russia. In the 1990s the economic structure of the country underwent appreciable changes. In the GDP the share of manufacturing industries, in the first instance, mechanical engineering, reduced but the role of manufacturing industry, especially fuel and energy one, considerably increased.

In 2014 in the GDP structure of Russia, 4.2% were inherent in agriculture, 37.0% in industry and 58.8% in services.

In the 1990s the painful changes took place in **the industry** of Russia. The volumes of output in mechanical engineering and chemical industry dropped and sector of defense industry reduced as a whole. The output decreased in wood-working and wood-pulp and paper industry. In the light industry the production four times reduced under the influence of competition on the side of imported goods and also as a result of slump in purchasing power of population.

The fuel and energy complex of Russia has suffered less from the structural reconstruction that is connected with the favorable conjuncture on the world market of energy carriers. The gas production did not reduce compared to 1990. Russia is the first country in the world not only in gas reserves and production but also in its export. The broad network of gas pipelines unites Russia with all the countries of the CIS, Baltic, CEE and several countries of West Europe. Gas is the main «trump» of Russia in the talks with European partners, especially with ones from the Near Abroad.

The predominant part of gas mains passes through the territory of Ukraine and we get a certain amount of Russian gas for its transit. The intentions of government of Russia to build a gas pipeline to Europe by passing Ukraine threaten our country with appreciable losses. In the last years Ukraine received 30 billion m3 of Russian gas (that equals to annual demand of population and municipal enterprises for gas) in sum of 1.5 billion dollars. The income from gas transit makes almost 10% of the total income from export of Ukraine.

Russia takes eighth place in the world in oil reserves. Its share in the world production makes 11.9%. The Russian oil comes to the countries of the CIS, Baltic, Central and East Europe and also to Western Europe in a great number. About 70% of oil of Russia is produced in Western Siberia. “Gazprom”, “Rosneft”, “Lukoil”, “Surgutneftegaz” and “Novatech” are the leading Russian oil and gas companies.

Russia yields only to China in coal reserves but its main part is located in the poorly developed regions in Siberia and in the Far East. 60% of coal is extracted by open pit method. The coal of Russia has a lesser export importance than gas or oil, however, it's some quantity is being still exported, for example, to Japan.

Russia is also one of the largest exporters of electric power. It takes fourth place in the world in its generation after the USA, China and Japan. Over 70% of electric power is produced by thermal power stations, 20% – by hydro power stations and 10% – by nuclear power stations.

In the 2000s the stable growth occurs in the manufacturing industry of the RF which has been interrupted only for a period of world economic crisis in 2008-2009. Since 1999 till 2013 the indicator of manufacturing works in Russia increased by 82%, including food industry – 80%, production of machines and equipment – 74%, production of electric, electronic and optical equipment – 231%, production of means of transport and equipment – 29%, metallurgy – 67% and chemical industry – 62%. Thanks to the growth rate outstripping the average world one, Russia raised its share in the world added value of manufacturing industry from 0.9% in 2002 to 2.1% in 2013. The growth in productivity of labor is also observed. The RF enters the number of 60 countries having the best indicators and surpasses such countries as China, Thailand, Brazil and all countries of the CIS in the common world rating in indicator of value added in per capita but it yields to developed countries in the West.

Metallurgy is the following industry after fuel and energy complex with which the export hopes of Russia are connected. Despite the essential reduction of output of finished rolled products of ferrous metals, Russia continues to be on the fourth place in the world (after China, Japan and the USA). 60%-75% of products of ferrous metallurgy are export-directed. Unlike the ferrous metallurgy, the volumes of output in nonferrous metallurgy reduced less. The aluminum industry became the leading industry. Such plants as Bratskiy and Krasnoyarskiy ones are the largest in the world. Russia takes second place in the world after the USA in production of primary aluminum. Over 80% of produced aluminum is exported (second place after the USA). The production of nonferrous metals considerably reduced because of strong narrowing of internal market. However, Russia is the largest exporter of nickel. As a whole the Russian metallurgy is oriented toward export. Russia competes, in particular, with Ukraine on the markets of ferrous metals.

The mechanical engineering continues to be the leading branch of manufacturing industry of Russia which growth rate of production made 12% in 2014 (http://riarating.ru/trend/mechanical_engineering_report/). This result is stipulated by prolonged post-crisis renovation of industry, significant investment demand for some types of equipment (at an expense of realization of infrastructural state projects and state support of agriculture) and growth of consumer demand for domestic equipment, electronics and motor cars. After the crisis of 2008-2009 the production of large power-generating plants, railway, agricultural and construction engineering increases at an expense of it at a higher rate.

The chemical industry became one of the first branches of manufacturing sector which approached to the pre-crisis level of output (after the crisis of 2008-2009). In 2011 the growth rate of chemical production almost three times reduced but in this, the volumes of production of fertilizers and plastics reached record values. Such a slow growth is explained by slump of external demand for fertilizers. The production of basic chemicals (basic chemistry) is the key branch of chemical industry. Almost three quarters of total output of chemical product is inherent in its share.

The light industry is the most problematic one. In the Soviet era the light industry was concentrated in the Central region of Russia and the great number of fabrics, clothes and shoes were sent from there to other republics, including to Ukraine. The gap of economic relations with the former republics and foreign competition provoked a sharp reduction in the production of goods in the light industry of Russia. In the first half of the 1990s the output of cloths decreased in 3.8 times, knitted wear – 4 times and shoes – 5 times.

At present the situation in the light industry has become sharp: China, the countries of Central and Southeast Asia as well as the countries of South America are the leaders in that industry. Nearly 80% of goods of light industry being sold in the country are imported ones and only 20% fall to the share of the Russian producers. The «grey» import and small demand for home finished product are its main problem.

The slump in the production did not pass over the **agro-industrial complex (AIC)** of Russia as well, though here the drop was not so deep as one in the industry. In 1994 the production of grain reduced in 1.7 times compared to 1990, sugar beet – 2.7 times, potatoes – 3.5 times and meat – halved. The output of vegetable oil decreased in 1.3 times and sugar – 1.4 times. At present the production of meat increased by 14.2% and fish and fish products – 2.9%, but the production of flour from cereals, vegetable and other cultures reduced by 2.1% and sugar – 16.4%. But despite the decrease in production, Russia continues to be one of the largest food producers in the world. It takes fourth place in output of cereals and leguminous plants (after China, the USA and India) and it is on the first place in the world in production of barley, oats and rye. It also occupies the first place in output of flax and second place in one of potatoes.

The concentration of production is a peculiarity of the Russian AIC. 80% of commodity poultry, 60% of pork, eggs and vegetables of open soil and 40% of potatoes fall on the integrated farms [1, p. 99].

The livestock farming is the principal branch of agriculture of Russia. 60% of commodity output and 70% of all basic production assets fall on it.

The **service sector** experienced slump in the course of structural reconstruction in the 1990s. In the first half of decade the reduction occurred almost in all the kinds of services such as transport, trade and domestic services. So, in 1994 compared to 1990 the freight traffic by all the means of transport decreased in 1.7 times, including one halved by railway and by air – 3.6 times.

However, since the second half of the 1990s the service sector has begun to revive. The quantity of trade outlets and domestic companies increases and the number of telephone subscribers and users of Internet grows. For the last 15 years the freight traffic by railway, pipeline and air transport increased by 27.6%, 35.5% and 45.5%, correspondingly.

The **development dynamics of the economy** of Russia is characterized by sharp slump of many macroeconomic and microeconomic indicators in the first half of the 1990s, stagnation in the middle of decade which has been interrupted by the crisis in 1998; upsurge since 1999 and stably high rate at the beginning of new century. After the world crisis of 2008-2009 the positive dynamics has been observed since 2010, though the GDP growth rates are not so great as to approach to the level of developed countries (Tab. 2.16).

Table 2.16

Dynamics of GDP and unemployment in Russia (% to the previous year)

Indicators	Average annual			2008	2009	2010	2014
	1993-1997	1998-2002	2003-2007				
GDP increase	-5.5	4.2	7.8	5.2	-7.8	4.0	2.1
Unemployment	8.3	10.5	7.5	6.4	8.4	7.5	5.6

Reference: [4, p. 100]

Among the factors contributing to the development of the economy of Russia its reformation and also stable positive rest of foreign trade balance achieved at an expense of export of energy carriers should be noted. But since 2013 the GDP growth rate begins to drop. The low investment demand stipulated by grave structural problems in the economy of the RF became the significant reason of slowdown of growth rate; in the late 2014 the sharp deterioration of foreign trade conditions, slump of prices for oil, uncertainty of geopolitical position and economic sanctions aggravated the situation.

In these conditions the government of Russia tries to strengthen the regulating role of the state, in particular, by infusion of great funds from the budget for support of important objects of the national economy.

2.3.5. The economy of the People's Republic of China

China is the largest country in the world in number of population and the third one in territory. In the last quarter of the past century China showed an extremely high development rate and approached swiftly to the most powerful countries in economic respects. Its geopolitical role increased on the international scene. In 2014 China came to the first place (17617 billion dollars) in GDP size (based on PPP) having left behind the USA by 198 billion dollars. The share of China in the gross world product makes 14.5%. In 2014 China took fifth place (11.33%) after Kazakhstan (3.8%), the USA (2.93%), India (2.93%) and Russia (2.37%) in growth rate of industrial production.

{http://forexaw.com/TERMs/Exchange_Economy/Macroeconomic_indicators/Production/1447}

China takes first place in the world in coal production, production of ferrous metals, cement, bicycles, grain (including rice), cotton, meat, fertilizers, cotton fabrics, clothes, shoes, heads of pigs and fish. It occupies the second place in output of electric power, chemical fibers and wool fabrics. Its third place is in production of silk cloths, soy-bean and freight turnover of railway transport. China is also among the leaders in production of metal-cutting machine tools, equipment for mining and metallurgy industry, locomotives and vans, sugar and tea.

At the same time China is characterized by very low economic indicators per capita. In 2014 the rate of GDP per capita made 12900 dollars (it is the 89th position), output of GDP per person employed (based on PPP) – 10200 dollars (the USA – 83300 dollars, Japan – 57400 dollars and Russia – 19500 dollars) that is an evidence of low productivity of labor.

8% of population or 167 million pers. live below the poverty line in China. Over a half of population has income per capita of no more than 2 dollars a day.

The interest to China on the part of businessmen from the leading countries is activated by great potential capacity of the Chinese market; according to the experts, in the middle of the 1990s it made 300 billion dollars. By today China attracts the great number of direct foreign investments. In 2014 the volume of FDI involved into the Chinese economy made 119.6 billion dollars and outflow of FDI from China was 101.0 billion dollars .
[http://www.rosbalt.ru/business/2015/01/22/1359698.htm +
http://unctad.org/en/PublicationsLibrary/wir2014_overview_ru.pdf].

China is a strong country in military respects, has nuclear arms and possesses the powerful military and industrial complex. In this, it has not joined any military bloc and carries on quite independent external and internal policy. The political authority of China is rather high and goes on growing. Since the 1960s the communist party and government of China try to form and strengthen an image of state as a leader of «the third world», i. e. developing countries. However, it is clear that China does not relate to this group of countries neither in socio-economic respects (it is the country having the transitional economy), nor in political ones (because it is the country having the communist regime). Nevertheless, according to the classification of some international organizations, China relates to this group; the criterion here is the low index of GDP per capita.

In the 1960s-1980s the authority of China among the developing countries was based on its independency and spacing from two «superpowers» in the world. The significant number of the ethnic Chinese, so-called «huaqiao», living here also contributes to the expansion of political influence of China on the region of Southeast Asia.

The government of the PRC officially considers Taiwan its own territory; it is nominally recognized by almost all states (including the USA) and international organizations. In fact, Taiwan is an independent state with its government and peculiarities of socio-economic structure.

The administrative region Siangan (Hong Kong) has a special status within China. Before 1997 it was the British colony after what it was officially passed under the Chinese jurisdiction. A high degree of self-government is given to Siangan: right to carry out administrative control, legislative and legal activity and independent immigration and tax policy. Siangan is guaranteed the invariability of its socio-economic order by 2047. It has an important value because the economy of Siangan is developing on purely capitalist bases, unlike the socialist economy of China. The preservation of special status of Siangan is advantageous to the Chinese government because of extraordinary deepening this little enclave into the world market.

China relates to the number of countries with the diversified economy. The leading role belongs to the industry which share in the GDP makes 46.8%, share of agriculture – 10.1% and services – 43.1%.

The traditional «old» industries such as textile, coal and metallurgy are united with new ones such as petroleum refining, chemistry, aircraft, space industries and electronic machine building in the **industry** of China. Over 60% of all the industrial workers are in the heavy industry, a half of industrial production is made here.

The basis of energy is coal, reserves of which make China fully self-sufficient. China takes first place in the world in coal production, 80% of coal is extracted by mining method. The greater part of the coal is consumed by industry, especially light and food industries. It means that coal is mainly burned in the factory furnaces but not at power plants. The dominance of coal in fuel and energy complex provokes a strong environmental contamination. Lately, the oil production is growing.

China came to the first place in the world in production of electric power (5397 billion kWh were generated in 2013). The steam-power stations generate 80% of electric power, hydro power stations – 19% and nuclear power stations – 1%. They are not yet enough for needs of the economy, in spite of high absolute volumes of output of electric power.

The ferrous metallurgy of China is provided for all the kinds of its own raw materials. China takes the first place in the world in production of ferrous metals. However, the ordinary sorts of metal are produced; high-quality steel and finished rolled alloying metals are imported in a great number. The technical level of metallurgical works in China is not high for the time being.

The nonferrous metallurgy is developing at a high rate but the country is hard pressed for aluminum, copper, lead and zinc so they are imported. More than a half of produced lead, mercury, antimony and tungsten is exported.

The mechanical engineering is characterized by the great number of enterprises among which very small and semi cottage plants represent the significant part. As a whole, China provides itself with the main product of mechanical engineering. However, the quality level in the machine-tool construction, electrical engineering, instrument-making and aircraft building remains low. Many types of this machinery are imported. It also concerns some types of equipment. Lately, the production of electronic engineering is fast growing, both industrial and domestic ones. China takes first place in the world in production of radio and television sets. The great number of electronic computers and calculators is produced. China is among the leading countries in production of washing machines and refrigerators. 820 million users of telephone communications number in China, including 547 million persons who have cell phones; 253 million persons use Internet.

The production of fertilizers in which the first place in the world belongs to China is marked in the chemical industry; manufacture of nitrogen fertilizers (about 80%) prevails in it. The product of organic chemistry (polymers etc.) does not cover the needs of industry in China. Nevertheless, the country occupies the fourth place in the world in production of plastics and synthetic resins as well as it is one of the largest world producers of pharmaceutical products.

The light industry is oriented both toward the wide internal market and external one. It is well provided with its own raw materials and cheap manpower. The cotton branch occupies the dominant position in the textile industry. China produces cotton fabrics more than India, the USA and Japan taken together. China takes third place in the world in output of silk cloths from natural and synthetic raw materials and first place in making of real silk. China is the world exporter of cheap and handy clothes and shoes.

The rice mills and flour-grinding industries which are the largest ones in the world in volume of output play the leading part in food industry of China. China came to the first place in production of meat having left the USA behind. It passed ahead of Japan in taking of fish and also occupied the first place in the world.

The significant attention is paid to the involving of achievements of scientific and technical progress in the economy, particularly, into the industry. The expenses for R & D make 1.4% of the GDP (in this indicator China is on the second place in the world after the USA) [2, p. 112].

The agriculture of China, as it has been already noted, has no equals today in the world in volume of industrial production. The farming on which more than a half of all production falls in this industry continues to be the leading one. The growing of cereals prevails in the farming: 35% of cost of products is inherent to rice, 19% to wheat and 20% to corn. China takes first place in the world in the production of rice and wheat and second one in the production of corn (after the USA).

China produces the largest volume of cotton in the world. It is one of the largest producers of soy-bean (the third place in the world) and pea-nuts. The beet and cane are cultivated from sugar cultures. China takes the first place in the world in production of tobacco and the second one in production of tea (after India).

As for livestock farming, the PRC took the great lead over other countries in heads of pigs and entered the leading group in number of cattle, sheep and goats. However, the productivity of cattle breeding is not high.

The structure of China's agricultural sector includes industry, trade, transport, services and others. For example, in 1995 the specific gravity of non-agricultural branches in it reached 80%. The so-called «rural industry» of China is one of the main suppliers of not only consumer goods but also energy carriers, parts and assemblies for manufacturing industry, chemical fertilizers and pesticides for agriculture. The share of «rural industry» makes over 50% in the production of silk goods and knitted fabrics, 95% – output of brick, tile and agricultural implements, 35% – sewing of leather shoes and 40% – production of cement and coal.

It is clear that there is an aggravation of contradictions between changed structure of social demand for agricultural products and existing industrial one of agriculture. In other words, the tendency of reduction in consumption of low-grade sorts of grain and increase in demand for high-quality rice and wheat and product of livestock farming as well. The problem of improvement of industrial structure of agriculture in concordance with the real market demand becomes actual.

The service sector, in particular, business services, play a growing part in the conditions of reformation of the economy of China. The volume of adequate services is growing and new trade services and markets are appearing in the everyday life of citizens of China at an expense of private and cooperative organizations. So, the volume of retail turnover has grown in more than 9 times for 1973-1997.

The economic reforms also touched the financial sector because it as a component of the pre-reform economy of China fell behind the factors of international standards due to the underdevelopment of financial and credit mechanisms. As a result, the raising of volumes of credit and monetary operations, its filling by qualitatively new instruments and mechanisms, operations and services which have not been used earlier took place.

As a result, the stock market with two main exchanges in Shanghai and Shenzhen has occupied a notable place in the economy of China during the 1990s. At present the trust investment companies and investment funds are functioning and the state specialized banks have appeared that are being transformed into the commercial ones. The new kinds of credit and monetary operations, in particular, securities market and market of short-term and inter branch lending and trust operations are developing and credit cards are widely used when calculating. The securities market lost its peripheral importance and changed into the center of economic processes in the economy.

The financial status of China became strong enough. It disposes of a half of the world currency reserves. For 2012 China has got revenue of 2 trillion dollars and, at the same time, the state expenditure also increased. In 2014 China considerably reduced a rate of accumulation of dollars in its reserves and reduced the rate of growth of reserves, significantly increasing investments worldwide. The Central Bank of the PRC informed about the plans of full refusal from the dollar in the international payments. The PRC and other countries announced the establishment of Development Bank as an alternative of IMB in autumn of 2014.

The banking system of the PRC mainly finances the state sector. In recent years a low process of denationalization of banking sector has been going on: the State Council of the PRC approved the program for founding 5 completely private commercial banks in the early 2014 (in Shanghai, Tianjin and in the provinces Zhejiang and Guangdong).

The dynamics of economic development of China is marked by positive macroeconomic indices as a whole (Tab. 2.17). But they not always reflect the qualitative state of the economy. So, even in the years of economic dislocation during the times of the «big jump» the dynamics of industrial development was positive, however, the similar tendency formed at an expense of output growth of products practically unusable such as metals and machines.

Table 2.17

GDP growth rate of China, %

Average Annual							
Indicator	**1981-1985**	**1986-1990**	**1991-1995**	**1996-2000**	**2001-2005**	**2006-2010**	**2014**
GDP Increase	13.2	9.2	15.1	9.8	8.8	11.2	8.9
Level of Unemployment	2.6	2.2	2.6	3.1	3.2	4.2	0.3

Reference: [4, p. 114]

As we see, the highest growth rates in the economy of China were achieved in the first half of the 1990s. In the second half of this decade the rate was slowed down that was, in particular, the consequence of deterrence of economic growth in order to prevent «overheating of the economy».

The world crisis in 2008-2009 has not practically touched upon the economy of China and its rates remain rather high. The great number of exported goods returned to the internal market, which capacity had been permanently broadening. The successful regulatory policy of government contributes to this fact.

Part 3. Regional integration structure of the world economy

3.1. Main features of international regional integration

The international regional integration consists in the close and organic interlacement of the national economies of the countries compactly situated in a certain space (region). At quite a high level of integration development the national economies form a single whole that is characterized by single industrial structure, common structure of regulation on the part of state and non-state institutions, free movement of industrial factors and even political unity. The regional integration in its own development passes the following five stages or levels: preferential trade area; free trade area; customs union; common market and economic and monetary union (See Part 1, Chapter 1.3.3).

The formation of system of regional organizations falls on the late 1940s and the early 1950s. At first they had mainly a character of political unions such as the League of Arab States, Organization of American States and the Council of Europe, military and political ones, e. g. Western European Union, and military unions like NATO and, in due course, the Warsaw Pact). The ever more organizations, where the economic function becomes dominant, are gradually forming. These are the Organization for European Economic Co-operation (1948) which has become a predecessor of OECD; Council for Mutual Economic Assistance (CMEA, 1949), «Colombo Plan» (1951) and European Coal and Steel Community (1951).

The integration processes were developing in another way in Western Europe. There was an idea of a political union of Western European countries immediately after the World War II. It had to become an opposition to spreading of communism to the West. In 1946 W. Churchill, the Prime Minister of Great Britain, spoke in support of the foundation of the United States of Europe which would be a single monolithic bloc of Western European states. It started the movement «for a united Europe». The coordination committees, which task was the contribution to the realization of idea of the British Prime Minister, began to be formed in different Western European countries. In the late 1948 the «European Movement» was formed. In the same year the Brussels pact on the formation of the Western Union was signed by the ministers of foreign affairs of France, Great Britain, Belgium, the Netherlands and Luxemburg. Its destination was ensuring of cooperation of the state’s members in the economic, social and cultural spheres. Later on, this union was supplemented with the European Council (1949) where some Western European countries more entered. In 1955 the Western Union was renamed into the Western European Union which united ten countries.

However, the real economic integration in Western Europe had not been realized for some time because the mentioned organizations had a frankly political character and political contradictions (especially between France and Great Britain) took place between the leading European states in that time. Even the Organization for European Economic Co-operation (OEEC), which was founded in 1948 for realizing US aid for «Marshall Plan», changed few things because it also had, first of all, political purposes. Other method of approach to European integration was needed. The political goals proved to be such ones that not only did not contribute but also impeded natural movement of economic integration process. It was necessary to adjourn the task of political integration till the 1990s. The economic integration has to precede the political one and not vice versa.

The real process of economic integration in Western Europe began almost simultaneously with the attempts to carry out the political integration. Jean Monnet, Chairman of Commissariat on Planning and Administration in the government of France, and Robert Schuman, the French Prime Minister, became the developers of the project on economic unification of Europe. The idea of foundation of **European Coal and Steel Community (ECSC)** was the basis of project and R. Schuman converted it into a fact.

In 1951 six countries such as France, the FRG, Italy, Belgium, the Netherlands and Luxemburg signed the agreement on the foundation of ECSC. This community became «first signs» of integration process. The coordination of development of coal industry and ferrous metallurgy was headed by the Supreme Authority which had certain supranational plenary powers. After the realization of the «Schuman Plan» it was also envisaged the integrating other industries of the economy. As a matter of fact, ECSC became the first step in the evolution of European integration as preferential trade zone.

The ECSC quickly demonstrated its efficiency, the economic relations between the «six» were strengthening and mechanism for regulating external relations on a reciprocal basis was being gradually formed. Later on, the talks on distribution of integration for other goods and services started. The idea of foundation of customs union and then one of economic union occurred.

In 1957 the agreement on foundation of new organization, based on the connection of three unions such as the European Coal and Steel Community, European Atomic Energy Community (Euratom) and European Economic Cooperation, was signed in Rome. The official name of this new organization was «European Economic Community» (EEC) and unofficial one - «Common Market». The EEC has begun to function since 1958. Six Western European states such as France, the FRG, Italy, Belgium, the Netherlands and Luxemburg became its founders. Community demonstrated its effectiveness fast enough. The growth rate of foreign trade between the members of the organization far ahead of the world index; the cooperative production relations were strengthened; investment process within the EEC expanded.

The growth of economic power of “six” and its impact on the markets of Western Europe caused concern of other countries in the region, especially the UK. The European Free Trade Association (EFTA), which includes seven countries: the United Kingdom, Denmark, Portugal, Norway, Austria, Sweden and Switzerland,

and later - Finland, Iceland and Liechtenstein was formed as opposed to the EEC in 1960. However, the EFTA was unable to become a worthy competitor to the European Community. Its internal market was narrower, as only the United Kingdom had the economic potential in comparison with the potential of Germany, France or Italy. Countries of “seven” were behind others in paces of integration of EEC countries and gradually turned into outsiders in the Western European economic space. Significant “split” occurred in EFTA at the beginning of the 1970s: the United Kingdom, which has been an economic leader and the actual founder of this organization, came out from it and joined the EEC in 1973s. Denmark did the same, and later (1985) – Portugal. This fact significantly weakened the EFTA countries, and this organization had not been able to rise above the development of the integration level of the free trade zone.

EEC grew stronger and geographically more expanded. It streamlined the organizational structure, introduced the main provisions of general economic policy. Gradually all obstacles to the internal movement of factors of production: capital, labor power and technology - were eliminated.

EEC acquired the features of the political union, went beyond a purely economic organization. In 1979, the European Parliament began to act. In 1987 the Single European Act came into force, which essentially stated the end of development of stage of the common market, and outlined ways to achieve a high level – the economic and political union. Thus, economic integration and political cooperation were joined into a single process.

Tens of organizations were created in different regions of the world under the influence of EEC. The largest number of groups of this type appeared in that time. The most famous are:

- in Asia: Council of Arab Economic Unity (1964) Association of Southeast Asian Nations (ASEAN 1967), Organization of the Islamic Conference (1971); Cooperation Council for the Arab States of the Gulf; (1981); Asia-Pacific Economic Cooperation (APEC, 1989);

- in Africa: the Organization of African Unity (OAU, 1963); Central African Customs and Economic Union (1966); The Economic Community of West African States (ECOWAS, 1976);

- in Latin America and the Caribbean: Andean Group (1969); Caribbean Common Market (1973); Latin American Economic System (1975); Latin American Integration Association (1982); Inter-American Investment Cooperation (1989).

Regional development banks had to become an economic boost of regional integration. At first it was assumed that these banks will only consist of representatives of regional organizations; but soon was turned out that most of them cannot exist on their own funds. Therefore, some developed countries are included in their composition, with a few exceptions (such as the Islamic Bank)

The system of regional development banks as a whole was formed in the third stage, when the banks were founded: the Inter-American Development Bank (IDB, 1959); The Central American Bank for Economic Integration (1960). The

African Development Bank (ADB, 1964.); The Asian Development Bank (ADB, 1966.); Caribbean Development Bank (1970); West African Development Bank (1973); Arab Bank for Economic Development in Africa (1973); Development Bank of Central African States (1975); East African Development Bank (1976).

In addition, various regional funds and assistance programs for developing countries (Arab Fund for Economic and Social Development, the African Development Fund, Arab Monetary Fund, and others) were created. These funds were usually established by regional organizations or regional development banks.

The process of regionalization of international relations was reflected in the completion of construction of the structure of the regional UN bodies, commissions on regional development. The Economic Commission for Europe (ECE), Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic Commission for Latin America and the Caribbean (ECLAC) have been formed in the previous step. Economic Commission for Africa (ECA) and the Economic and Social Commission for Western Asia (ESCWA) are added to them now.

Significant shifts in the integration processes of Eastern Europe and Central Asia took place after the collapse of the world socialist system. The large units, as the Warsaw Pact and the Council for Mutual Economic Assistance, were eliminated. Regional organizations that bring together both the newly independent States and the former socialist countries of Europe have been created instead. This process, to a large extent, has the character of “filling the vacuum”: companies that did not give integration movement to fade away, must be created in the territory of the post-socialist space. Commonwealth of Independent States (CIS, 1991) was formed in this way. The former Baltic republics of USSR (Estonia, Latvia, Lithuania), as well as Russia and Poland, united, with the other Baltic States, into the Council of the Baltic Sea States (1992). Black Sea countries, including Ukraine, have formed an organization, called the Black Sea Economic Cooperation (1992). Kazakhstan, Azerbaijan and the former Soviet republics of Central Asia have become members of the Economic Cooperation Organization, which was formed on the initiative of Iran, Pakistan and Turkey in 1985.

An important element of the integration process was escalating EEC to the **European Union**, which was confirmed by the Maastricht Treaty in 1992.

Regionalization processes have continued to expand. The North American Free Trade Agreement (NAFTA), which brought together the United States, Canada and Mexico, was concluded in 1994. The Common Market for Eastern and Southern Africa (COMESA), which was transformed from the preferential trade area, the West African Economic and Monetary Union (WAEMU) were created at the same time, and in 1995 - the Southern Common Market (MERCOSUR).

Integration association Shanghai Cooperation Organization (SCO), which includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, was established in 2001.

Regional integration processes tend to further spread. The idea of creating a Mediterranean integration group, for uniting the countries of Southern Europe and

North Africa was declared in 2008. Another project involves the distribution of a free trade zone of NAFTA to all Latin America. These facts show us certain economic efficiency of international and regional associations and their attractiveness to the world countries.

Integration processes are also ongoing in the former Soviet space. Russia, Belarus, Kazakhstan and Uzbekistan formed a Common economic space (CES) in 1999, and in 2000 - Eurasian Economic Community (EurAsEC) was formed by the same states and also Tajikistan. Georgia, Ukraine, Azerbaijan and Moldova joined together in the Organization for Democracy and Economic Development (GUAM). Finally, Russia, Belarus and Kazakhstan are united in the Customs Union.

Let’s consider the features of the integration processes of the regions in more details.

3.2. Regional integration groupings in Europe

3.2.1. The European Union – the EU

The European Union represents the highest stage of evolution of European integration. Creation of the EU started with six countries, and today it includes 28 member states. We remind the evolution of its formation.

Robert Schuman, then Foreign Minister and later Prime Minister of France offered to France, Germany and any other European country to join resources in the coal and steel industries in May 1950. This proposal has been called “The Schuman Declaration”. A year later, in April 1951, France, Germany, Italy, Belgium, Luxembourg and the Netherlands signed an agreement in Paris establishing the European Coal and Steel Community.

“The Schuman Declaration” went beyond the economic union. The main aim was to end the long enmity between European countries, political, cultural association, and the creation of a single European community, which could help to eliminate all opposition among the nations of the continent. The principles of peace, democracy, and equal cooperation between countries formed the basis for the creation of a united Europe.

The initiators of European integration realized that the unification of Europe is a long process. And it was recognized that it should be initiated with the economic sphere. The legal framework, a system of institutions, some of which had the supranational character, must have been formed for the success of the integration process.

In March 1957 in the Rome, the same “six” sign the **Treaty establishing the European Economic Community and the European Atomic Energy Community**. The Parties note in the agreement about the goals of its foundation: “…Determined to lay the foundations of an ever closer union among the peoples of Europe, resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe, affirming as the essential objective of their efforts the constant improvement of the living and working conditions of their peoples, recognizing that the removal of existing obstacles calls for concerted action in order to guarantee steady expansion, balanced trade and fair competition, anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favored regions, desiring to contribute, by means of a common commercial policy, to the progressive abolition of restrictions on international trade, intending to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations, resolved by thus pooling their resources to preserve and strengthen peace and liberty, and calling upon the other peoples of Europe who share their ideal to join in their efforts, have decided to create a European Economic Community…" [8, p.164].

"Treaties of Rome" came into force on 1 January 1958. The **European Parliamentary Assembly**, president of which was Robert Schuman, was founded in the same year.

Economic cooperation between "six" deepened. European Social Fund, which problem was to promote employment and professional mobility of workers between Member States, was founded in 1960. Carrying the common agricultural policy as an important element of integration was started in 1962. European Agricultural Guidance & Guarantee Fund (EAGGF) was created.

For a long time, "six" was, in fact, a closed group and not replenished by new members. Moreover, the French President Charles de Gaulle said that his country strongly opposed the entry of Great Britain into the EEC. The reason is that France was afraid of appearing of another powerful competitor in the Community that was also politically closely associated with the United States. But, on the other hand, the EEC drew attention to the markets of developing countries, especially African countries, which were mainly colonies of France, Belgium and Germany in the past. Associate membership in the EEC was fixed for the seventeen such countries in a special convention in Yaounde (Cameroon).

The integration process continued to deepen. Executive structures of ECSC, EEC and Euratom were merged in 1965. The agreement on customs union was signed in 1968; thus, economic integration rose to a new and higher level.

Finally, in 20 years, after the integration of the "six", it begins to expand with new members. Treaty of Accession to the European Community was signed by Great Britain, Ireland, Denmark and Norway in 1972. However, Norway did not become a member of the Community because of the negative outcome of the referendum of the population on this issue. The other three countries became members of the EEC in 1973.

In order to deepen the integration in 1972, it was decided to establish a European Monetary Cooperation Fund, as well as identify new areas of Community action: conducting joint regional, social, energy policy and environmental protection. It was predicted the creation of Economic and Monetary Union in 1980; as has already known, this forecast was too optimistic. European Regional Development Fund (ERDF) was established in 1974.

Enlargement of the European Community continued. EEC has 15 members on the eve of the proclamation of the EU. The EU was added by ten more members in 2004 and after the entry of Bulgaria and Romania into it in 2007, and Croatia - in 2013, the Union consists of 28 countries (Tab. 3.1).

Table 3.1.

GDP of EU member states (PPP) in 2014

Country	GDP		
	abs., billion dollars	% to the EU	Per capita, thousand dollars
Germany	3722	20,1	45,9
United Kingdom	2549	13,7	49,5
France	2581	14,0	40,4
Italy	2128	11,5	35,5
Spain	1566	8,4	33,7
Netherlands	799	4,3	47,3
Poland	954	5,1	25,1
Belgium	481	2,6	43,0
Sweden	448	2,4	46,0
Greece	284	1,5	25,8
Austria	395	2,1	46,4
Romania	393	2,1	19,7
Czech Republic	315	1,7	29,9
Portugal	280	1,5	26,9
Denmark	250	1,4	44,3
Hungary	246	1,3	24,9
Finland	221	1,2	40,3
Ireland	227	1,2	49,2
Slovakia	153	1,0	28,2
Bulgaria	129	0,7	17,9
Lithuania	79,6	0,4	27,1
Slovenia	61,1	0,3	29,7
Latvia	48,2	0,2	23,7
Luxemburg	51,4	0,3	92,0
Estonia	35,6	0,2	27,0
Cyprus	27,4	0,1	30,8
Malta	14,1	0,1	33,2
Croatia	88,5	0,6	20,9
The EU	18526	100,0	37,0

Source: [4, p.159].

After the formation of the customs union and the common market there was the turn of preparation for monetary union, the path to which was quite long. The decision to implement the monetary system, which was based on a single currency "E.C.U." was adopted in 1978 in Brussels. European Monetary System came into effect in 1979. The new currency "euro", which replaced the E.C.U. was introduced on 1 January 1999.

Signing of the agreement in 1985 in Schengen (Luxembourg), now known as the Schengen agreement on the abolition of border controls between Belgium, Germany, France, Luxembourg and the Netherlands, was an important event in the integration process. Subsequently, the Schengen Agreement was signed by the other members of the community.

The Schengen agreement was marked by the information that the formalities at the common borders should be much easier for citizens of the EU. Only a visual inspection should be carried out for private vehicles that cross the border at low speed, but do not stop. Facilitation of movement for people living in areas close to the common borders has been suggested. The agreement identified the need to coordinate the customs services and the police in order to combat crime. At the same time, control of the movement of people transferred to the external borders, and this control was becoming more watchful and stern. The need to prevent illegal migration from countries that are not members of the EEC had been specifically mentioned.

Single European Act, which supplemented and clarified the Treaty of Rome was signed in 1986 the draft agreement establishing the European Union was adopted in Maastricht (the Netherlands) in 1991. The agreement was signed in 1992 and came into force in November 1993. Succession of basic principles and achievements of the European Community is confirmed by the Maastricht Treaty and at the same time it is determined that a new stage in the process of European integration begins with its adoption. Union shall be founded on the basis of the European Community, supplemented by the spheres of policy and new forms of cooperation.

As **the main goal** of the European Union the facilitation the integration of Europe into a single economic and political entity for further economic and social progress of its people is proclaimed. The following main objectives are derived from the contents of the main goal:

- achieving a high level of economic development and employment;
- creation of a common area without internal frontiers;
- creation of Economic and Monetary Union;
- implementation of a common foreign policy;
- implementation of the future common defense policy;
- protection of the rights and interests of the peoples of the Union by introducing a common citizenship.

The Amsterdam Treaty was signed in 1997; it expanded and clarified the provisions of the Maastricht Treaty. The objectives of the EU are confirmed in it, and in addition, a section on the implementation of the common foreign and security policy has been added. The Amsterdam Treaty also contains a separate section on compliance by Member States of the principles of democracy, human rights and supremacy of law, the formation of “an area of freedom, security and justice” in the interests of citizens. The need to combat terrorism, racism, trafficking, and crime has been noted.

In 2007 the **Treaty of Lisbon** was signed according to which the defense of citizens of the EU in all the world, economic, social and territorial integrity and cultural variety became the main issues of policy of the EU.

The creation of an “internal market”, achievement of full employment and social progress, the fight against discrimination, the protection of children's rights, etc. are the most important tasks of the treaty.

The activities of the EU are based on the **general principles** of international cooperation:

- adherence to the principles of freedom, democracy and respect for human rights; determination of the rule of law;
- respect for national identification of the state’s members.

The following functions relate to the **competence** of the European Union:

- cancellation of customs duties and quantitative restrictions for import and export of goods between the states participants;
- common trade policy;
- joint agrarian policy;
- common transport policy;
- rapprochement of national legislations of states participants with the purpose of normal functioning of common market;
- policy in the social sector;
- policy of environmental protection;
- increase of competitiveness of industry in the European Union;
- contribution to research and technological development;
- contribution to achievement of high level of health protection;
- contribution to development of education, professional training and culture;
- policy of cooperation on contribution to all-round development of the state’s members;
- measures in the field of energy power;
- association with foreign states for expansion of trade and joint contribution to economic and social development.

The long existence of European integration community which has today a form of the EU has shown the efficiency of its policy practically in all the spheres. The socio-economic consequences of integration are especially impressive. The European Union changed into the powerful world center of economic and political attraction and influential force in the international relations. This accounts for aspiration of quite a number of states, including Ukraine, for becoming the full member of integrated Europe.

3.2.2. European Free Trade Association (EFTA)

EFTA was founded in 1960 and included 7 countries but, as it had been already noted, since that time the significant changes had taken place in its composition. Today the members of EFTA are such countries as Norway, Switzerland, Iceland and Liechtenstein. The headquarters is in Geneva.

The contribution to the stable economic growth, full employment and rational use of resources is the main purpose of the organization. To achieve this goal the following objectives are determined:

- provision of development of trade between the states-members on the principles of honest competitiveness;
- creation of equal conditions for supply of raw materials produced in the countries members;
- contribution to the world trade development and gradual cancellation of trade barriers.

The organizational structure of EFTA consists of the principal and secondary bodies. The Council, Standing Committees and Secretariat are the principal ones.

The Council is the supreme body. Its members are the representatives of each state member. It takes decisions on all the matters of policy of EFTA.

Standing Committees are formed by the Council on a departmental basis. These are the following committees: economic, origin of goods and customs matters, trade, technical barriers in the trade, advisory, and committee of parliamentarians, budgetary, economic development, agriculture and fishing. The Advisory Committee consists of the representatives of industry, trade and trade unions. The committees are engaged as a whole in the elaboration of recommendations for the Council.

The Secretariat consists of departments engaged in the matters of trade policy, law, integration, information and administration. It provides the work of the Council and committees. Besides the main bodies, the auxiliary institutions such as Surveillance Authority, EFTA Court etc. also relate to the structure of EFTA.

The European Free Trade Association is the second stage of economic integration as free trade area. All the customs tariffs are cancelled within it but each member keeps to its own customs policy in relation to third countries (except the countries of the EU). Unlike the EU, the Association does not provide for political unification.

The creation of the **European Economic Area (EEA)** jointly with the EU became the important event both for EFTA and for Western European integration as a whole. The Agreement on EEA was signed in 1992 and came into force in 1994. This union comprises 15 countries of the EU and 3 ones of EFTA; Switzerland did not join the Agreement.

The EEA agreement provides:

- free movement of goods, services, capital and people;

- coordination in such fields as research, education, consumption, environment and social sphere;
- development and implementation of general rules and rules of the legal system.

The EEA has a general **organizational structure**. **The EEA Council** consisting of members of the Council of the EU and European Commission, on the one hand, and ministers of the states of EFTA, on the other hand, is the supreme body.

The EEA Joint Committee consisting of the representatives of the EU and EFTA is the executive agency, it responds for current activities of EEA.

Besides, there are advisory bodies as follows:

- **The EEA Consultative Committee** prepares recommendations on economic matters and submits them for consideration to Joint Committee.
- **The EEA Joint Parliamentary Committee** consists of parliamentarians of the EU and EFTA (33 deputies from each party). It also gives proposals to the Joint Committee.

There is an institute in the structure of EFTA which is especially engaged in the matters of activities of the countries of EFTA in EEA, this is the **Standing Committee of the EFTA States.**

3.2.3. The Commonwealth of Independent States (CIS)

The Commonwealth of Independent States (CIS) was founded in 1991 after disintegration of the Soviet Union. 12 of the 15 former Soviet republics such as Azerbaijan, Belarus, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine entered it. In 1992 the Statute of the CIS was signed which determined the objects and principles of activity of the Commonwealth. In August of 2009 Georgia officially left the Commonwealth.

The cooperation in the political, economic, humanitarian, environmental and cultural fields for comprehensive and balanced economic and social development of states members is the **main goal of the CIS**. This collaboration should change in prospect into the Economical Union.

The principles of the CIS: the states members are sovereign and equal, states members are independent and equal subjects of international law.

It was supposed that the CIS would become the powerful economic union like the European Community. For this purpose, it seemed, there were objective grounds. The industrial potential of the states of the CIS makes 10% of the world one, reserves of the main kinds of natural resources – 25% and export potential – 4.5%; the CIS space has rather developed transport infrastructure. 5% of the gross world product falls on the CIS; it takes third place after the EU and NAFTA in economic potential (Tab. 3.2) [2, p. 162].

Table 3.2

GDP of the countries of the CIS in 2014

Countries	GDP, billion dollars (based on PPP)	Share in the GDP of the CIS, %	GDP per capita, thousand dollars	% to the average index of the CIS
The CIS	**5,028.6**	**100.0**	**11.96**	**100.0**
Russia	3,565	70.9	24.8	207
Ukraine	371	7.4	8,7	73
Kazakhstan	418	8.3	24.0	201
Belarus	172	3.4	18.2	152
Uzbekistan	172	3.4	5.6	47
Azerbaijan	165	3.3	17.6	147
Turkmenistan	82.1	1.63	14.2	119
Armenia	24.3	0.5	7.4	62
Moldova	17.7	0.35	5.0	42
Kyrgyzstan	19.2	0.38	3.4	28
Tajikistan	22.3	0.44	2.7	23

Reference: [www.cia.gov]

As a whole, in 2014 the positive dynamics of the main macroeconomic indices remained in the countries of the CIS: the GDP growth rate, volumes of industrial production, agricultural output and turnover of retail trade. In this, the reduction of investments into basic capital, freight traffic and foreign trade turnover took place. Last year the GDP growth was observed in the states participants of the CIS, except Ukraine where this indicator decreased by 5.3% compared to 2013. The greatest GDP growth rates were observed in Turkmenistan (10.3%), Uzbekistan (8.1%), Tajikistan (6.7%) and Moldova (4.7%) (http://peomag.by/news/show/14408/).

There were the reasons for expecting the quick development of integration processes between the states of the Commonwealth because in the early 1990s the industrial relations between the enterprises of the former republics of the USSR were still remaining. The long process of territorial division of labor within the Union created the mechanism of addition and cooperation between the economies of union republics. It was necessary to fit this mechanism to the new conditions connected with the transition to the market economy. Besides, the absence of linguistic barrier and cultural, even family relations contributed to the successful integration development. But in fact this process is dragging with great difficulty.

In 1993 the contract on foundation of the Economical Union was signed by the governments of the countries of the CIS. Its functioning would mean the free movement of goods, services, capital and manpower. The concordance of policy in the sectors of monetary and credit relations, budget, prices and taxation, currency relations and customs tariffs is supposed.

The stable development of the economy of the countries members, formation of common economic space, contribution to mutual investments, creation of payment union with mutual recognition of internal currencies and mutual convertibility of currencies that is necessary for transition to the currency union were proclaimed as the **goals** of the economic union.

From the beginning of its foundation the CIS was on the stage of preferential trade area. So the way to the economic union lies through the following intermediate stages: free trade area – customs union – common market of goods and services, capital and manpower – monetary union. In 1994 the Agreement on the Creation of a Free-Trade Area was signed. It envisaged the gradual reduction of customs duties and foundation of interstate economic council in the future. In the same 1994 the Interstate Economic Committee of Economic Union of the CIS was formed. It is a supranational body which shall realize economic programs and decisions elaborated in the structures of the CIS. The formation of customs union was supposed. However, this agreement was signed only by several states (Ukraine did not join it).

Despite the foresight of decisions taken on deepening of integration processes, the great part of them has remained on paper and is not converting into a fact. Moreover, the tendency of weakening of mutual economic relations appeared. If in 1990 the share of mutual supplies of 12 states of the CIS exceeded 70% of total cost of its export, then at present it is 34%. In this, the share of goods with high degree of treatment reduces in the first instance. It is for comparison: the share of internal trade in the total volume of export exceeds 60% in the EU and in NAFTA it does 45%. According to the evaluations, about a half of drop in the production in the countries of the CIS in 1991-1995 is conditioned by the very reduction of its mutual commodity turnover.

Several reasons for that phenomenon exist. On the one hand, it is the consequence of deep slump in the economies of all the countries of the CIS, breaking-off of economic relations between the subjects of the economy of the former USSR and difficulties of transition to the market economy. On the other hand, this situation was created by political reasons. The political leaders, parties and some social strata of the countries apprehend the loss of a part of independence of the country because of necessary transfer of some sovereign rights to the supranational bodies. Despite the multiple declaration on necessity to decrease customs barriers, the governments of the countries of the CIS often acted in the other way: they formed customs posts, introduced quotas and licensing of mutual trade. The repeated meetings of the heads of states and governments do not give an adequate impulse to the integration process due to various interpretations of national interests of each member of the CIS. As a result, till now the CIS is on the stage of preferential trade area. In order to give impulse to the development of integration process, some attempts to form local groupings inside the CIS have been made for a higher degree of integration. The greatest rapprochement took place between Russia and Belarus. In 1998 the Declaration on Close Economic and Political Integration of two countries was signed. In 1999 the agreement on foundation of the Union State between two countries was signed and in 2000 the decision on formation of monetary union between them and introduction of single currency.

In 1996 the Treaty on Deepening Integration in Economic and Humanitarian Fields was signed between Belarus, Kazakhstan, Kyrgyzstan and Russia. This Treaty envisaged the creation in the prospect of community of integrated states, formation of economic space, development of common transport, energy power and information systems, harmonization of legislation, coordination of external political course and formation of customs union as well.

In 1999 the Contract on Customs Union and **Common Economic Space (CES)** was signed between these four states.

In 2000 Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan established the international organization named **«Eurasian Economic Community»** (EurAsEC) which had been formed for realizing agreements on customs union and Common Economic Space. The main features of EurAsEC are proclaimed as follows: common economic space, common policy of economic security, coordinated external economic policy of the state's participants, common legislative framework and close cooperation in the humanitarian field.

3.2.4. The Organization of the Black Sea Economic Cooperation (BSEC)

This community was founded in 1992. It consists of 12 states such as: Azerbaijan, Albania, Bulgaria, Armenia, Greece, Georgia, Moldova, Russia, Rumania, Serbia, Turkey and Ukraine. Among the goals of BSEC there is a multilateral cooperation of the Black Sea states in diverse industries of the economy, in the first place, in the industry, agriculture, transport, trade, development of tourism and telecommunications. The ecology of the Black Sea is determined as one of spheres of cooperation. The integration mechanism within BSEC provides for tax-free trade, free movement of capital and services, creation of free economic areas and exchange of economic information.

The promising directions of integration are the following: interconnection of electricity in a single system of the «Black Sea Ring», creation of regional transport corridors, laying fiber optic communication lines and programs on protection of the Black Sea.

The great hopes are set on the Black Sea Trade and Development Bank (BSTDB) which activity has begun in 1999. Its functions are crediting of external trade operations and support of financial systems of the countries members.

The International Centre for Black Sea Studies and the Science Centre of BSEC are founded within BSEC.

3.2.5. The Organization for Democracy and Economic Development (GUAM)

GUAM is a regional organization founded in 1997 (the Charter of the Organization was signed in 2001 and the Statute in 2006). The abbreviation GUAM proceeds from the first letters of names of the countries participants of the organization such as: Georgia, Ukraine, Azerbaijan and Moldova. Since 1999 till 2005 Uzbekistan has been its member.

According to the Statute, the main **goals** of the GUAM are the following: confirmation of democratic values, provision of right leadership and respect for human rights, ensuring of stable development, consolidation of international and regional security and stability, deepening of European integration for creating common security space as well as expansion of economic and humanitarian cooperation, development of socio-economic, transport, energy and humanitarian potential activation of political interaction and practical collaboration in the fields being of mutual interest.

The countries-members of GUAM interact in the framework of international organizations, in particular, UNO and OSCE. In 2003 GUAM obtained the observer status in the General Assembly of UNO. GUAM also actively cooperates with other states.

3.3. Regional integration groupings in Asia, North and South America and Africa

3.3.1. Asia-Pacific Economic Cooperation (APEC)

APEC was founded in 1989. Its members are the following countries: Australia, Brunei, Vietnam, Indonesia, Canada, China, Republic of Korea, Kiribati, Malaysia, Mexico, the Marshall Islands, New Zealand, Papua New Guinea, Peru, Russia, Singapore, the USA, Thailand, Taiwan, Philippines, Chile and Japan. The Secretariat of the organization is in Singapore.

APEC has a consultative status. Its policy is based on quite a number of joint declarations and statements of the leaders of states on economic matters such as: Seoul APEC Declaration, Bangkok Declaration on Asia-Pacific Economic Cooperation, Osaka Declaration for Action of APEC in the field of the economy etc.

The contribution to the economic growth of the countries of Asian and Pacific region is the **principal purpose** of APEC. For that the following **priority directions** of cooperation are determined: contribution to the regional trade, investments, movement of financial resources, development of human resources, transfer of technologies, industrial collaboration and development of infrastructure.

The formation in 2020 of free trade and investment system is determined as a long-term goal in the integration process.

The principles of APEC activity: equal partnership, mutual benefit of economic cooperation considering the interests of developing countries, inclination to the open dialogue and consensus building in the discussion of the most important problems.

3.3.2. Association of Southeast Asian Nations (ASEAN)

ASEAN was founded in 1967. It consists of 10 members as follows: Brunei, Vietnam, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore and Thailand. The cooperation with some other countries hierarchically (in order of importance) is a peculiarity of this organization; the dialogue partners, consultation partners and observers are determined.

Australia, the European Union, Canada, New Zealand, Republic of Korea, the USA and Japan are its dialogue partners. Russia and China are consultation partners.

The location of the authorities of ASEAN is Djakarta (Indonesia).

The acceleration of economic growth and social progress in the countries of the region is the **principal purpose of ASEAN.** The close cooperation and mutual assistance in the economic, social, cultural and scientific and technical spheres is a way of achieving this purpose.

The creation of general trade area is the **concretized goal.**

The cooperation of ASEAN countries is not confined only to the economic and social spheres. It extends also to the culture, education, science. So, 11 universities of the countries in the region formed a special university network of ASEAN.

The political collaboration of ASEAN countries is so far developing more successfully than economic one. The preferential privileges stimulate not enough mutual trade; the trade is mainly oriented toward the countries lying beyond ASEAN such as Japan, the USA and the EU.

The outlook of foundation of a wide East Asian Economic Community based on the ASEAN at an expense of involving China, Japan ad Republic of Korea is being considered in the political and economic circles.

3.3.3. «Colombo Plan»

This organization was founded in 1950 on the basis of the British plan of assistance to the former colonies. The agreement on its foundation was signed in Colombo, capital of Sri Lanka, its name is from there. Not only the former colonies of Great Britain but also other dependent states in the past became members of the organization. Later on, some independent states of South Asia were also admitted to this organization.

«Colombo Plan» joins two groups of the states as follows: Great Britain, the USA, Canada, Japan, Australia and New Zealand as **donors** and India, Pakistan, Sri Lanka, Afghanistan, Iran, Nepal, Myanmar, the Maldives' Republic, Bhutan, Bangladesh, Laos, Cambodia, Malaysia, Thailand, Singapore, Papua New Guinea, Indonesia, Philippines, Fiji and Republic of Korea as **recipients.** 26 members are included into organization.

The objectives of «Colombo Plan» are the following: contribution to economic and social help to the countries members of Asia and the Pacific, coordination of technical aid and financial assistance to those countries and discussion of the problems of economic development of the countries in the region.

The specific mechanism of assistance distribution is the **functional peculiarity** of «Colombo Plan». There is no general assistance fund: each country member of the group of developing countries determines its needs in help and conducts talks on a bilateral basis with country donor. But these talks are carried on within the main policy of the «Colombo Plan» and coordinated by the adequate bodies.

The assistance according to «Colombo Plan» is subdivided into the following types:

- economic assistance (food and raw materials);
- financial assistance (financing of national projects);
- technical aid such as services, examination and volunteers;
- consultations, e. g. seminars and practical works for chiefs of high rank and improvement of national education systems.

«Colombo Plan» envisages the support of business undertakings, especially small and medium-sized businessmen, training of national personnel, control optimization and environmental care. An especial attention is paid to the fight against drugs in the region.

3.3.4. Shanghai Cooperation Organization (SCO)

The union Shanghai Cooperation Organization (SCO*)* was formed on the territory of the CIS. Besides the countries of the CIS such as Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, China is also a member of it. India, Pakistan, Iran and Mongolia are observers under SCO.

SCO was officially proclaimed in 2001 in the Chinese city Shanghai. In 2002 the heads of the state’s members approved the «Charter of Shanghai Cooperation Organization» where the objects, principles and main directions of cooperation were fixed within the organization. In 2003 the «Program of Multilateral Trade and Economic Cooperation of the SCO Members States» was signed. This program determined the main objectives and tasks of economic cooperation especially detaching the course for forming for 20 years the free movement system of goods, services, capital and technologies. In 2005 the SCO Development Fund and SCO Business Council were founded.

The main **purposes of SCO** are proposed the following:

- reinforcement of mutual trust and neighborly relations between the countries participants;
- contribution to the efficient cooperation in the political, trade and

economic, scientific and technical and cultural spheres;

- joint support of peace, security and stability in the country.

The main **principles of SCO** are as follows: respect for sovereignty, equality of all the states members, openness and no orientation against other states and international organizations.

In 2005 the agreements on projects in the field of hydropower, development of motor transport routes, in the scientific and technical and agricultural sectors were achieved within the realization of the «Program of Multilateral Trade and Economic Cooperation». In the same year the agreement on interbank cooperation was signed.

A special attention is paid to the cooperation in the energy power sector. Russia, Kazakhstan and Uzbekistan are the significant suppliers of oil and gas and China is its consumer. If one takes into consideration that the observers such as Iran (supplier) and India (consumer) show interest in this sphere, the regional «energy power community» in prospect can be formed.

3.3.5. North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement was concluded by the USA, Canada and Mexico in 1992 (it came into force in 1994).

The major purpose has been the creation of free trade area in North America for 15 years since the day of signing agreement. But NAFTA also has a further prospect: the common market of both American continents can be later formed around the very same organization.

NAFTA has a great natural-resource, manpower, industrial and financial potential. The population of the countries entering the organization exceeds 375 million persons. It creates a potentially wide market for goods and investments. Yet today the economic relations between the countries of NAFTA are very intensive. 80% of export of Canada and 70% of it of Mexico are sold in the USA. 20% of export of the USA is sold in Canada. The share of the USA makes 75% of all the foreign investments in Canada. When forming free trade for goods and capital of the USA the markets of Mexico and Canada are opened. The American companies have a more free access to rich mineral resources and timber of Canada and to oil of Mexico. The cheap manpower in Mexico contributes to inflow of capital from the USA and Canada. At the same time, Mexico reckons on a wide consumer market of the USA for its products of light industry and agriculture. The manpower market in the USA is attractive for Mexicans; but exist so far restrictions for movement of manpower within NAFTA.

The USA is the core of NAFTA and Mexico is a bridge between this organization and ones in Latin America many of which it enters. Some Latin American states yet today consider an opportunity of joining NAFTA.

The mechanism of creation of free trade area in the North America envisages the following: access to the markets, liberalization of investment activity, guarantees for business activity and coordination of standards.

The trade liberalization process in NAFTA is gradually going on. Since 1994 the customs taxes have reduced in the trade of industrial goods and food; for the next 5 years the decrease has made 5% more. Finally, the customs taxes were cancelled in 2003; thus, the cancellation process of all the restrictions has dragged on for 5 years more than it was stipulated by the agreement (till 1998). Now, in concordance with the Agreement, it has to liquidate all the restrictions within 10 years.

There are no supranational organizational structures created in NAFTA. The regulation of its activity is mainly carried out by bilateral talks between the countries members.

3.3.6. Southern Common Market (MERCOSUR)

MERCOSUR was founded in 1995 based on the Treaty of Asunción 1991 on formation of free trade zone and customs union. It includes the following countries: Argentina, Brazil, Paraguay and Uruguay. This unity is often called as Common Market of the Countries of Southern Cone because the configuration of southern part of the continent really resembles the cone turned with its apex to the Antarctic.

MERCOSUR is the potentially powerful market in Latin America. It concentrates 45% of its population (over 200 million persons), 50% of aggregate GDP, 40% of direct foreign investments, 60% of aggregate commodity turnover and 33% of external trade volume [6, p. 179].

The main purpose is the creation of common market in the countries of South America. Its achievement has to be realized step by step through the stages of free trade zone and customs union. The contract envisaged the cancellation of all the tariff restrictions before the early 1995. It could mean a free movement of capital and manpower, use of common external tariff, i. e. formation of customs union, coordination of policy in the fields of industry, agriculture and transport and collaboration in the currency and financial sphere. Therefore, these conditions had to be ready even before the formal foundation of the organization. But there was no complete liquidation of tariffs occurred in the intraregional trade by the time fixed.

MERCOSUR proved to be an efficient organization; it gave an appreciable impulse to integration process in this region. For a period of 1991-1995, i.e. for five years since the Treaty of Asunción has been signed, the volume of intraregional export has grown in three times. The share of intraregional trade in the total commodity turnover of the countries of MERCOSUR made 22%; it is a much higher indicator compared to other Latin American organizations.

The governance of MERCOSUR offers to expand free trade area for all Latin America and develops the adequate plans. In certain respects MERCOSUR is the second center of integration attraction for Latin American countries together with NAFTA. Today the organization of Southern Cone is on the stage of customs union termination because in 2010 the common Customs Code has been approved which completes the formation of customs union MERCOSUR and opens the opportunities of real creation of common market.

3.3.7. Latin American Integration Association (LAIA)

In 1980 LAIA substituted Latin American Free Trade Association (LAFTA) which had appeared in 1960. It joins 11 states such as: Argentina, Bolivia, Brazil, Venezuela, Columbia, Mexico, Paraguay, Peru, Uruguay, Chile and Ecuador. Thus, all the largest states of Latin America except Cuba are members of LAIA.

The formation of free trade area in Latin America by establishing a strict tariff system regarding the third countries was the initial aim of LAFTA. However, this measure has not proved its value because the overwhelming part of external trade in Latin American countries falls on the developed ones, first of all, on the USA. On the other hand, the quick liquidation of internal trade tariffs also proved to be profitable only for powerful countries in the region, in the first instance, Brazil.

The Treaty of Montevideo according to which the LAIA had been founded put new purposes before the organization. The activation of economic cooperation and expansion of market for goods of the countries in the region is the **main purpose** of LAIA. In this formulation it means the formation of preferential trade area. The phasing and gradual formation of Latin American common market by stimulating the creation of economic preference area is the **long-term goal.**

3.3.8. Caribbean Community and Common Market (CARICOM)

CARICOM was founded in 1973 instead of Caribbean Free Trade Association. 14 states are members of it such as: Antigua and Barbuda, the Bahamas Islands, Barbados, Belize, Dominica, Grenada, Guyana, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam, Trinidad and Tobago and Jamaica.

The main purpose of CARICOM is the formation of common market that provides for establishment of common external tariff and coordination of external policy and cooperation in the technological, social and cultural fields. The customs taxes and nontariff restrictions in the trade between the countries members are liquidated and common trade policy and one in the field of agriculture are realized. The free movement of manpower and capital and cooperation in the development of tourism which is the important branch for countries in the region are supposed to be performed. The long-term plan envisages the forming monetary union and putting common currency into circulation.

3.3.9. Economic Community of West African States (ECOWAS)

ECOWAS was founded in 1975 in concordance with the Agreement signed in Lagos. The members of the organization are the following countries: Benin, Burkina Faso, Côte d'Ivoire, Cape Verde (Cabo Verde), Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal and Sierra

Leone. Nigeria is the most powerful and prospective one in economic respects.

The main purpose is the formation of economic union in West Africa. Among the **goals** there are such as: rising of living standard of population, achievement of economic stability and increase in level of education and culture of population in the region. It is supposed that the main purpose could be achieved in some steps. At first, it is the coordination of policies of the states in the economic sphere, then formation of common market and further economic and monetary union.

3.3.10. Common Market for Eastern and Southern Africa (COMESA)

COMESA was founded in 1994 and the preferential trade area of the countries of Eastern and Southern Africa was its predecessor. The following countries are members of COMESA: Angola, Burundi, Zaire, Zambia, Zimbabwe, Kenya, Comoros, Lesotho, Mauritius, Madagascar, Malawi, Mozambique, Namibia, Rwanda, Swaziland, Sudan, Tanzania, Uganda, Eritrea and Ethiopia. The greater part of them relates to the poorest countries in the world.

The main purpose of COMESA has been the formation of real common market till 2000 and monetary union till 2020. The achievement of purpose has to be realized step by step. In the first place the trade liberalization is supposed. The formation of customs union by cancelling customs duties and nontariff restrictions, introduction of external tariff and establishment of the best favoring regime were planned to be realized in 10 years after the conclusion of the Agreement. By the late 90ties almost all the nontariff restrictions were liquidated.

The main directions of cooperation are the following: trade and customs collaboration, transport and communications, industry and energy power, monetary affairs and finances; agriculture; economic and social development.

3.3.11. Central African Customs and Economic Union (UDEAC)

UDEAC was founded in 1966. Gabon, Cameroun, Congo, Central African Republic, Chad and Equatorial Guinea are members of it. These countries enter the euro area.

The main goal of UDEAC is the improvement of living conditions of the peoples. It will be achieved due to the consolidation of cooperation of the countries members by gradual creation of common market and further integration in the economic and currency union.

With the purpose of developing integration process, the leaders of UDEAC took active measures. In 1989 the New Strategy of Economic Integration was developed which envisaged the formation of the «Real Economic Union» and in 1991 the Regional Program of Reforms was elaborated. The new strategy envisages the acceleration of trade liberalization and revision of customs tariffs regarding the third countries. The regional program of reformation concerns tax and customs matters and reformation of the transport system as well. In the same

1991 the creation of economic and monetary cooperation in Central Africa was questioned. The liquidation of customs barriers was provided by 2000.

The cooperation in trade and monetary sectors is successfully carried out as a whole. The common external tariff was introduced. The common means of payment are being issued which emission is performed by the Bank of Central African States. UDEAC also controls the Central African State Development Bank and the Solidarity Fund.

Part 4. Economic policy of countries of the world

4.1. Essence and directions of state economic policy

The government of each country pursues a policy aimed at regulation of economic development. The main goal of economic policy is to promote positive changes in the national economy, improvement of living standards, the strengthening of the country's position in international economic relations. Government has different objectives at different stages of development of the economy, so economic policy is not determined once and forever. However, its main parameters can be quite well established around certain principles which form economic models of development. Defining of own **model of economic development** is an important and necessary task of the government and political forces of the country. The current state of the economy, its resources potential (labor and natural resources, scientific and technical base), features of the social and political relations, the degree of participation in the international division of labor and its geopolitical position, i.e. the possibilities of the country, should be taken into account in this decision. Based on this, the objective should be defined, which should be achieved by the state in its economic and social development. When the goal is formulated by the majority of the population (this is determined by, in particular, the support of certain political forces in the elections), and often fixed in the constitution, the government develops and carries measures to achieve it.

The economic policy of the state consists of macroeconomic and microeconomic policies. Macroeconomic policy is aimed at achieving internal and external balance of the economy. The objects of its regulation are the exchange rates, the budget, the balance of payments, national income, prices, etc. The main elements of microeconomic regulation are goods, services, capital, labor, technology, individual enterprises.

Economic policy can have short-term (1-2 years) and long-term period of implementation. Short-term policy is usually called the current, long-term – strategy of economic development. **Strategy of economic development** (economic strategy) of the country represents economic policy of the government for the long term, aimed at achieving the main goal of social and economic development.

Economic strategy is a long-term, the most fundamental and important installations, plans, intentions of the government concerning the production, income and expenditures of the budget, taxes, investments, prices and social security.

The development of economic strategy begins by defining the **main development goal**. This is the most difficult and important element of the strategy. The goal should fulfill the following requirements:

1. It should be objectively real, i.e. one, which can be achieved at all. Otherwise, the goal is an illusion, utopia. An example is the representation of socialists–utopians about an ideal society. Majority of modern philosophers, economists, political scientists consider the construction of communist society as utopia.

2. Implementation of the goal is really possible in this country, that is, the goal should meet the objective possibilities of the country. For example, if a small developing country with low level of production and the extremely limited resources aims to conversion into the most powerful country in the world, the reality of achieving this goal is improbable.

3. The time frames for achieving the goal must be realistic. If the objectives of the strategy are not achieved in the declared term, it undermines the attractiveness of strategic ideas in the human masses. So, in 1961 in the Program of the CPSU it was proclaimed that communism will be generally built in the USSR already in the 80s of the past century. The unreality of this plan was obvious to experts, but the masses believed in it, twenty years later, a big disappointment seized a significant part of the population. Also incorrectly defined timetables for achieving goals and their artificial acceleration lead to the unsustainable use of resources, the efficiency of the economy as a whole was reduced. Significant portion of material and human resources was transferred to zero for the victory of the communist system in quickest time in China, at a time of “big jump”.

4. The objectives and terms of the strategy should be realistic in relation to the country's available material, human and financial resources, as well as with possible involvement of loans, investments and financial assistance from other countries and international organizations.

5. The goal is not determined “once and forever”; it should not become a dogma. The main purpose and, consequently, the whole strategy of economic development of the country vary with significant change in internal and external circumstances.

6. The content of the goal should be clearly, concisely formulated and cover the most important areas of social and economic life of the country. The purpose determines what will be the country's economy at the end of the term of strategy. Essential parameters must be defined: the nature of economic relations, the structure of the economy, macroeconomic indicators, and the living standards of the population. Intermediate objectives, for example, membership in important international communities and organizations (for example, this is the EU for Ukraine) also can be defined in the strategic program. The priority objective of the economic strategy of a democratic state is a human, rising of his wealth, creation of decent conditions for comprehensive development of the individual.

Strategic goal is defined as overcoming of unfavorable (or not enough favorable) current state of the economy and the achievement of higher parameters of its development.

Most often strategies are developed when the economy is in a difficult or even crisis situation.

The next stage of the development strategy after determining the main goal is the determination of **methods of achieving**. The set of measures applied by the government to achieve the strategic goal is a **strategic policy**.

Strategic policy starts with the definition of the necessary financial, production and human **resources** required for the implementation of the goals. Next, the **mechanism of realization** of the strategic goal should be developed, that is the government's measures concerning economic regulation in its main areas should be identified, the necessary institutions, funds should be created, foreign and international means for solving of one or another strategic objectives should be involved (in case of need).

Government solves a number of problems in the implementation of strategy. The main tasks at the macro level: full employment, price stability, economic growth, balance of payments equilibrium; at the micro level - the efficient use of resources. **Priority goals** are allocated for each stage of the implementation of the strategy because the simultaneous solution of these and other problems is rarely possible.

Priority goals can be grouped generally in three directions: economic, social and environmental.

The implementation of the strategic goals is achieved using actions such as monitoring the level of prices and incomes, support for priority sectors and companies; antimonopoly policy; regional policy; exchange rate regulation, tax policies and others.

Implementation of the strategy of economic development involves the formation of an appropriate legal framework that would ensure the implementation of the necessary measures to reform the economy and concerning the implementation of strategic policies. A necessary condition for effectively working mechanism of realization of strategy is the strengthening of the state credit and finance system, because strong economic transformations require significant budget expenditures and investments from firms, private banks, etc.

The implementation of each strategy is determined for long term but not forever. The action of this strategy ends after achieving the strategic goal and the new strategy should be developed according to new conditions that emerged in the country, and the objectives which society seeks to achieve.

According to the term of action economic policies are divided into medium-term (till 10 years) and long term (over 10 years). Most often medium-term strategies are developed for 5 years; a typical example of such strategies is the five-year economic development plan of the USSR, there are five-year plans in China and in other countries. Long-term strategies are usually developed for 10, 15, 20 years. Strategy, as a rule, is not designed for more long time, since it is difficult, almost impossible, to predict the situation inside and around the country for several decades in the rapidly changing world.

The medium-term strategies are usually aimed at quick and effective overcoming of the crisis, significant acceleration of economic development, its technical and structural reorganization. They are characterized by more detailed elaboration of parameters of development and activities to achieve them. The post-war strategies of European countries and Japan were the medium-term.

Often long-term and medium-term strategies are combined. In this case, the medium-term strategy is regarded as an intermediate stage of the long-term strategy.

The foreign trade policy is an important area, part of the national strategies; it directly involves the country into global space of international economic relations. But the domestic economic policy of the state indirectly forms the international aspect of the national strategy (for example, affecting rate of economic growth, industrial structure of the economy, the price level for goods and services, the capacity of the internal market, etc.).

Strategies on the macro-regional and global levels are realized, in addition to national strategies. Economic development strategies with a high degree of justification and specification in areas are developed by the European Union; less detailed strategies operate in other regional integration formations. Strategy is, therefore, an important form of economic policy. Later, in characterizing the economic policies of countries, mainly strategy of economic development will be discussed. But current policy is also important, especially in critical situations, such as the global financial crisis of 2008-2009. Then attention is focused on the short term, but effective measures to overcome the negative phenomena.

Economic policy has a very extensive structure, covers a significant number of areas. The following priority areas can be defined generally: trade, manufacturing (industry, agriculture, transport and communications, etc.), the monetary and credit system, social services, and external economic relations.

Let us consider the economic policies of the groups of states and international integration groupings.

4.2. Economic policy of developed countries

4.2.1. Models of economic development

Economic policies, especially strategies for economic development of the country, are largely based on the model of economic development, which is inherent to a given country. Despite the close community of socio-economic structures of developed countries, which were the results of general historical and economic conditions of development, several typical models can be defined. The common in models of developed countries is the fact that their mechanism of action is developed market economy; they differ in some features of economic relations, based on national traditions or originated from a particular socio-political situation in the country.

Each model of development is not something settled for a long time. The models become more similar in their content depending on the prevailing trends of world or national economic development. Any country may change the usual model of development to another for the same reasons. The following models are distinguished in the group of developed countries: the liberal, corporatist and social-market one. The policy of economic regulation, called dirigisme was used in certain periods of development.

The liberal model of development is inherent to the US, Canada, in a smaller measure – in the United Kingdom and Ireland. It is characterized by minimal government interference into the mechanism of interaction between employers and workers. The role of trade unions is much weakened in comparison with other countries. Entrepreneurs sign contracts with mercenaries, based on the specific situation in the labor market and often do not coordinate their actions with the trade unions. An entrepreneur may dismiss an employee without agreement of trade union organization. It gives the flexibility of behavior in situations, when the economic conjuncture requires prompt staff reductions. Relations between employers and employees are based, primarily, on the professional qualities of the employees: qualifications, education, and conscientious attitude to work. This, however, does not mean that the trade unions do not play any role in these countries. In the USA, for example, trade union association "American Federation of Labor and Congress of Industrial Organizations (AFL - CIO)" acts and counts more than 13 million of participants (16% of the total number of workers). However, it solves social problems and protects workers at higher levels of the socio-economic structure of the country: affect the adoption by Congress legislation concerning labor, control of immigration movement, etc. The trade unions in the USA closely link their actions with the government institutions and business associations. The government regulates the social and economic processes mainly at the macro level; the law affects the level of prices in the country, banking discount rate, employment, etc.

In general, the liberal model has shown its effectiveness. High levels of income and wages (higher than in most other countries) reconciles American workers with some limitations of their rights in labor relations with the employers. U.S. legislation gives to owners of firms the freedom of action in a fairly wide limits and it stimulates their entrepreneurial initiative. The private sector is the foundation of the economy in the United States and Canada; state-owned enterprises take a small share.

Corporatist model suggests an active role of the state in the regulation of social and economic relations and a high level of social partnership between workers and employers. This model has two versions: democratic corporatism and hierarchical one.

Model of **democratic corporatism** is most widespread in the Scandinavian countries, particularly in Sweden. The idea of social partnership is the basis of this model. Strong trade unions make a great influence on labor legislation and labor relations. High level of the minimum wage, which must be strictly observed by entrepreneurs, is set due to them. Hiring and firing of workers can be carried out only by agreement with the union. Government spends more money on pension coverage, education and professional training of workers, on health care. Social expenditures are large enough in this group of countries; for example, they make up 29% of the income of the working population in Sweden. The poverty rate is the lowest in the Scandinavian countries among developed countries.

The positive side of democratic corporatism or the Swedish model is the high level of protection of workers and the poor, as well as economically inactive groups of the population (pensioners, children, the disabled, and students). At the same time significant funds for social needs fall on entrepreneurs as very tangible burden, due to the increase in tax rates, deductions to the pension fund. Entrepreneurs are limited in their actions in conditions of economic downturn and worsening of market situation. They can not reduce staff of workers only at will, even if the situation requires it: the consent of the trade union is necessary, but it is given reluctantly. But on the whole, agreement between employers and employees can be achieved on the basic of consensus through mutual concessions; social conflicts are rare.

Democratic corporatism provides a solid social stability in the country, but it could lead to a slight deceleration in economic growth. Thus, the share of Sweden in the world economy gradually decreases. Nevertheless, due to the high level of social security, model of democratic corporatism is an example for many other countries, particularly for transition economies.

Hierarchical corporatism is used in Japan, that's why it is also named the Japanese model. Its characteristic feature is the active intervention of the government in economic regulation with little share of state ownership in the economy. Government develops and implements the programs of economic development, regulates investment activities in the country and the financial markets, carries out an active social policy, stimulates business activity, particularly, by methods of tax policy.

Another characteristic feature of the Japanese model is the system of lifetime employment of workers. If a worker or an employee works conscientiously, the company keeps him at work until his retirement; businessman tries to keep the contingent of regular workers, even in difficult situations for the company, by translating them, for example, to a shorter workweek. Labor relations are paternalistic: the worker is dedicated to his company and especially to its boss; boss, in turn, takes care of his workers, even delving into the affairs of worker's personal life. The company operates on the principle of stiff subordination. Subordinate is subordinated only to his immediate superior; he cannot address to someone, who is on a higher step in the hierarchical structure of management "over the head" of boss. That is why this model is called a hierarchical corporatism.

The third feature of this model is a constant care about continuous professional development of workers. The institutions, "self-education circles" exist for realization of mentioned actions. States and companies spend significant funds on this process, but this form of labor organization promotes the growth of its productivity.

Social market model of development is most common in Germany. Its important feature is the support of disadvantaged population and in general of those people, who need social support. These are: small farmers and enterprises, youth, aged people, unemployed and immigrants. The state plays an active role in this respect; it distracts the budgetary and extra-budgetary funds for social spending. Among the 28 EU countries the lowest level of unemployment fixed in Germany, where it reached 4.7% in the first half of 2015 (in the EU - 9.8%) and the lowest level of unemployment among young people - 7,2% (http: // topornin. com /? cat = 4).

Model of "**dirigisme"** was typical for France and Italy in the period between the two world wars and in the early postwar years. The essence of dirigisme is in the rather active state intervention into economic processes. It is expressed primarily by the creation of a strong public sector in the national economy. So, most of the industry, infrastructure, energy, companies of aviation and automotive industry were in state ownership of France after World War II. Even major banks and industrial groups moved under the control of the state in the 1980s. Large parapublic organization - Institute for Industrial Reconstruction was created in Italy in the 1930s. A number of large public entities, including, for example, the National Petroleum Association, arose after the war.

Dirigisme includes another kind of economic regulation, namely indicative planning, in addition to the existence of the public sector. Public authorities make predictions about the future development of the national economy as a whole, and individual industries, provide proposals for the use of production capacities and for redistribution of investments.

Other developed countries tend to any of these models, although the basic features of each model can be seen here not so clear. Liberal model of economic development has become more popular in the last quarter of the XX century. However, some scientists believe that the liberal model has already outlived its usefulness. The slowdown in the economic development of the leading countries and the rise of newly industrialized countries confirm this conclusion. The global economic crisis of 2008-2009 was the one more argument, which puts into question the effectiveness of the liberal model. But the **concept of sustainable development** of the economy is spreading.

There are several definitions of the notion of sustainable development. Following is considered as the most complete and accurate: sustainable development is a notion that reflects the regulation of conditions of life on the basis of four principles:

- satisfaction of basic needs of all people, which are living nowadays;
- equal standards of this satisfaction for the entire world's population;
- careful and sparing use of natural resources;

- saving of opportunities to realize the basic needs for future generations [8, p.194].

According to the definition of G. Daley, “sustainable development is the development without growth of scale of economy over the volume, which is within the supporting capacity of the environment” [8, p.194]. Stable economy means the quality development and not the quantitative growth. Now, scientists have concluded that sustainable development is the development without growth, i.e., without leaving of flows of resources beyond the capacity of the environment. Its purpose is sufficient, but not the maximum per capita wealth. Development should not be based on the quantitative capacity of recycled materials and release of the mass of commodities but on the improvement of technologies and the harmonization of social needs. The transition to the principles of sustainable development must take place within the framework of a rational combination of market system and state regulation of economic relations, improved coordination of all institutions of the state [8, p. 194].

4.2.2. Economic policy of the USA

The leading position of the USA in the world economy determines its geopolitical position as a whole. After the disappearance of the Soviet Union the United States turned to the only superpower, which has no serious competitors on the planet either economically or militarily or politically. This situation causes **the main goal** of US strategy: the whole planet is declared a sphere of US interests, including economic ones. American politicians openly declare it. US foreign policy is formed according to this purpose. The United States is a leader in the globalization process, guiding it in a certain direction and activating this process.

The current economic strategy of the United States is based on the liberal model; according to it government implements economic policy, the theoretical basis of which is monetarism, and which is embodied in practice most consistently since the second half of the 1970s.

The economic strategies of the USA were formed on the basis of Keynesianism before 1970. The crisis of 1973-1975 identified the need to move to other methods of economic regulation. The US had already lost almost unchallenged positions in the global economy, their share in world production declined under the pressure of European countries and Japan, the dollar lost its strength and inflation increased. In these circumstances, President Ronald Reagan (1981) proposed a new program that was based on the monetarist theory of the American economist Milton Friedman. The Government of Reagan proposed and implemented the program “New foundations for America”. It was based on the support of private entrepreneurship, while reducing government intervention in microeconomic processes. This economic policy received the informal name of “Reaganomics”.

In contrast with the Keynesian theory, which proclaimed the priority of stimulating the demand, a new policy was based on stimulating the supply. The main tool of economic regulation was determined tax policy. Corporate taxes have been significantly reduced; it was proposed to abandon the progressive taxation. In 1981 the Tax Act was passed, which provided gradual reduction of income tax by 23%, reduction of maximum tax rate on capital gains from 70 to 50%. In 1986 a new law was passed under which the maximum personal income tax rate was reduced from 50 to 28%, and corporate income tax – from 46 to 34%. The poorest citizens were exempt from taxes.

The use of monetary measures gave new impetus to the US economy. Real GDP growth rate rose to 3-4% per year, inflation and unemployment reduced. In the 80s there were created 18 million new jobs – twice more than were created during this time in the countries of Western Europe and Japan together. Investments in information technology have been growing in average by 13% annually.

"Reaganomics" functioned effectively almost until the end of the 1980s, when there another recession occurred in the US economy. Output growth rate fell sharply. The National budget had a significant deficit not least of all it was due to lower receipt of taxes); a large negative balance of current account transactions was formed. The situation of the poor and vulnerable segments of the population became worse due to the reduction in social spending. Investment activity has fallen noticeably in the country.

The Government of Bill Clinton turned from monetarism to politics, which is called "Neo-Keynesianism". It does not provide such strict regulation of economic activities as classical Keynesianism, but activates the role of government in the economic sphere. The main aim of the government was determined as promotion the investment into the economy. The volume of public investment in fixed capital of the country increased. Particular attention was paid to the promotion of investment in new industries that define the scientific and technological progress. Social expenditures of government, especially on health and education, increased. However, the taxes also increased.

The success of the Neo-Keynesian policy was demonstrated by the dynamics of the main indicators of the economy in 1990s. At the end of the decade for the first time the tendency of reduction of US debt appeared – from 3.8 trillion dollars to 3.4 trillion dollars in 2000 [6, p.196]. However, some experts and politicians have expressed concerns about the prospects of further cloudless development of the US economy. Its rise in 1990s, as many of them believed, was based on the unprecedented "boom" of investment into information technology. When this "boom" will pass away because of the saturation of the market by the information technology, the rate of the US economy should slow down. The events of the 11th of September 2001 (the act of terrorism) added hassle and uncertainty into its development.

The next US President, George W. Bush – junior, returned to the concepts of economic policy of his father, who was a proponent of monetarism. His program, “New principles” firstly assumed reduction of taxes, the abolition of inheritance tax, the rates of which reached 50%. There tax concessions for scientific research and development were established. Budget program provided thorough retrenchment for the purpose of further reduction of public debt. In contrast to the “Reaganomics” the administration of Bush viewed reduction of social spending with caution. The pension system and the system of medical services for the elderly “Medicare” received support. Program of education for children from poor families was developed, 70% of mentioned children cannot read even in the fourth grade.

However, the economic programs of J. Bush government were implemented not completely. Due to the active participation of the US in the wars in Afghanistan and Iraq budget expenditures on army have risen sharply. In 2004 financial year (finished in September), the US budget deficit reached a record figure - 413 billion dollars (under the government of Bill Clinton there was a surplus). In 2006, however, the deficit was reduced and amounted to 250 billion dollars. In 2014 the deficit reached 2.3 trillion dollars. Unfavorable for the further development of the US economy became the demographic factor: the time is approaching to the mass retirement of generation of so-called “baby boom” – people born in the early postwar years that amount to large number. They will not pay taxes any more, but they require social benefits.

Since the end of the last century in the US the decisive restructuring of economy occurs. There is vigorously accelerated the development of information technologies and software products. There is a shift to the “information industry”; at the same time regarding US economy the terms “de-industrialization” and “de-localization” are used. On the one hand, the demand for brainworkers is growing, on the other hand, a problem of mass retraining of workers of processing industry appears. So, in 1950s every third employed American worked in the manufacturing industry, and today – only every ninth. In 2007, the US industry had 20.6% share of GDP, while services – 78.5%. There is a fear among American economists and politicians that the industry will gradually withdraw from the United States (“de-localization”) to countries that are developing more dynamically (NIC, BRIC), and the Americans will provide informational services to someone else's economy.

Foreign-economic policy of the United States is aimed at strengthening of their position in the world economy. It is carried out both through the mechanism of activity of TNCs and defending the interests of US by representatives in international organizations. In particular, the USA constantly defends the policy of open trade, free-trade with the purpose of providing access of their products to international markets. However, US (contrary to the principles of this policy) introduced protectionist barriers to limit the internal market from products of their competitors. Often such restriction takes the form of anti-dumping measures, incentive of trading partners to “voluntary” export restraints. This policy is explained by the huge deficit of foreign trade balance. For example, in 2008 the deficit amounted to 813 billion dollars – more than in any other country. US attach great importance to participation in integration processes.

New US President Barack Obama had to start his governing in conditions of very deep global economic crisis that began with the US financial sector. A number of large banks and insurance companies became bankrupts (in particular, "Fannie Mae", "Freddie Mac"); automobile industry giants – "General Motors", "Ford" appeared under the threat of bankruptcy. One of the main directions out of the crisis the new government sees the strengthening of the role of the government in management of the economy. The significant investments of public funds to rescue the "sick" banks and firms were made.

The government of Barack Obama defines the goal as the implementation of a more balanced economic policy, in particular tries to reduce the budget deficit, to improve the social orientation of economic strategy of the US.

4.2.3. Economic policy of Japan

The active intervention of government into economic processes has been the characteristic feature of the economic development of Japan for a long time. After the Meiji Revolution the government administers protectionist policy, strongly supporting private entrepreneurship. There are widely practiced state subsidies to private entrepreneurs, tax incentives. The state becomes an active investor. The large state-owned enterprises appear: in particular, all railways were state-owned. Considerable amount of funds is spent on the development of military-industrial complex. In the 1920s the state entrepreneurship reaches a wide scope. Almost two-thirds of all investments in the economy were provided by government.

Besides government, the control of the economy in the pre-war Japan was executed by large monopolistic associations, corporations, led by family holdings, the so-called "zaibatsu". They received the largest military orders and it was they who were the most active supporters of Japan's participation in the war. "Mitsui", "Mitsubishi", "Sumitomo", "Yasuda", "Okura" were the powerful corporations. Concern "Mitsui" included banks, insurance companies, enterprises of mining, chemical and electrical industries; it has played a significant role in foreign trade. Concern "Mitsubishi" controlled the extraction of copper ore, the production of mineral fertilizers, oil refining industry and shipping. Concern "Sumitomo" controlled ferrous metallurgy, "Yasuda" owned the largest banks, insurance and industrial companies.

Disbalance in the economic structure and excessive monopolization were disadvantages during the war. Japan not only defeated, but also was in an incredibly ruined state. Industrial production in the end of 1945 amounted to only 10% of the pre-war level, its export share in world trade – only 0.5%. Japan lost its colonies and was occupied by American troops.

In this situation, in Japan completely different strategic objectives arose in the economy. The main goal was to restore the economy as soon as possible and to eliminate the lagging with its American and European competitors, not only in quantitative indicators, but also – and most importantly – in the technological level. It was necessary to rebuild the industry structure of economy in accordance with the requirements of scientific and technological progress.

The role of the government in post-war reconstruction of the Japanese economy was not only not diminished, but also increased. Keynesian theory was taken as the basis of the economic development model; it envisaged the active role of the government in economy regulation. The planning of economic development was introduced, the plans had indicative nature. The program of economic recovery was based on three plans: 1949-1952, 1949-1953, 1951-1953; these plans corrected and complemented each other. The most meaningful were "Five-year plan of self-sufficiency" (1955-1959) and "The new long-term economic development plan" (1957-1960). The aim of these plans was to accelerate the pace of economic development and improvement of its industrial structure.

The external-economic orientation of the Japanese economy became an important direction of economic strategy. The government controlled foreign trade transactions and distributed the funds for payment for imports according to the limit. The basis of foreign economic policy was the protectionism; the inflow of foreign capital in Japan was limited.

The post-war economic reform improved the Japanese economy, it has become the springboard from which began the rapid rise of Japan in the global economic space. In 50s–60s of the XX century the Japanese economy has been developing very rapidly, the annual GDP growth in average amounted to 15%. It was a time of economic recovery, production equipment with the latest technology, significant investment in industry and agriculture. In the second half of the 1960s the growth reduced slightly, but was still relatively high, in average 11%.

In the 90s there was a significant slowdown of the Japanese economy. Rates of GDP growth reduced, even to negative rates in some years. The setback in production was accompanied by rise of unemployment. If in the 80s the share of unemployed in the employable population did not exceed 3%, in 1999-2001 it was 4.7 - 5%. The stock market reacted to the economic downturn. The main stock index of Japan, Nikkei - 225 decreased from 1990 till 2001 by 64%, while its American analogue, the Dow Jones rose by 321%. A wave of bankruptcies rose in Japan. Only in 2000, it went bankrupt more than 19 thousand companies. Trying to stimulate the economy, the government increases public spending. Japan had a huge public debt (in 2000 – 5.6 trillion dollars or 130% of GDP).

Japan's economic troubles of the 1990s were connected with macroeconomic distortions. For a long time, Japan had a trade surplus. Japanese banks used capital inflows from the export not so much for investment in industry (due to high labor costs), as for speculative operations with stocks and real estate. Stock prices and land prices were artificially overstated; shares were bought for further resale. This process was called "bubble". In 1990, the "bubble" burst and the market price of the shares and the land began to go down. This led to the formation and accumulation of debts by banks from corporations that invested surplus funds in these assets. In 1995, firstly in the post-war period, a wave of bank bankruptcies rose.

The crisis of financial system has affected the real sectors of Japanese economy as well. The rates of capital investment reduced, the property (real estate) depreciated, which is a pledge for bank loans. Bank bankruptcy and difficulties in obtaining loans (due to the depreciation of pledge) provoked a mass bankruptcy of Japanese companies. Capital and production increasingly were removing abroad to subsidiaries of Japanese corporations and joint ventures, since the domestic market has shrunk.

The downturn in the Japanese economy was also caused by external factors. In 1998 there was an economic crisis in Southeast Asia – the region where Japan has always had a priority position. This has led both to a reduction of Japanese exports, and to a drop in the production of numerous branches of Japanese corporations, which were located in the region.

It was a task to develop and implement a new strategy of economic development under conditions of lasting stagnation in front of the government of Japan. Keynesian principles of economic model gave way to neo-liberal policy. The role of government in economy regulation got narrow, focusing mainly on the macroeconomic sphere.

In 1999 the financial reform was introduced, which was called the “big bang”. The obstacles to access to financial markets were eliminated. Banks, brokerage and insurance companies got the ability to deal with all kinds of financial transactions. The ban for access of non-financial companies to the financial markets was cancelled. The trade in securities outside the stock exchange was permitted. The government intervention in the operational activities of economic entities significantly decreased, the value of market leverages of regulation rose, i.e. there began the deregulation of the economy.

Deregulation of the economy, its deliverance from uncollectible debts and tight control of public deficits were the main priorities of the new economic policy of Japanese government. It was necessary to exempt the banks from a large amount of so-called “bad loans”, which were formed as a result of the collapse of the “bubble”. These debts have been cancelled. The corporate income tax was reduced. The inflow of foreign investment in the Japanese economy became more brisk as a result of the liberalization of foreign economic activity.

Economic reformation that began in the end of the 1990-s, began to show positive results in 2004, when GDP growth rate amounted to 2.7%. External debt declined to 1,495 trillion dollars. The rate of inflation in the country was quite low (1.8% in 2008); it was somewhat connected with the weak dynamics of the Japanese economy. Anti-deflation drive was one of the most important directions of economic policy of the government. The unemployment rate was more than 4%, which was considered quite high for Japan.

So, since 2004 the economic growth of Japan was resumed after a long stagnation. The revival began from branches serving mainly the domestic market.

Internal economic policy of the Japanese government was characterized by an emphasis on solving social problems. In contrast with the “hard” American model, in Japan the “friendly” capitalism was cultivated, when the preference was given to the economic stability, security, preservation of social equilibrium.

Since 2012 the government of Japan conducts economic policy that is called “Abenomics”. Abenomics is aimed to revive the stagnant Japanese economy, which during the 1990-s, 2000-s and 2010-s was prone to deflation. The artificial devaluation of the yen by doubling the money supply in the country is the main method of abenomics.

To overcome the crisis the “Three Arrows” program was proposed and it is successfully implemented: firstly, achievement of goals regarding increase in prices; secondly, the implementation of measures regarding budget stimulus of various programs aimed at the development of infrastructure and the provision of assistance to regions suffered from natural disasters; thirdly, the development of measures regarding carrying out reforms in the public sector, which would attract investment and consumption growth.

In foreign economic policy Japan has two main priorities: close cooperation with partners in the OECD, especially in the framework of the Group of Seven, and strengthening its position in the Asia-Pacific region. Japan is a member of APEC, where plays an important role, takes part in most of the regional development banks. The particular importance for Japan is played by its relations with the USA, which market is attractive for Japanese exporters of commodities and investors.

4.2.4. Economic policy of Germany

Germany's economy was in a state of destruction as a result of the Second World War. In 1946, the industry accounted for only 34% of the pre-war level. The national debt increased by 14 times during the war, inflation reached 600%. Mark was devalued; trading operations were often carried out on the basis of barter. Agriculture was launched. The living standards of the Germans declined significantly, millions of them were starving, and there were a large number of unemployed.

A fundamentally new economic policy was needed in such difficult conditions, to stop the ambitions of totalitarianism and it was targeted at social priorities. This policy was established in Germany in the late 1940s - early 1950s; its effectiveness is proven by successes of the German economy for over half a century. The cardinal positive changes in the economy of Germany are connected with “Marshall Plan” and economic reforms of the Minister of Economy, and then Chancellor Ludwig Erhard.

According to the “Marshall Plan”, the USA provided economic assistance to Germany and some other Western European countries. Financial assistance of West Germany accounted for more than US $ 3 billion - it was a large sum in those days. A large number of American food and light industry products were received by Germany. Investments and loans were above all. Investments were directed mainly in the heavy industries - power engineering, metallurgy, heavy engineering, and chemical industry.

US financial aid helped economic recovery of Germany. However, its full recovery and then an unprecedented rise, “economic miracle” are connected with the policy of Ludwig Erhard. This policy was based on the idea of “Freiburg School” (W. Eucken, W. Röpke), which promoted the free market economy and the theory of the “social market economy” (A. Mueller-Armack, L. Erhard). These ideas formed the basis of neo-liberal economic policy. German government introduced a neoliberal direction, unlike the United States, Japan and most Western European countries, which were under the influence of Keynesianism in the early postwar decades.

According to the neo-liberal policy the state's role should be limited by regulation of the economy at the macro level, it should not interfere in the operational activities of the subjects of the national economy. The essence of this policy was expressed by the slogan: “So few state as possible, so much state as necessary” [8, p.203].

Neoliberal policy brought the effect over ten years. The well-being of the population and purchasing power of citizens were increased, contributing to the expansion of the internal market. Low tax rates encourage producers to increase investment in production. Germany turned into a prosperous country with high rates of economic development and high social protection of the population. At the end of the 1950s it took the second place among developed countries in terms of GDP.

It was later determined that the bet on the “free play” of market regulators cannot be combined with growing government spending on social needs for a long time. Excessive economic and social demands have caused a rapid growth of public expenditures and the continuous growth of wages led to higher prices and inflation. Ludwig Erhard, who was chancellor in the 1960s, warned about the need to restrain the growth of social expenses and to restrict consumption, but in terms of the euphoria that prevailed in society in that time, people frivolous perceived his appeal.

The crisis of 1966-1967 was the signal for the formation of a new strategy and a new economic policy. If the first post-war strategy emphasizes on the rapid economic development, the new strategy emphasizes on the stabilization of the economy. Policy of neo-keynesianism replaced the neoliberal approach. It means strengthening of the role of government at the macroeconomic level of regulation. This policy was carried out by the Social Democrats, who had a power.

Keynesian concept of regulation of aggregate demand, which must be integrated into the system of social market economy, was a base of the policy of stabilization by financial assets. In the 70ties government of Social Democrats, headed by Helmut Schmidt, took over control of investments that undermined the foundations of the market economy. Economic measures of government evolved into a system that became known as “global regulation”. This system was efficient for a while. The average GDP growth rate was at the level 5-7% since the late 1960s to the mid-1970s. The unemployment rate was reduced.

However, a new economic crisis was more severe than the previous one; it took place in 1974-1975. It was exacerbated by a global energy crisis. The level of consumer prices in the country was increased dramatically - up to 7% a year, inflation gained its pace. GDP was declined by 5%, industrial production - by 12%, the volume of domestic private investments - by 18.5%. Mass unemployment was increased. The yield from this crisis was very slow. Another crisis happened in 1980-1982. It was accompanied by massive bankruptcies and a decrease in living standards.

The Christian Democrats, headed by Helmut Kohl took the reign in 1982. The new government returned to the neoliberal approach. Erhard model was taken as the basis. But the government has not refused the positive achievements of the experience of “global regulation”. Turn from stimulation of aggregate demand to the economy of supply was the main in economic policy of Helmut Kohl. Containment of cost was one of the main points in the new policy. Government expenditures should not have been ahead of production in terms of growth. The state's role in the redistribution of GDP was gradually decreased.

Stimulating of scientific and technological progress was another important direction of economic policy of Helmut Kohl. Great attention was paid to the creation of modern means of communication and informatics. The State allocated substantial resources to scientific researches and developmental workings. The high technical level of production caused the high competitiveness of German goods on the world market. Germany was ahead of all countries of the world in the export of engineering products in that period.

Economic growth, which began in 1982, continued for almost ten years. In the 90ties and in the early years of the next decade, the dynamics of economic development in Germany was characterized by extremely low rates. In 1993, the decline in the economy of Germany amounted to 1.3%, which was the lowest figure in the entire post-war history of the country. In the same year the number of unemployed was 2.2 million people, and in 1996 it reached 3.1 million people. In 1993, the budget deficit amounted to 69 billion marks, and the national debt increased to 1,850 billion marks. In 1999, Kohl's government was resigned and replaced by a coalition of Social Democrats and the “green”, which were headed by Schroeder. Despite fundamental political differences with the Christian Democrats, the Schroeder government kept in general the direction of neo-liberal economic policies. However, there were some changes in the methods of its implementation.

The strategic objective of the Social Democrats was a significant rise in living standards; their main focus was on the social sphere. This applies to the fight against unemployment, which reached a dangerous level 10.5% in 1999. Schroeder relied on the creation of favorable conditions for entrepreneurs to open new businesses, leading to the creation of new jobs, unlike previous governments, which helped unemployed by increased costs for their maintenance (which did not stimulate them to find work). The Social Democrats particularly tried to support small and medium businesses.

However, the Social Democratic government could not realize the strategic goal; economic growth rates were very low, and unemployment was not substantially reduced.

Christian Democrats, headed by Angela Merkel returned to power in Germany in 2005; coalition government was formed, it includes representatives of the Social Democrats. The problems, which rose against the new government, are very difficult to solve in the short term. High social commitments are heavy burdens in the state budget. The negative balance of budget amounted to 67 billion dollars in 2006. 31% of GDP is spent on social goals by the government sector. About 41% of the adult population lives primarily on government subsidies in the form of pensions, stipends, unemployment benefits, disability pensions, etc. The filling of budget is carried out by the hard fiscal pressure. At the same time 10% of the subjects of economic assistance pay more than 50% of their income, 20% pay about 80%, and 40% of those who have incomes do not pay taxes at all [www.project-syndicate.org]. Such a tax system does not encourage economic initiative.

The first task on the mind of Merkel's government was stopping the growth of budget deficit. Reduction of budget credits from 38 billion euro in 2006 to 20 billion euro in 2009 was predicted. It was expected that there will be changes in taxation; in particular, the decrease in the cost of employers' social security payments. By 2009 it was planned to raise the retirement age from 65 to 67 years (the same for men and women), thus pension liabilities may be slightly reduced.

[www.project-syndicate.org].

The first steps of the new government gave positive results. In 2006-2007 GDP growth rate exceeded 2% after a prolonged stagnation. Inflation was 2.8% in 2008. But the unemployment rate stayed high (7.9% in 2008), the external debt ($ 4489 trillion). The decline occurs in the German economy due to the global economic crisis.

The country began to gradually emerge from the crisis in 2010: GDP increased by 3.3%, and it was the best result among developed countries. In 2014-2015 high rates of economic growth and the lowest inflation rate among EU countries were stable. This is contributed, in opinion of minister of Finance, by sustainable fiscal policies in Germany, according to the rules, which are described in the "Stability and Growth Pact". Germany plans to increase investments by more than 40 billion euro during 2014-2018. As a result, the level of total public investment will reach about 1.3% of GDP it is much above the middle value for Europe [http://www.vestifinance.ru/articles/56444].

The participation of Germany in European integration processes is one of the most important strategic directions of its economic development.

4.2.5. Economic policy of France

The priority model of French economic policy was “dirigisme” long time after the First World War.

The strategic objective of the policy of “dirigisme” was the industrialization of the country in order to keep the status of France as a great power. Social market economy was, as in Germany, economic model in French. One-third of the state property, many banks, air transport, large insurance companies, broadcasting were owned by the state in 50ties-60ties. 30% of all investments carried out by the state.

Proponents of economic liberalization came to power in the late 1960s and in 1970s, and state intervention in economy was slightly decreased, although it was not substantially eliminated; transition from dirigisme to neo-Keynesian model happened. Balancing of the state budget was an important goal during presidency of Georges Pompidou. Domestic consumption was declined, fiscal policy was streamlined. These measures stabilized the economy for some time. However, the deep crisis of 1973-1974 shocked the French economy. Unemployment was increased in three times, and the company's profitability was decreased in three times. Annual GDP growth was on average 5.1% in 1950 - 1973, and it was on the level 2.3% in 1971-1980.

The crisis provoked a new parish of the left forces headed by Mitterrand to power in 1981, which meant a new wave of nationalization. The law on the nationalization of the large private banks and several industrial groups was adopted in 1982. Thus, the industrial group “Compagnie Generale d'Electricite”, “Pechiney Ugine Kuhlmann”, “Saint-Gobain”, “Thomson-Brandt”, “Rhone-Poulenc” passed into the hands of the state, company “Renault” belonged to state too. The state also acquired a controlling stakes in such companies as “Usinor”, “Sacilor”, “Dassault”, “Matra”. The share of state-owned enterprises in the industry grew from 18% to 32%. The public sector provided 75% deposit and credit operations of banking. 3.5 thousands of companies were under control of state. Even such powerful financial companies as “Paribas” and “Suez” were nationalized. The public sector accounted for 23% of employees, 29% of value added and 30% of exports in 1983. Active price controls, high taxes on large fortunes were introduced.

Some social reforms were carried out: the minimum wage was raised, amounts of pensions were increased, and the working week was slightly declined.

Considerable attention was paid to indicative planning, Planning Reform Act was adopted, the method of development and organization to execute plans was determined. Strategic directions and goals of economic development were defined in the plans for the five-year period.

The reform had also a negative impact. Companies that had dire financial indicators were primarily subjected to nationalization. A lot of money from the state budget was spent on their reorganization. The budget could not bear such a load.

The Right forces, which introduced the privatization of enterprises, returned to power in 1986. France's economy was somewhat improved since the second half of 80ties. World prices of traditional French products increased, while energy prices declined. Foreign trade balance became positive. However, the economic recovery was impermanent. France faced with a new recession in the early 90ties. Industrial production was declined, unemployment was increased, and the volume of investments was declined too. The period of 1974-1996 was named the “thirty bitter years” in France. Fall of investments was especially unprecedented. The share of industry in GDP was dropped.

The Conservative government, headed by Jacques Chirac, left the Keynesian policy and returned to promotion of the private sector. According to the law “On measures for the privatization” a large number of companies fell into the hands of private entrepreneurs. First of all it concerned the companies, where the number of staff was over one thousand people. Such major corporations as “Thomson” (electrical and electronics), “Pechiney” (non-ferrous metals), “Usinor-Sacilor” (ferrous metallurgy) were privatized in the 90ties. State share in employment decreased to 10%, and in value added - to 16%.

However, companies of electric power, gas supply and communications were in state ownership. Yet the regulatory role of the state was slightly narrowed. The level of taxation was reduced; the liberalization of prices was realized. “Banque Nationale de Paris”, and chemical plant “Rhone-Poulenc” were denationalized in the mid-1990s. Control over foreign exchange transactions and capital movements was abolished in the monetary sphere; restrictions on the activities of the inter-bank, stock exchange and mortgage markets were lifted. All state-owned enterprises were transferred to the independent functioning of the budget and started to work in tough market conditions.

Politics has always been an important component of the economic development strategy of the French government. Social expenditures accounts for 60% of all budget expenditures; they are significantly higher than the same costs of the main rivals of France, and this fact has a relatively negative impact on the competitiveness of the French economy. Despite the priority of social objectives, France is characterized by high unemployment, which reached unprecedented dimensions - 12.5% of the active population. This high level is not so much a consequence of the government's inattention to social problems, as lack of effective economic policy in general. Thus, anti-market measures of government lead to a reduction of investments into the country and mass export of capital abroad.

At the turn of the millennium the French economy was not on the best positions. GDP growth rates were lower than the European average. Industrial production growth was only 0.2% in 2006. Unemployment in the same year reached 8.7%. The balance of payments was negative, foreign debt amounted to $ 3.5 trillion [4, p. 209].

In such circumstances, center-right government significantly changes the economic policy and economic model in general. Thus, the public sector in the economy is almost completely eliminated: the state's share in value added was reduced to 5%. Government abandoned the policy of dirigisme, which had been the basis for economic strategies for a long time. The role of indicative planning decreased, it almost is not applicable. Radical changes occur in social policy. The purpose of the new policy is to increase the competitiveness of national business. To do this, the tax burden on companies was weakened. Companies receive subsidies from the state for each new job in the fight against unemployment. Retirement age was increased from 60 years to 63-65 years.

Nicolas Sarkozy became the President of France in 2007. He tries to connect positive achievements of dirigisme with strengthening of market relations, the liberal model. The core of the reform should be a set of tax measures aimed at implementing the main slogan of his program: “work more - earn more” [www.russamny.com].

N. Sarkozy had intended to carry out more flexible social policies. So, if the unemployed refuses of the work offered to him twice, then he loses the right on social assistance. It was supposed to provide more rights to employers of hiring and firing workers. The law on the reduction of the apparatus of state administration was also adopted.

Crisis grasped the French economy, as well as other European countries in 2008-2009. However, the economic recession was not as deep as in some EU member states.

In 2012 Presidential elections took place in France. The representative of the Socialist Party, Francois Hollande became the new President.

The strategic direction of France in international economic relations is an active role in European integration processes. It stood at the origins of the EU and has been the most active supporter of its creation.

4.2.6. Economic policy of Great Britain

The economic policy of the British government was based on the economic theory of Keynes in the early postwar years. The labourists, which came to power in 1945, carried out the nationalization of a large number of companies and entire industries. The first wave of nationalization (1946-1951) covered mainly capital-intensive basic industries: coal, electricity, iron and steel industry, transport, communications.

Also, the Bank of England was nationalized. The labourists relied on Keynesian concept of the need for a centralized state control and a significant expansion of economic and social functions of government. National Investment

Council, which was a planning authority, was established to stimulate investment. It oversaw capital investments in nationalized enterprises. The drop in purchasing power of the pound forced the government to implement its devaluation; value of the pound decreased from 4.03 to 2.8 dollars for 1 pound.

Conservatives at the head of Winston Churchill came to power in 1951. The strategic goal of this government was the return of the UK leadership role in world politics and economics. Unlike the labourists, conservatives adhered neoliberal economic policies. Denationalization of part enterprises was carried out. However, the Conservatives were unable to substantially change the economic situation to the best.

The labourists returned to power in 1964. Their government introduced indicative and regional planning. Partial re-nationalization of the steel industry, which returned to state control 90% of capacities from this industry, was made. In addition, coal, natural gas industry, electric power, transport, civil aviation, communications and the Bank of England were remained in the public sector.

But the labourists' government did not solve the problem of accelerating the pace of economic development and did not reach a significant improvement in the living conditions of the population. In 1970, the conservatives came to power; they headed for the denationalization of economy and reduction of government interference in the activities of companies. They also dismissed ministries, which were created by their predecessors (the Ministry of Economy, the Ministry of employment and productivity, the Ministry of Technology). The labourists considered that it is necessary to stimulate demand first of all, as the main factor of economic growth, the conservatives carried out neo-liberal policy, the essence of which was to stimulate the supply, to provide all possible support to producers.

Attempts to achieve better balance of payments and economic growth through a policy of "stop-go ahead" were common to the labourists and the conservatives. It meant that all the structural units of economy should be arranged before the accelerating pace of development. The main objective of this policy was the fight against inflation. However, deflationary measures, which were held by conservatives particularly active, worsened the situation the domestic market, limited demand for goods and services. As a result, economic growth rates were slowed and unemployment was increased.

The economic crisis of 1973-1974 accelerated fall of the conservative's government, the labourists regained power again. A new wave of nationalization started in economy (1974-1977). This time, shipbuilding, aerospace manufacturing, automotive industry, a number of enterprises of machine tool industry and electronics, etc. were attached to the public sector. One of the directions of labourists'policy of this period was the purchase of controlling blocks of shares of promising enterprises by the State. Holding company "National Directorate by enterprises" was created for this purpose. A much greater role than in other developed countries belongs to the state regulation of the economy in the UK. This is reflected, particularly, in the high specific weight of the state in national investments, in share of public enterprises, in number of employees and gross production, in high share of budget expenditures in GDP. More than 10% of GDP was produced in the nationalized industries and a quarter of all investments carried out in the industry in the late 70ties. The depth of government intervention into the economy largely depends on the party in power: Labour Party or the Conservatives.

The economic situation in the UK worsened, growth rates slowed down in the late 1970s. Keynesian theory was regarded as unable to solve the economic problems in new conditions. All this contributed to the coming to power of conservatives, headed by Margaret Thatcher in 1979, which strongly rejected Keynesianism and gave preference to Monetarist policy. Number of state-owned enterprises was nationalized, oil and gas fields, controlling stakes in companies “British Aerospace”, “British Airways”, “British Freight Corporation”, “British Telecom”, “Rolls-Royce” were sold to private business. About 100 of public companies were privatized, resulting in a reduction of the public sector by two-thirds.

The state system of health care, insurance, pensions turned into a mixed-state system. The conservative’s government reduced the tax rates on profits; it managed to tame inflation, which dropped from 16% in 1980 to 3% in 1988. The upward trend in the rate of economic development was outlined. If annual GDP growth averaged 1.9% in 1970-1980, it rose to 3.2% in 1980-1990. The government of Margaret Thatcher made considerable efforts to stimulate the development of private businesses. The tax rate on the profits of large corporations was lowered to 35%, soft loans were granted by domestic banks to these corporations. Attention was paid also to small and medium enterprises.

An important task of the government was fight against inflation (one of the main tenets of monetarism). Money supply growth was rigidly controlled. Government expenditures to a number of sectors of the economy, including industry, public utilities, transport, culture and education were significantly limited for this purpose.

At the same time there were the social problems. Reduction of social expenditures and control over rising wages intensified differentiation in society; dissatisfaction of the poorest segments of population was provoked. Average annual economic growth rates declined to 1.4% in the first half of the 1990s.

Labour Party, headed by Tony Blair, came to power in 1997. The new government, in contrast to the preceding, did not renew wave of nationalization of enterprises. Its program was based on the combination of social values of Labourism and development of the market economy. Focus on providing direct assistance to poor people was accentuated in the previous programs of the Labour Party, and the “new” Labour Party preferred to ensure better conditions for education, vocational training, promotion of labor, the creation of new jobs.

Although the labourists’ government did not implement the new deprivatization, the state continued to control entire sectors of the economy, including privatized objects. This primarily concerned the electricity and gas supply, telecommunications. Special regulatory authorities were created in these sectors. They controlled, in particular the tariffs for communal services, preventing excessive price increases. The involvement of private companies in financing of government projects was a new event in the labourists' policy.

The labourists continued the policy of restricting the growth of prices and inflation, which was previously held by conservatives. Much attention was paid to the reduction of public deficits. Expenditures on education, vocational training, especially for young people were identified as priority budgetary expenditures. Like the conservatives, labourists reduced the rates of direct taxes to stimulate the economy. Today the level of taxation in the United Kingdom is lower than in most developed countries. The budget of the UK, despite the tax reduction became surplus. In 2000, the government raised the minimum wage and pensions.

The labourists were able to revive the economy after the stagnation of the first half of the 1990s. Although the GDP growth rates are not very high, but they are higher than in France and Germany.

But Britain faced with new serious problems in the final stage the reign of Blair. The budget had a deficit (in 2006 revenues - 973 billion dollars, the costs – 1.04 trillion dollars). The balance of payments was also negative (-58 billion dollars). The rate of inflation was 3.0%, which is a critical point for the European Union. External debt reached the level of 8.28 trillion dollars. The negative balance of foreign trade increased steadily and amounted to - 150 billion dollars in 2007. GDP growth fell to 0.7% in 2008.

These negative effects in the economy gradually reduced the popularity of Tony Blair; in addition, a significant number of the population was dissatisfied with his support of the Iraq war. Given all this, Blair stepped down in 2007. Labour Gordon Brown, former Minister of Finance took his place. More tight fiscal policy, the elimination of the budget deficit, reduction of external debt and increasing the pace of economic development were expected from the new prime minister.

The global economic crisis did not allow the government of Mr. Brown to realize all tasks. The new Prime Minister of Great Britain - D. Cameron, the representative of conservatives, was elected in 2010. Priority direction of the new government was the fight against the state budget deficit and external debt.

Rapid technological change and stiff competition in the global markets create new realities for all sectors of the British economy. Business continually faces the challenge of survival. British government considers next points as essential attributes of national economic policies in these conditions: the creation of flexible and dynamic markets for labor, goods and capital, able to quickly and efficiently adapt to the changing environment that affects the profitability and competitiveness of enterprises.

The Conservatives and Labour Party oppose the total integration of the UK into the European structures; they are opposed to the transformation of the EU into a supranational organization. In this the government is supported by majority of the population. Britain did not join the European Monetary Union, and kept the pound as the national currency.

4.2.7. Economic policy of Italy

Italian Government was adhered clearly by defined Keynesian policies that include active state intervention in economic processes, after the Second World War and up to the 70ties. The state assumed the operational functions of the enterprise's activity; such a policy is called "dirigisme". All the leading banks in the country, the branch of industrial credit, and 80% of national savings were remained under state control after 1945.

The main role in the management of the economy was owned by Institute for Industrial Reconstruction (IRI). The government provides centralized management of public and mixed enterprises with the help of this authority. Most public investments in the economy are carried out through the Institute for Industrial Reconstruction. Volume of public investments is quite significant; it was 20% of all investments in the Italian economy at the beginning of the 70ties and 15% - at the beginning of the 80ties. Most public investments went into energy sector (38%), transport (20%) and communications (27%), i.e. the state cared primarily for strengthening of the economic infrastructure. In addition to IRI, such public groups as ENI and EFIM played an active role in regulation of the economy. Overall, the share of public sector (central and local authorities, social welfare and security systems, and other government agencies) in the use of national income grew from 29% in 1951 to 58% in 1981 [8, p. 215].

One of the components in the mechanism of regulation of the economy is the development of various programs of economic development. For example, "Vanoni Plan" was developed in 1956 to overcome the chronic backwardness of the economy of the South. Sections in programs, developed in the 1960s - 1970s, were devoted to problems of the South. These were such programs as "Plan of Saraceno", "Plan of Giolitti", "Plan of Perachchini". Medium-term programs of economic growth of the country were included into the "Plan of Pandolfo" and "La Malfa Plan" (names of plans are derived from the names of Ministers, under the leadership of which they were developed). The cost-effectiveness of these programs was low, as a rule, they were not implemented in full. It concerns, especially plans for development of the South: the share of this region in the structure of unemployment was more than 50%, and its level in the South had a tendency to increase, despite the positive general declining trend in Italy in the late 1990s.

It was clear at the end of the 1970s that the policy of state dirigisme in Italy almost exhausted its productive capabilities. The growth rate of the economy slowed down, the state budget deficit reached large size, inflation reigned in country, and the rate of national currency fell. It should be noted that the Italian lira was the weakest among the currencies of the EU until mid-1990s.

The size of public debt was 125% of GDP in 1995, the idea of change in economic policy in favor of neo-liberalism appeared in the Italian government and political circles.

In 1990 antimonopoly legislation was adopted, which suspended the process of cartel formation through mergers and acquisitions. Since 1992 a series of economic reforms begins in Italy, which still continues up till now. The reforms in the social welfare system, tax system, in the labor market, as well as the implementation of the privatization program became the key directions of reformation. Namely privatization was considered as the main lever in the mechanism of the reforms. According to the program of privatization of state holdings IRI, ENI, IMI, ENEL and some others were the subject to corporatization. At the same time profitable companies, banks and insurance companies were the subject to immediate privatization, and unprofitable was assumed firstly to restructure. In the largest holdings, the government retained the control stock. The government owned enterprises of the defense industry, telecommunications, transport and energy. These companies also were incorporated, but the government had key positions.

In 1994 the legislation was introduced, according to which specialized governmental credit institutions (IMI, "Mediocredito Centrale", "Mediobanca") were transformed into a joint stock companies with the sale of 49% of their capital on the open market.

The reform was intended to ease the tax burden for corporations and firms. There was reduced the corporate tax from 36% to 20%. Special attention was paid to small and medium enterprises, as well as measures intended to increase their capital, encourage R&D, acquisition of modern equipment. Significantly were reduced tax rates for newly established firms – the "newcomers".

The transformation took place also in the system of operational management of the economy. Young specialists who implemented modern management concept, aimed at applying new technology and improving management efficiency came to enterprises management.

The social policy of the government was aimed at increasing employment and reducing unemployment. Italy lagged behind other developed countries in the field of personnel training, as the result in the labor market there was a mismatch of supply and demand. In the mid-1990s, structural unemployment was 80% that was significantly higher than in other countries. The unemployment rate in whole amounted to 10-12% in the 1990s. Behind the poverty line there were 2 million people. At the end of 1990s the situation began to come around. The unemployment rate in the beginning of 2002 was 9.2%, in 2005 – 7.7%, in 2008 – 6.8% [4, p. 216].

Economic reform also included the improvement of the financial situation in the country. The main focus was on reducing the budget deficit. The budget expenditures (including social spending) were reduced, tougher measures against those who evade taxes were introduced. The direct taxes rates were reduced, but the share of indirect taxes increased. Costs for maintenance of the state apparatus were also reduced.

These measures have had some positive results. The size of the budget deficit decreased from 12.1% of GDP in 1992 to 2.8% in 1998, the annual inflation rate fell to 2%, the national debt – to 123% of GDP. In 2005 the national debt of Italy amounted to 1.7 trillion dollars; external debt amounted to 922.5 billion dollars. However, the rise was short-term. Already in 2008, the external debt of Italy rose to 1060 billion dollars, industrial production decreased by 0.2%, the GDP decreased by 0.7%. Italy was plunged into economic crisis, the consequences of which the country overcomes until now.

In February 2014 the Italian government was headed by M. Renzi. During the year it was planned to solve such urgent issues for the economy as liberalization of labor market, reduction of taxes and fees, implementation of a reform of the parliament as a necessary precondition in the implementation of economic reforms. However, as of 01.07.2015 we can say that the government did not manage to carry out comprehensive structural reforms in the economy. One of the most important of the unsolved problems is not enough competitiveness of Italian goods and services, conditioned by the high labor cost per unit and relatively low labor productivity. It will be not easy to implement the adopted Stability Pact that provides the reduction of public expenditures (the EU requires to reduce it by 6.3 billion euro).

[http://www.imemo.ru/files/File/ru/publ/2015/2015_005.pdf].

4.3. Specifics of economic policy of developing countries

4.3.1. Conditions of implementation of economic policy of developing countries

The creation of a favorable investment climate with the purpose of attraction of foreign investment was an important feature of economic policy in developing countries; in particular, there was proposed preferential taxation, the possibility of acquisition of immovable property by foreign investors. In 1980-1990 this furthered the rapid inflow of investments; gradually, since the mid-90ties, the rates of foreign investment began to subside due to the fact that a growing part of FDI began to head for the markets of developed countries.

Gradually in separate countries the implementation of structural reforms started. From the extractive industries, they began to move to the processing labor-intensive and even science-intensive. It concerns the so-called newly industrialized countries. There was the rapid growth in engineering and social infrastructure, services, tourism, banking, insurance, and communications. The tight fiscal policy, the policy regarding reducing inflation rates, fights with corruption and shadow capital were carried out; however, the achievements in this sphere were not so obvious.

The reorientation of production from import-substituting development strategy to the export-oriented is one of the strategic directions of economic policy in developing countries. It has greatly expanded the range of goods for export, shifting from the category of mono-functional to poly-functional.

The model of “etatism” was widely applied in many developing countries, at the initial stage of economic reform. This model includes the broad intervention of government in economic processes, the creation of a powerful public sector. Economic resources turned out to be in the hands of the government, which constantly regulated the prices for the products of state-owned enterprises, regulated the exchange rate, and controlled the foreign trade. The number of workers was artificially overstated to reduce the unemployment at state-owned enterprises. The negative effects took place along with the positive effects of such policy (for example, in Singapore, Taiwan); particularly the large concentration of resources and economic power in the hands of government officials often led to corruption.

The majority of countries of this group have moved to neoliberal policy at the present stage of economic development. Especially widely the neoliberal model is applied in countries of Latin America. It was developed by the UN Economic Commission for Latin America and the Caribbean (ECLAC). This model, called the “peripheral economy’, envisaged structural transformations regarding the formation of import-substituting industrialization. The main role in the implementation of the model should be played by the government, but due to the methods of macroeconomic policy. The import-substitution policy allowed to develop new industries and to maintain a sufficiently high rate of economic growth in Latin America.

In the 1990s there was proposed a new model – the “Washington consensus” (see Part 2, point 2.2.2).

Implementation of the “Washington consensus” model led to contradictory consequences. Positive effects include the growth of foreign trade rate, attraction of foreign investment, the negative – financial and currency instability, which turned into a sequence of crises, in particular, in Argentina, in Southeast Asia.

There are significant differences between the groups of newly industrialized countries (NIC) and the least developed countries in the choice and implementation of economic strategies of developing countries.

The term newly industrialized countries appeared in the 1980s and it was associated with four dragons of Southeast Asia: Hong Kong, Republic of Korea, Singapore and Taiwan. These countries were the first who started the industrialization, and later according to many indicators has caught up and left behind the developed countries. Later the “tigers” were added to NIC. These “tigers” are – Indonesia, Philippines, Malaysia and Thailand. India also belongs to the newly industrialized countries in Asia, and in Latin America – Brazil, Mexico, Argentina and Chile. Overall NIC accounts for 30% of the world population, 18% of world GDP. The government played the main role in the development of newly industrialized countries. It carried out the conductive policy: the austerity of foreign currency, protectionism (import restriction and export promotion). There were being created the favorable conditions for foreign direct investments in the sphere of organization firstly – labor-intensive, and later – science-intensive enterprises, attraction of new technologies. The government reduced the development of some industries and contributed to the development of others by the means of a deliberate policy of preferential tax treatment.

The foreign exchange regulation was an important lever of state policy. The appreciation of the national currencies was hampered. The growth of the currency exchange rate as the exports increase and the competitiveness of national goods improves, was compensated by the government by subsidies to exporters; that continued to make exportation profitable.

The policy of import-substitution was carried out according to the following scheme: firstly, the import in industries that produce consumer goods (textiles, footwear, food) was replaced, later, with the accumulation of the necessary capital, import-substitution began to spread on the industrial goods (chemical and oil products, ferrous metals, the parts of machine and equipment).

The government constantly controlled the distribution of funds between priority and supporting industries. So, the manufacturing industry was largely funded by agriculture and extractive industries, as well as due to the inflow of FDI. The priorities for the economy were constantly changing. Thus, in the 1950s it was textile manufacturing; in the 1960s – the production of cement, mineral fertilizers, oil refining, ferrous metallurgy, chemistry of organic synthesis; in the 1970s – shipbuilding, motor car construction; 1980s – informatics, electrical engineering; in the 1990s – the production of new materials and technologies, electronics and aerospace industries. The research institutes, universities, technoparks, technopolises for practical science research were established in the last two decades. The main areas of research that are being implemented in practice are: the equipment for nuclear power stations, production of computers, and equipment for the offshore extraction of oil and gas, microeconomics, pure chemistry, informatics, manufacturing automation.

As the economy strengthens, the role of the government began to decline, rigid administrative methods in the management began to replace by macroeconomic regulation. Export-oriented development model in many respects has become outdated. With the increase of salary level, the commodities of this group of countries lose their competitiveness in world markets, the rate of production decreases. Therefore, NIC continue the modernization and transition to new technologies, science-intensive production. The role of tourism financial activity, information technology increases in non-production sphere.

The financial and economic crisis of 1997-1998 had a negative impact on the NIC of Southeast Asia (Thailand, Indonesia, Philippines, and Singapore). The crisis had three main causes: the imbalance in the industrial structure (absence or insufficient development of basic industries); the orientation of foreign investment mainly in the sectors where it was expected a high income; the imbalance in the financial and banking sector.

At the beginning of the new millennium the pace of development of some NIC decreased slightly, but overall they are higher than in developed countries.

4.3.2. Economic policy of India

From the very beginning of independence the government of India faced with unbalanced and decentralized economy, with the centrifugal tendencies of the local warlords and oligarchs. The great President of India Jawaharlal Nehru laid out a course, named after him, which provided a significant increase of the role of the government in the economic sphere. The reliance on internal forces was in the basis of the economic strategy “Nehru course”.

From the first years of independence Nehru strongly strengthened the public sector in the economy. All enterprises owned by colonial authorities were nationalized. The public sector began to develop most dynamically. In the early 1970s, its share in GDP amounted to 26%, and in the early 1980s – 38%. At the same time the government controlled the major activities of the private sector.

Government regulation in India is carried out in terms of mixed economy. Two methods of regulation are applied there: direct (administrative) and indirect (economic). Lagging enterprises that are at low technological level, poorly react to economic regulation, therefore they are subject to administrative methods. Enterprises and sectors with high technological level are more amenable to economic methods that give greater effect. Economic regulation is carried out by regulation of prices, tariffs, terms of loans, exchange rates and level of taxes.

In the early stages of economic reform (until the end of the 1980s), the government carried out the policy of protecting the domestic market from active foreign competition, creating conditions for the survival of small enterprises, focused on the poorest population. The policy of “rural industry” is carried out in rural areas – the enterprises on processing of agricultural raw materials were established at small creameries, rice drying houses, mills. This gives the opportunity to increase agricultural employment and to use broader the local resources. There was decided to create clusters of small enterprises like growth centers, especially in economically backward regions.

In the early 1990s India faced with new economic problems. The process of development of the economy became less stable. There was the growth of the balance of payments deficit, as well as external and internal debt. During 1990-1994 the average annual GDP growth fell to 3.8%. In 1991-1992 India was overtaken by financial crisis. The budget deficit of the Central government amounted to 8.2% of GDP, the balance of current transactions deficit – 3.5%, inflation jumped to 17%, growth in industrial production has not even reached 1%, export significantly decreased [8, p. 224].

In such conditions, it became obvious that is needed a new strategy for economic development, which was chosen by Indian government. The basis of the strategy became the limitation of government regulation, liberalization of economic policy.

The achievement of macro-financial stabilization and restructuring at the industry level was the initial task. The reforms have covered almost all sectors of the economy. Price changes were implemented in agriculture; the prices of agricultural products were approached to the actual cost of their producing. There were preserved the subsidies for producers in the agricultural sector. According to various estimations the subsidies account for 14% of GDP, that complicates relations between India and the WTO.

The licensing of enterprises was abolished in the industry; this has contributed to capital formation. Some sectors of the economy that previously were state-owned were opened to private enterprise. The quantitative restrictions were removed in foreign trade and the tariffs were reduced from 71% in 1993 to 35% in 1998.

Economic reforms have contributed to the inflow of foreign investment to India. During the years of reforms the country attracted 27 billion dollars of direct foreign investment. The significant role in this process belongs to ethnic Indians living abroad: in the 1990s their share in FDI amounted to 31%. However, foreign investment makes up 11.5% of the needs in the Indian economy. The inflow of investment is restrained by bureaucratization of Indian society, corruption, closedness of certain sectors for foreign capital.

The creation of a competitive economy by the standards of the global market economy is defined as the strategic goal of economic reform in India for the first decade of the current century. The course is set for the weakening of governmental intervention in the economic mechanism of the country with the purpose to encourage private initiative, extension of opportunities for self-regulation of the national economy. The acceleration of the process of privatization of public sector enterprises, reforms in the banking sector, reform of labor legislation were defined as the priorities of the 10th plan of socio-economic development of India (2002-2007). Special attention is paid to implementation of programs regarding development of infrastructure, especially energy, oil and gas industry, transport and communications.

A large amount of poor population, unemployment still remains as the problem of the Indian economy. This constrains the introduction of new technologies in economy, because the increase in production efficiency will lead to the dismissal of a significant number of employees. That's why most of the technological achievements in India have export orientation. On the other hand, the annual departure from the country of tens of thousands of the most qualified specialists weakens the position of India in the hi-tech field.

So, the task of the government of India is to form a new economic development strategy for the next years, which would accelerate the pace of development and would promote the improvement of living standards of general body of population.

Since 2014 a series of new economic reforms began there. These reforms, according to opinion of experts, will have a positive impact on the economy, since the accelerated modernization of infrastructure, tax reform, reduction of various subsidies and other measures can increase a percentage point of GDP growth and will open the doors for foreign investment [http://www.webeconomy.ru /index.php?page=cat&newsid=2860&type=news].

4.3.3. Economic policy of Brazil

For a long period of time the introduction of import-substituting industry, which relies on internal opportunities, was the strategic direction of Brazil. It was a characteristic feature of most Latin American countries. This policy contributed to increase of production in heavy industries. Up to 1980s protectionism was actively implemented; there was noted a strong state intervention in the regulation of economic processes. Model of “etatism” was giving good results in the 50s-60s, when the ordinary rate of GDP growth was 5-6%. The energy crisis in 1970s has hit the Brazilian economy, which has no significant oil and gas pools. Inflation in the country has harshly increased, foreign capital began to flee, and the public debt has increased.

In the 1980s Brazilian government passed to the neo-liberal model of development. This model is based on the orientation on the external factors and externally oriented economy. The emphasis in economic policy began to shift from governmental levers of control to stimulation of private initiative. Foreign capital began to play a significant role in the new policy – loans and direct investment.

At the end of the 1980s the extensive privatization of the oil and electric power industries and financial sector was carried out. The important objects of infrastructure were privatized: telecommunication and telephone connections, electric power and gas supply, electricity production. At the same time 40% of the revenues from privatization were received from the sale of property to foreign companies. The measures were taken to increase the national savings: reliability of the banking system was being improved, the stock market was being developed. Government used the tools of tax policy for the regulation of the market. The measures to reduce inflation were implemented.

Reforms have slightly improved the situation in the financial sector of the country, improved its branch structure. However, economic growth rates remained not high. In 2002 a new crisis broke out. The private sector had difficulties with refinancing of foreign currency debt. Transfer of incomes abroad activated, and it led to a shortage of funds on the currency market. Central bank was unable to meet the demand for foreign currency, as a result the devaluation of the real happened. Brazil took a loan from the IMF in the amount of 30 billion dollars to get out of the predicament.

In the last five years in the economic policy the Brazilian government implements the direction aimed at improving the standard of living of the poorest segments of the population, the development of national industry and agriculture.

Brazil takes measures to ensure positive dynamics of the national economy growth, the implementation of tax policy that encourages the growth of national production, the fight against inflation, the development of insider lending, export growth, ensuring a primary budget surplus, stimulating of innovative development of the economy in conditions of ongoing economic crisis in Europe.

4.3.4. The economic policy of the least developed countries

As it was already mentioned above, the problems of least developed countries are that they do not have their own reserves to overcome poverty. The absence of rich mineral deposits, political instability, lack of transport infrastructure, and low level of education of the population become the obstacle for economic development. The extremely low level of accumulation of population’s funds and production capital excludes the investment of sectors for creation of means of production, training of skilled labor, technology improvement. This, in turn, does not promote the growth of labor productivity and causes low consumption level. Insignificant investments that take place do not ensure the implementation of new technologies. Low demand even for essential commodities does not allow creation enterprises for serial production.

The main strategic goal of the majority of countries of this group is the industrialization of the economy. Nowadays the industrial production is presented primarily by processing of agricultural products, food industry. Industrial production is concentrated mainly in small enterprises. By the number of employees small enterprises are on the second place after agricultural sector and largely are connected with it.

Possibility of small enterprises to adapt to the unstable economic situation is reflected in special forms – in combining industrial and agricultural activities. It is so-called “rural industrialization” and “small industrialization”, which are established outside the large cities for maximum approaching to the sources of raw materials. These forms of entrepreneurship give the opportunity to broaden the scale of use of local natural resources, and through the development of labor-intensive industries to reduce the outflow of labor from the countryside. Clusters began to be created in a number of countries (groups of enterprises, geographically interconnected with each other that jointly purchase raw materials and sale finished products). Since 1960s the least developed countries have implemented policy of import-substituting industrialization. Metal-working, agricultural machinery (mainly at the level of the assembly), the assembly of imported components and parts of refrigerators, washing machines, air conditioners were added to the previously formed food, tobacco and textile industries. As a rule, foreign capital is involved in the foundation of these industries. But there is very low supply of foreign investment in these countries.

4.4. Formation of economic policy of countries with transition economies

4.4.1. Features of reforming the economy in post-socialist countries

Widespread deployment of economic reforms began in the former socialist countries in the 1990s, after the collapse of the political and economic system of socialism. The strategic goal of reforming was reaching the level of economic development of the leading countries; the transition to market economic relations was defined as the mechanism for achieving the goal. That is, the market acts not as a goal, but as a mean.

The question of methods and paces of economic reform was one of the main problems of reforming. Two ways appeared: strong break of socialist economic relations and the transition to a market mechanism as soon as possible (so-called "shock therapy") – this way was chosen by most countries; a gradual, evolutionary method of formation, preserving strong position of the government administration – in this way the reforms are carried out in China and (with some reservations) in Belarus.

Most emphatically "shock therapy" was applied in Poland, which is one of the first countries in Central Europe moved on the path of deep market reforms. Shock method is accompanied by painful social phenomena, decrease in production, inflation, active increase in prices, rising unemployment, declining of living standards, worsening of state of poor segments of population. These phenomena are characteristic for the first stage of the reform according to this method. Then, after a few years, the situation is leveled and reforms show a positive result. The first countries which went out of the "state of shock" was relatively well-developed group of countries of Central Europe – Poland, Czech Republic, Slovakia, Hungary, Slovenia, while the other countries of Central and Eastern Europe began to emerge from the crisis only at the end of the 90s.

Reforms in Poland, which were carried out according to plan of Finance Minister L. Balcerowicz, included, particularly, the following measures: a sharp decline in inflation due to the termination of funding of the state budget by the Central Bank of the country; introduction of convertibility of the national currency (zloty); liberalization of prices and foreign trade; receiving IMF loans to stabilize the economy; rapid restructuring of the economy through accelerated privatization; adoption of new economic legislation; opening of national economy for foreign investors.

Decisive actions of the Polish government on economic reforming began in 1990, when the prices of 90% of goods and services were "released", i.e. price liberalization was carried out. Autonomy in financial questions, in the procurement of raw materials and sales was provided to companies. However, these actions have led to inflation and increase of prices; in 1990 the inflation rate rose by 69%. Industrial production declined, unemployment grew. Since 1991 the government introduced more stringent fiscal policy, inflation has declined substantially.

The interest rate for a loan was raised up to 50%, and then even to 80%. However, this high rate did not encourage economic initiative of enterprises, so at the end of 1991 it was significantly reduced. The privatization of enterprises began. Foreign capital began to flow into the country.

After completion of the “shock phase” of reforming the Polish economy stabilized and began its dynamic development. Positive growth rates of GDP and industrial production were recorded in 1992, and in 1996 Poland has reached the pre-reform production level.

Reforms in Czechoslovakia (in 1993 it split into the Czech Republic and Slovakia) started in 1990 with the mass privatization of state-owned enterprises. Since the beginning of 1991 the liberalization of prices was implemented. Like in Poland, here the first phase of reforms was accompanied by inflation and a drop in production. However, inflation has not acquired such character as in Poland, prices rose only by 59% in 1991. Later the inflation was curbed; it has not exceeded 10%.

The reforms in Hungary have been more gradual, since they started earlier, as it has been mentioned. So they passed with the least losses. The independence of state-owned enterprises has been provided in full measure in the 1980s; in the 1990s their privatization began. At the beginning of this decade foreign capital quickly went to Hungary; foreign direct investments in Hungary amounted to a half of the volume of all investments from Western countries to Central and Eastern Europe at the end of 1993.

The positive results of the reforms in the countries of Central Europe are: disappearance of deficit of goods in the market; gradual increase of population incomes; restructuring of the economy in the direction of a significant increase in the share of the private sector; increase of foreign trade; growth of labor productivity; gradual growth of GDP.

However, not all problems were solved successfully. High level of unemployment remains in these countries. In 2002 it was 9.8% in the Czech Republic, in Hungary – 5.8%, in Slovakia – 17.2%, in Slovenia – 11%, in Poland - 18.1%. GDP growth rate slowed after 2000. Factors that have contributed to strong economic growth in the 1990s (privatization, foreign capital inflow, etc.) were substantially exhausted.

However, as it is well-known, Poland, Czech Republic, Slovakia, Slovenia, and Estonia, Latvia and Lithuania became the members of the EU in 2004. This meant that they were recognized as a market economies, i.e. the transitional stage for these countries has finished.

Reforms were carried out more difficult and the positive effect was taken later in the CIS countries. In practice only since 2000 the rate of economic development began to increase, during the 1990s the production in the former Soviet republics fell almost by a half. Entire industries have been disappearing, especially in the sphere of high technologies. The unemployment appeared and grew. The standard of living of main mass of population has plummeted.

Compared to 1990, the GDP of Russia amounted to 50%, Ukraine – 41% in 1999 [4, p.231].

This situation appeared due to a failed, reckless application of “shock therapy”, for which the conditions were less favorable than in the countries of Central Europe. Before the beginning of the process of reforming the government had a total monopoly in all sectors of production. The private sector has not yet been formed. Price setting was strictly regulated. Economic operators had no experience of working in market conditions.

At first, the denationalization of property and price liberalization were the main directions of reformation. Privatization of state property in the CIS countries was a form of “voucherization”, when every citizen received a voucher (privatization check), i.e. a document for right of possession of part of government property; then he had the right to invest this voucher in any enterprise that was subject to privatization. In fact, a division of government property into smaller pieces took place there. The main form of ownership in the process of decentralization has become a collective one, subsequently the share of the private sector increased. State property was not more than 8% in most of the CIS countries in the late 1990s.

Price liberalization carried out without taking into account the real state of the economy led to inflation of unprecedented dimensions. Thus, during the 1992-1996 consumer price index increased in Moldova in 1500 times, in Belarus – 39.6 thousand times, in Ukraine – 42.5 thousand times. Only in the second half of the 1990s, the inflation was slowed by implementation of monetary reforms. National currencies were introduced (in Ukraine – in 1996, after all of the CIS countries). Since 2000 in most countries of the region inflation is moderate, although its level is higher than in developed countries.

The liberalization of foreign trade was also a hasty decision. Foreign goods, which were cheaper and of higher quality, crushed the national production of many sectors of light and food industries, the automotive industry.

Since the second half of the 1990s economic reforms in the CIS countries have received a more systematic and consistent character. Currency reform was completed, legislation on foreign economic activity was ordered, and generally the process of denationalization was approaching the completion. A number of countries have begun agrarian reforms, due to which farmers received land ownership. Gradually the inflow of foreign investment grew, although its rate was inferior to rates in the countries of Central Europe. All this paved the way firstly to stop falling and then to economic growth. Since 2000 GDP growth rate was higher in most CIS countries than in Central Europe.

However, not all problems have been solved. Not all countries even at the beginning of 2008 have reached the level of economy of 1990 (Russia managed to do it only in 2007). Far from optimal the branch structure of the economy remains: in Russia, both in the structure of GDP and in exports fuel and energy complex dominates; in Ukraine – metallurgy, the share of mechanical engineering remains low. The technological restructuring of the economy is being implemented very slowly, not enough funds are assigned for research activity. The standard of living of the main mass of population is inferior to countries of Western European.

Thus, the strategic goal of countries of Eastern Europe at the present stage is to accelerate the pace of economic development and technological restructuring of the industry. In terms of foreign trade it is the revitalization of activity in foreign markets, finding stable niches for their products and services, diversification of foreign trade partners. Strategy for economic integration in the different countries of the CIS is not the same. Ukraine has clearly defined its direction – the European Union, such aim also Georgia has; Russia, Belarus and Kazakhstan stand for deeper integration in the CIS.

It is useful to consider the features of the economic policy of the countries with transition economies taking as the example the largest countries of this group – Russia and China.

4.4.2. Economic policy of Russian Federation

Reforms in Russia were based on the model of "shock therapy". The most important components of economic policy in the first half of the 1990s were: price liberalization, foreign trade liberalization, and privatization. The reforms were developed under the leadership of Yegor Gaidar, who was a proponent of the monetarist theory of economic regulation. A course on divestment of government property and restriction of government intervention in the economy was laid out, called deregulation.

It was believed that the liberalization of price policy ("letting go for prices") should improve the economy in the short term. The deal was in fact that prices were set by administrative order and generally did not meet the real values of the goods in a non-market economy that existed in Soviet times. The lack of consistency of supply and demand led to the fact that some products were not in demand "glut"), while others were in deficit. This caused the accumulation of significant material and financial losses and hampered the economy. Proponents of liberalization of prices expected that some products had to be more expensive, others - had to be cheaper; thus, it was hoped, the structural balance in the economy had to be established. But the reality did not live up to these expectations. The Russian economy was not ready for such a "readjustment". Prices of almost all goods and services increased repeatedly in the absence of state regulation.

The researchers traced several stages of evolution of the economic policy of the Russian government in the reform process. The first phase lasted from 1992 to 1995. The main objectives of the economic policy during this period were:

- liberalization of the economy (prices, economic relations, foreign economic relations);
- macroeconomic stabilization, reduction of inflation;
- privatization.

The currency reform was carried out in 1992; impaired banknotes were replaced by new ones, the rate of which was fixed in relation to foreign currencies, the ruble was freely convertible in currency markets. Banking system based on the joint-stock commercial banks headed by the Central Bank of the Russian Federation was created. The stock market has been formed in the country. Receipts of foreign investments into Russia grew gradually, especially in 1995. However, capital outflow abroad from Russia was provided at the same time, which exceeded FDI inflows. Capital account had a negative balance in the structure of balance of payments in Russia during the 1990s.

The first half of the 1990s was characterized by deep economic recession in Russia. Misguided a policy of "non-interference" of the state into economic processes was one of its main causes. Disadvantages of this policy became apparent in mid-90s. However, certain goals, set by the developers of the strategy, were implemented in the first phase of reform. Price liberalization was completed; privatization was carried out, resulting in fact that 70% of the GDP, was produced in the private sector; inflation was halted. The main positive result of the mid-90s was the restoration of the system of state economic regulation; this meant the end of the policy of "deregulation" and the beginning of a new stage of reform.

The second stage of reforms took place from 1996 to 1998. Its objectives were defined in program "Structural adjustment and economic growth in 1997-2000". The provision on strengthening the role of state in economy was the fundamentally important point of this program. The liberal theories of development gave way to neo-Keynesianism at this stage. The new policy brought positive results. The fall of the economy stopped and GDP showed an increase in 1997 for the first time since the beginning of reform. However, the crisis occurred in 1998, it was largely provoked by external factors; it threw the Russian economy back again for a while.

The third stage began from autumn in 1998 and was completed in late 1999. The objectives of this period were formed by the decision of the State Duma "On the main directions of socio-economic development of the Russian Federation". The need to strengthen the regulatory role of the state in economy was the leading thesis of this document.

The main objectives of economic policy on this phase were: recovery and development of production, preservation and activation of scientific and technical potential, improvement in the pricing of natural, including commodity monopolies, improvement of public finances and the normalization of monetary circulation; the concentration of resources for priority sectors; strengthening of state order's role and purchase of food for state needs, improvement of social policy effectiveness, protection of owner's rights, and provision of other legal conditions for the efficient functioning of the market economy, the protection of national interests in foreign economic and in foreign policy spheres.

This period is characterized by the recognition of "dirigisme" as a priority in the economic policy of the state. State functions were formulated as follows:

adjustment of the negative manifestations of the market; forecasting of development of market processes; purposefully and systematically creation of conditions and incentives for the development of strategically important areas for the state and society; provision of reliable protection of citizens against excessive social expenditures of reforms.

The policy of this stage was justified. Since 1999, Russia's economy recovery began, which continued at the beginning of the new decade. And only the global crisis of 2008-2009 interrupted this favorable trend. Some changes in the economic policy of the government were on the fourth stage, which started in 2000. Since the market mechanism had already earned generally, the government focused its efforts primarily on macroeconomic regulation. The information that the government's efforts will be concentrated on ensuring for equal conditions of competition, protection of property rights, the abolition of excessive administrative barriers to business and investment, increase of financial transparency of businesses and organizations was noted in the “Action Plan of the government of the Russian Federation in the field of social policy and modernization of the economy for 2000-2001”.

Customs reform was carried out in 2001, the number of items, subjected to the customs taxation of imports decreased in the amount of 5%; the number of positions that were taxed with high rate (over 20%) increased. Taxation of some important exported products was introduced, primarily of oil and gas. Last action significantly fills the state budget of Russia; thus, protectionist tendencies were strengthened in external economic policy.

In the future, the government's strategy was formulated in the “Program of Socioeconomic Development of the Russian Federation for the medium term (2002-2004)”. It included modernization of the economy at a certain reduction of state intervention in economic activity and further liberalization of markets.

The creation of a favorable investment and business climate was determined as the basic direction of economic modernization. Such measures were proposed for this purpose: the protection of property rights and improvement of corporate governance; the development of the institution of bankruptcy and protection of creditors' rights; alignment of conditions of competition and an effective antimonopoly policy; de-bureaucratization of the economy; improving the efficiency of state property management; development of financial infrastructure.

Budget becomes in the order and negative balance of payments decreases in Russia during the last 15 years. Country gradually decreases its external debt, stops to borrow money from the International Monetary Fund. These measures bring a certain effect. The pace of economic growth is stable with the beginning of the new decade.

The Russian government has a policy of centralizing in management of country since 2004. This is reflected in the appointment of governors by the president, in more careful oversight of oligarchic structures and others. There is the reason to believe that the government will return to the basics of Keynesianism after a short period of liberalization (the fourth stage).

Shaping the economic policy, President Putin justified the thesis about the necessity of GDP doubling in 10 years. Structural renewal of the economy is highlighted; development of the concept for accelerated growth is the first task. Two models - dirigisme and institutional one dominate in the discussions about the methods of such concept.

The government prefers the institutional model in recent years. The reform of natural monopolies and budget legislation, pension reform, etc. are carried out according to this model. The government refused the definition of clear branch priorities. This failure is linked to the peculiarities of the present stage of technological development, when it is extremely difficult to determine promising sectors in practice and thus to provide them with the financial resources in administrative order. At the same time an important task is the diversification of production and exports, accelerated development of sectors of the "new economy".

In 2005, Russian president announced the identification of priority national projects for the immediate future. Health; education; affordable housing; the development of agriculture were recognized as the most urgent among them.

Thus, the emphasis is on the solution of social problems, first of all, that create the necessary conditions for the development of human capital. The economic model, based on knowledge and intellectual potential, is going to be formed in Russia.

In 2007 "The concept of long-term socio-economic development of the Russian Federation" was adopted, until 2020. The concept is based on three fundamental factors.

The first factor is strengthening of global competition that would cover not only the markets of goods, but also the capital market, technology and labor ones. Russia's dependence on fuel and energy component in the structure of production and exports should be eliminated, and the economy must be diversified.

The second factor is the increased role of human capital in the socio-economic development. It is necessary to dramatically increase labor productivity.

The third factor is the increase in capacity for the production of products characterized by a high technological level.

The concept defines the transformation of Russia into one of the global leaders of the world economy, its output to the level of socio-economic development of highly industrialized countries as strategic goals. It is predicted that Russia must enter the top five countries in the world economic power by 2020 [www.economy.gov.ru].

The crisis that began in 2008 hit Russian economy hard. A sharp drop in energy prices in the global markets highlighted imbalance of Russian economic development. Production of most sectors significantly dropped, especially in industry. The government was forced to abandon a number of ambitious projects in such circumstances. However, as the Russian President and the Prime Minister noted, the social costs should be kept in the planned volumes.

Economic reforms started to be implemented sequentially, comprehensively and consistently in recent years. Russia is ahead of other CIS countries in the depth of economic reforms.

4.4.3. Economic policy of the People's Republic of China

Modern economic policies of China originated since 1978, when course for economic reform, which is based on the restructuring of property relations and the formation of a socialist market, was proclaimed. Reform must be long term and implemented in three phases:

- by 2000 it was planned to increase the gross output of industry and agriculture by 4 times to achieve middle-class life of the people;
- up to 2021 - to raise China to the level of moderately developed countries;
- up to 2049 - to turn China into a highly developed state.

The main objective of the strategy is the building of communism in the country after a hundred years after the victory of the socialist revolution in China (1949).

Transformations started with the reform of agrarian relations in the 1980s. Commune were liquidated, land (0.4 hectares per farm) were transferred to the peasants for long term rent on the rights of family contract. Rights to be engaged in subsidiary farming and handicrafts, to sell extra products on the markets were given to the peasants. However, the land was in state ownership, it did not become the object of sale. The production teams, acting in the communes, were disbanded and the transition of the peasants to sole management was completed in 1983; 94% of all the peasant’s households worked according to the form family contract at the end of that year.

“The law about the volost and village enterprises” was adopted in 1997. It established the rights of rural industrial entrepreneurs. However, the law provided necessity of rational planning, management and control of the state in relation to these companies.

Private enterprises, attracting hired labor, were created afterwards. Mutual enterprises, especially large, started to develop rapidly in the mid-1990s; their commercial interests went beyond the villages and volosts. About 25% of GDP, 50% of the added value of industrial output, 30% of foreign exchange earnings from exports, 30% of farmers' incomes fell on all those companies in 1997 [6, s.238].

Government extended the mechanism of economic transformations on other sectors after getting of first positive results from implemented reform of agrarian relations. Resolution “On the reform of the economic system” was adopted in 1984. It included the expansion of economic independence of enterprises, reduction of the scope of directive planning, the transition to trade in means of production. Systems of prices, labor and wages were subjected to reforms.

The feasibility of the use of various forms of ownership was officially declared, namely the state, collective and private.

Industrial enterprises got enough broad opportunities for independent activity. They could choose between different forms of ownership, independently solve operational issues (production, supply, sales), carry out HR policy, establish a system of wages and, within certain limits (which were determined by the state) to fix prices for their products independently. Market pricing system was gradually developed.

A feature of China's economic system is a combination of planned control levers (directive planning) with the market ones. The state regulates on a macro level, the market - on the micro level. The principle of distribution according to work (the socialist principle) combines with the principle of distribution according to invested capital (the capitalist principle). This concept is called the model of "socialist market economy".

Attention was paid to the reform of the public sector in the second half of the 1990s. The deal is in the fact that state-owned enterprises increased their volumes of production, often due to non-competitive products, which were unsalable in the markets. As a result, in some areas about half of the state-owned enterprises were unprofitable and could not play the role of social stabilizer. Usually, culprit of such a situation is management staff, who could not (or didn't want) to adapt to the market conditions of management. The profitability of the public sector was constantly declining; share of unprofitable enterprises increased from 27% to 43% in 1990-1995 [8, p.239].

Aggravation of the situation in the real sector of the economy had a negative impact on the state of the banking and credit system. The volume of overdue debts amounted to 25% of all extended loans. This prompted the banks to refuse crediting of state-owned enterprises, which further worsened the situation of the public sector.

The new leadership came to power in China in 2003. It preferred more resolute economic reforms. The strategic objectives of the new economic policy were: support for private ownership and liberalization of foreign economic relations.

If in 1988 the position about private sector was included in the constitution of the country as a complement to the public, the amendment to the Constitution, which contains a provision on the immunity of "lawfully acquired" private property of Chinese citizens, was introduced in March 2004. The permission the private owners and even the oligarchs to join the Communist Party was the important point. Many rich people used this opportunity. It was a sign of the gradual blurring of the socialist system under the nominal administrative leadership of the CPC.

Privatization of unprofitable public enterprises and restructuring of public finance and the banking sector on the principles of variety of forms of ownership of financial institutions are the main problems of modern China's economic strategy [8, p.240].

At the Third Plenary Session of the CPC Central Committee (October 2003), the following landmarks of Strategy in the economic field were defined:

- reform of the constitution to support pluralism of ownership;
- strengthening the rule of law and the creation of fair conditions for the start in the economy;
- development of self-government in the villages.

The main direction is the legalization of pluralism of ownership.

The Chinese government increasingly takes into account the global factor, forming the strategic goals of economic development. An important event was the entry of China into the WTO in November 2001. After that, China immediately intensified economic rapprochement with Japan and South Korea. China tries to become a powerful factor in the development of the international economy in the Asia-Pacific region. The Chinese government actively uses the special status of Hong Kong to achieve this goal. The marked area belongs to China, but has extremely favorable conditions for trade and other economic transactions with foreigners. More than 18% of China's exports pass through Hong Kong.

At the beginning of the new millennium, China intensified its participation in the Asia-Pacific Economic Cooperation (APEC). The possibility of strengthening contacts within the regional contacts “PSA-3” (Northeast Asia, involving China, Japan and South Korea), the ASEAN + 3 (plus China, Japan, South Korea), Shanghai Cooperation Organization (SCO). Dialogue with the “Group of Eight” was successfully developed.

Economic reforms and balanced government policy promoted the stable development of the economy. China was the only country among the major countries the economy of which was not amazed by the crisis of 2008-2009, and even gave a nice increase in the first half of 2009.

Restrictive fiscal and monetary policy is carried out in China since 2010.

In 2015 main efforts of the Chinese government were focused on the continuation of the liberalization and opening of the individual segments of national economy. These processes, which are aimed at increase in competition and improving the efficiency of Chinese business and state corporations, remain the backbone of China's development. There are some assumptions:

- gradually to reduce the powers of the state in macroeconomic regulation;
- to develop and implement scheme of partial privatization of public companies in order to increase their effectiveness;
- to increase the share of small and medium enterprises in total volume of credits;
- actively to encourage the export of Chinese capital abroad in the form of FDI.

The rejection of "GDP growth at any price" to equalize the imbalances, which were established in the time of rapid economic growth, was one of the main goals for 2015. Priority was given to the creation of sufficient jobs in the cities.

http://www.imemo.ru/files/File/ru/publ/2014/2014_031.pdf

4.5. Economic policy of macro-economic integration groupings

In the world there are already tens of macro-regional associations of different levels of integration. The strategies of most of them have a narrow local character or feebly marked impact on the economic development of the region, not to mention of the global economy. By the composition of participants the following organizations are among the most authoritative and interesting one: the European Union, the North American Free Trade Agreement (NAFTA), the Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN), the Southern Common Market (MERCOSUR), the Latin American Integration Association (LAIA), and the Commonwealth of Independent States (CIS).

Each macro-regional integration association has the strategic purpose for which the association was formed. As integration processes in the association deepen, the integration goes to the next level, as well as taking into account changes in the economic and political situation the strategic goal may be supplemented, updated or changed.

The European Union is the macro-regional association with a high level of international economic integration. It passed all stages of the integration evolution, so the review of the economic policy of regional associations is reasonable to start with it.

4.5.1. The economic policy of the European Union

The Treaty on European Union declared that it marks a new stage in the formation of a cohesive union of the peoples of Europe, in which decisions are aimed at the greatest possible satisfaction of the needs of citizens. The goal of the Union, according to the article "A" of the Treaty, is to organize by the methods, which are characterized by cohesion and solidarity, the relations between the member states and their peoples.

Concretizing the goal, the Treaty specifies that the task of Community is, by establishing a common market, economic and monetary union, a common domestic and foreign policy, to promote the harmonious and balanced development of economic activities, sustainable and non-inflationary growth, which would protect the environment, achieve a high degree of convergence of economic indicators, high levels of employment and social protection, raising the standard of living and quality of life.

The Union has set the following objectives:

- to promote sustainable and harmonious economic and social progress, particularly due to the creation of the area without internal borders, economic and social cohesion and the formation of economic and monetary union;
- to promote the establishment of individuality of the Union at the international level, especially by implementation common external policy and security policy;
- to strengthen the protection of the rights and interests of citizens of the member states through the introduction of citizenship of the Union;
- to develop close cooperation in justice and internal affairs.

In accordance with the set objectives and tasks the policy of the European Union is formed in various areas of activity.

The economic policy of the EU is carried out in the following areas: trade, manufacturing (industry, agriculture, and transport), the movement of factors of production (capital, labor); the regulation of relations between the subjects of the international economy within the EU (competition, antimonopoly legislation, etc.).

The common trade policy is based on the customs union. Customs duties for imports and exports of goods between the members of the Union were canceled, it refers both protectionist and fiscal tariffs. The rates of customs tariffs for third countries are common and are approved by the EU Council on the recommendation of the Commission. The quantitative restrictions (quotas, etc.) are prohibited in the trade between the member states.

To stimulate exports to third countries the policy is implemented, that provides the benefits to manufacturers of those products in export of which the EU is interested. The common commercial policy is based on common principles regarding the conclusion of agreements with third countries. This is evident not only in the setting of tariffs and quotas, but also joint actions against dumping in international markets.

The share of the EU is around 40% in world exports. The mutual trade between the member states accounts for 60% of total trade turnover of the EU.

Industrial policy is aimed at improving the competitiveness of EU industry. For this the following conditions are created: promotion of restructuring in accordance with the scientific and technical progress; promoting initiatives and the development of entrepreneurship, especially small- and medium-sized enterprises; promotion of cooperation between enterprises; stimulating innovation policy, introducing scientific researches and new technology in production.

Industrial policy of the community began to form already within the ECSC, i.e. in the early 1950s. At that time, the unrewarding and capital-intensive industries have been taken under the control of Community, which were difficult to recover for the countries by themselves after war. Particular attention the ECSC paid to coal and steel industry.

In the late 60s and early 70s the medium-term programs were developed, which gave the general orientation of the industrial policy. In 1968, the Directorate-General for Industry was created, which includes the directorates: of industrial policy; technical regulations and standards; basic industries; production of capital equipment; production of consumer products and information technology. In 1970, the Directorate prepared a “Memorandum on industrial policy”.

In 1990, the European Commission has developed a document entitled “Industrial Policy in an open and competitive environment”, where the basic principles of industrial policy were formulated. According to this program, a special priority is given to high-tech industry. The documents on the organization of R&D, technical standardization, European economic law, the creation of a unified system of power supply and telecommunications, etc. are developed. These programs are called “The pragmatic market industrial policy”.

In order to promote the competitiveness of small- and medium-sized firms, the decision about the European Economic Interest Grouping (EEIG) was made. The grouping is formed by concluding an agreement between two or more parties of the member states. EEIG coordinates the activities of its members, contributes to the expansion of their activities, and subsidizes the cost for scientific research. Common economic policy in the industry provides the establishment of single standards for all countries of the EEC. The greatest attention in the process of harmonizing of standards is paid to the newest industries – electronics, aerospace engineering.

Great importance is given to the fight against unfair competition between firms of the member states. The actions (decisions, agreements) are forbidden between business entities that may restrict or eliminate the competition within the common market. These actions include: fixing of purchase or selling prices, control of manufacturing, distribution of markets or sources.

Great attention is paid to improving the profitability and reducing the production costs in European industry. For this purpose the assistance in improving professional training, in the assimilation of new methods of work organization, in setting the total control of the quality during the development and implementation of new technologies is provided to the companies. The EU contributes to Western European companies in their promotion to world markets. This is done with the help of tax incentives for export-oriented industries, coordinated investment activities of enterprises of member countries outside the EU.

The application of a protective tariff on imports from third countries is one of the effective measures to support the producers of the member states, the average customs tariff of the EU is more than 5%.

In the regulation of industrial development of the EU the economic measures play the major role, the administration is minimized. Tax policy is one of the most effective tools of regulation. The change in tax rates is carried out selectively considering the specific situation. Other measures to support the enterprise are: subsidies to entrepreneurs; preferential long-term loans and guarantees, mobilization of public funds for projects financing in the field of construction, renovation of technology and reorganization of enterprises, providing public contracts that provides the trade area.

Government aid within the EU is selective. Industries in the brunch aspect are divided into two groups, to each of them there is a special approach. The first group consists of the “old” industries – ferrous metallurgy, shipbuilding, coal and textile industries. Here the policy is aimed at reducing the production capacity and improvement of competitiveness. The second group includes “new” industries (information technology, electronics). The primary support is provided to them, the expansion of production is stimulated.

Agricultural policy is an important part of the EU economic strategy. The aim of the policy is to increase agricultural productivity by promoting technical progress, ensuring rational development of agriculture, the optimal use of factors of production, especially human labor. The stabilization of agricultural supply and sale of products at affordable for consumers price takes the important meaning.

The joint organization of agricultural markets is established to achieve these objectives. This organization regulates the prices, provides marketing services for producers, and contributes to the stabilization of exports and imports of agricultural products. The unified pricing policy is introduced.

In 1962 the European Agricultural Guarantee Fund – FEOGA (Funds European par Orientation et Guarantee de Agriculture) was founded in order to support agricultural producers. The fund was established within the framework of the plan “Green Europe”, which provided the approval of the common agricultural market. It subsidizes exports of agricultural products outside the EU and thus contributes to food intervention of the countries of the Union to foreign markets.

Due to the efficient agricultural policy EU countries not only provided themselves by almost all agricultural products, which are inherent to the climate zones of Europe, but also became the important exporter of them. The policy of production stimulating and import restriction led to the fact that food prices in the EU are higher than world market prices.

Monetary and credit system of the EU is one of the most important areas of regulation. Creation of monetary and financial institutions of the EU is connected with the process of economic integration. The main elements of monetary integration are: the common currency; currency intervention; common funds of the mutual lending of member states; monetary regulation.

The European Investment Bank (EIB) and the European Development Fund (EDF) were established from the very beginning of the EEC. Gradually other institutions also appeared. The creation of the European Monetary Union was the highest achievement of evolution of the European monetary system.

Formation of the Economic and Monetary Union began in accordance with the Maastricht Treaty. The European Monetary Institute (EMI) was founded, which implemented the preparation for the European Monetary Union (EMU). One of the main tasks of the EMI was to create the conditions for the introduction of a new international currency unit – euro. EMI has fulfilled its functions by the beginning of 1999, when the euro replaced the E.C.U. Since that time the European System of Central Banks (ESCB) comes to replace, headed by the European Central Bank (ECB). In 2002 the euro replaced the national currencies in most EU countries.

The aim of EU **social policy** is the promotion of employment, improvement of living and working conditions of workers of the member states. It is aimed at ensuring the social protection of the population, setting the partnership between the administration of enterprises and workers, fight against groundless dismissal of workers.

The improvement of working conditions, protection of the health and safety of workers take one of the leading places among the objectives of social policy. There is the aim to ensure the equality of men and women regarding their opportunities in the labor market and work treatment. The protection of workers is envisaged at the end of the term of their contract.

The development of the quality of education is an integral part of EU social policy. This policy, in particular, provides teaching and wide spreading of languages of the member states, mobility of students and teachers, recognition of diplomas of educational institutions of all member states, the exchange of information and experience regarding education.

The development of youth exchanges between the two countries is very important. New method of teaching in higher education - the so-called “Bologna Process” is actively promoted in the EU in recent years; countries that are not EU members, in particular, Ukraine, are also connected to this process.

Promotion of the vocational training is an important element of social policy. It is regarded as an effective tool for adaptation to changes in production, as well as a tool to facilitate the integration into the labor market.

The introduction of a common European citizenship became a significant social and political heritage; resident of each member country is simultaneously a citizen of the EU. It promotes adaptation of migrants within the EU and activates mobility of the workforce.

Foreign economic policy of the EU is based on agreements concluded with other countries in the context of international legal norms, in particular, the standards and principles developed by the UN, WTO, and IMF. The common foreign policy is aimed to protect common values, fundamental interests, independence and integrity of the Union. It envisages cooperation between Member States in the following areas:

- defining of the principles of common foreign policy;
- coordination of joint actions;
- agreeing of common positions;
- strengthening systematic cooperation between Member States in the political sphere [6, s.247].

4.5.2. Problems of economic policy of the Commonwealth of Independent States

Unlike the European Union, the CIS has no clearly formulated economic policy, and even the agreed arrangements are often not implemented. This situation is explained by the lack of deep integration.

The refusal of the Member States to transfer some sovereignty to supranational structures is one of the main obstacles in the process of deepening integration within the CIS. But the practice of existence of integration associations shows that real integration in general is impossible without it. Only effectively established system of supranational EU authorities gave significant impulse to the European integration. The real reason is that the governments of some countries of the CIS are afraid of the hegemony of Russia in the planned economic union. Four EU countries - Germany, France, Britain and Italy - are approximately equal by their economic potential and none of them can block a decision unilaterally in the EU. But Russia has definite advantage in the CIS.

Attempts to create local groups in the CIS, which would be more integrated, are taken in such conditions. Union State, including Russia and Belarus; Eurasian Economic Community (EurAsEC), the Common Economic Space (CES) are among them.

Union State of Russia-Belarus provides the establishment of an economic union with a common currency into circulation in the future. However, today we can only talk about the prospects for the formation of a customs union between the two countries.

EurAsEC includes Russia, Belarus, Kazakhstan and Uzbekistan. This organization is corresponded to the customs union level of integration.

There are goals of EurAsEC formation in the form of customs union:

- provision of socioeconomic progress of their countries by joint actions by eliminating barriers between them for free economic interaction between economic entities;
- provision of stable economic development, free trade and fair competition;
- strengthening of coordination in economic policies of the participating States and the full development of the national economy;
- creation of conditions for active release of Customs Union member states on the world market.

EurAsEC development strategy is created until 2015. Border policy should be agreed, crossing points at the external borders of the participating countries must be equipped, customs controls on the borders between the states - participants should be abolished and a unified system of border management within the framework of the Eurasian Economic Community should be established by this time.

Russia, Belarus, Kazakhstan and Kyrgyzstan signed an agreement on creating a Common economic space in 1999. The main objectives of the CES are the following: effective functioning of the common market for goods, services, capital and labor, creation of conditions for a single economic restructuring in the interests of substantial increase of the population, conduction of coordinated tax, monetary and credit, currency and financial, trade, customs and tariff policies, the formation of a unified transport, energy and information systems, the creation of a common system state support measures for the priority sectors of the economy, industrial, scientific and technological cooperation. It was assumed that the implementation of the agreement will allow increasing in trade turnover between the countries by 50-70%.

In 2003 the idea of creating of the Common economic space got a new content. Agreement on its establishment between Belarus, Kazakhstan, Russia and Ukraine was signed in Yalta. The contents of the idea is in the fact that integration will be promoted faster and deeper when the most developed countries of the CIS will be included in integrated association; they will become a kind of locomotive for activation of integration processes in the CIS.

The main principles of the functioning of the CES were proclaimed: ensuring of freedom for movement in goods, services, capital and labor across the borders of member countries. There are stages to form the CES, considering the possibility of multilevel and multi-speed integration. The thing is that not all the Member States have the same commitments on each level of the integration. Each participating State shall independently determine its direction of development integration, as well as volumes of such participation. Completion of the formation of free trade area is priority and basic step in formation of the CES.

The CES is defined in the Yalta agreement as a free trade area; Ukrainian delegation insisted on it. It is envisaged that the space is formed in stages, taking into account the capabilities of States entering into it. The agreement takes into account the different degrees of integration of states in the CES (Russia and Belarus - the Union State, Russia, Belarus and Kazakhstan - members of the Eurasian Economic Community); terms of a possible transition to higher levels of integration are determined by each state independently.

The CES principles were identified in the agreement: ensuring of free movement of goods, services, capital and labor across the borders of participating States, as well as coordinated macroeconomic policy and a common policy for individual sectors. The principle of free movement of goods includes the elimination of exceptions in free trade regime and the removal of restrictions in mutual trade, based on the unification of customs tariffs.

Objectively the Common economic space is in quite good conditions to become a center of integration. Other CIS member countries might be joined with it.

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