SUMMARY OF ECONOMIC INTEGRATION AS A CATEGORY OF MODERN ECONOMICS

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1. Introduction

During economic and social evolution of the world economy the range of assumptions and factors responsible for the formation and development of integration expand. A complex system of their interaction has a multi-level and multi-canal nature of the impact on the dynamic of integration processes in the world. The development of global social, economic and legal relations today is inextricably linked with the global integration processes.

In modern conditions of increasing internationalization, openness of national economies and the international division of labor, scientific and technical progress, the dynamic changing of market conditions, the output of the production cycle, financial flows, movement of labor for a national framework, modern transport, communication and information systems and other factors contribute to the rapid development of integration processes and their transition to a new qualitative scale.

Despite the presence in the modern economic literature, a significant number of works are devoted to the integration processes (M. Maksimov, Yu. Shishkov, J. Tinbergen, R. Cooper, B. Balacca, V. Ovchinnikov, O. Chernega, Y. Bocharova and others). A significant contribution to the formation of methodological principles of integration theory were made by M. Allais, B. Balazs, Yu. Borko, J. Weiner, I. Haltuha, M. Halperin, F. Gerails, H. Kremer, M. Lindberg, G. Lipseya, M. Maximova, F. Mahlupa, K. Meyer, J. Mead, A. Müller-Armaka, P. Nayya, J. Pinder, A. Predolya, V. Ropke, J. Tin Bergen, V. Filippov, E. Haas, Yu. Shishkov, F. Shmittera, R. Schumann.

Many scientists explore integration in general and its elements, categories, interrelations and manifestations. Nowadays it is accumulated quite significant scientific and practical potential, which was formed as the result of many years of discussing integration problems. But among researchers of this problem there is no single opinion of the theoretical approach to the interpretation of its nature and content. In such circumstances, there is particularly urgent need for further studying of theoretical bases of integration processes, especially – economic integration as the basis for formation of a global world order.

The goal of the article is to deep the theoretical and methodological foundations of economic integration in the context of globalization and to define features of it development: to investigate the nature, level and flow features of international integration processes; to set basic socio-economic effects of integration in the context of globalization.

2. The main material research

The term "integration" was firstly used in the 30s of XX century by a number of German and Swedish researchers [1, p.7] (from the Latin "integration" means restoration, from integer – the union in the whole of any parts, components) [2, p.289]. To date, this term has a broad application in various fields of science and knowledge: biology, physics, chemistry, politics, information, social and cultural spheres, etc.

In this study, we are interested in the problems associated with economical aspect of the integration process studying.

The modern world is living in an era of global integration processes, affecting all spheres of life

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(politics, economics, education and other). International economic integration is one of the most important determinants of national economic development, manifested in the expansion and acceleration of international financial flows, which in turn contributes to a more efficient use of investment capital in all areas of the world economy and the international geographical division of labor, allows countries to significantly cut the costs of production and, consequently, to reduce the price of consumable goods [3, p.5]. The integration process involves a constant search for the states flexibility, and compelling long-term reason to the reorientation of neutral or good-neighborly relations in the highly partnership-like.

As it was said in ordinary language, the term “integration” means to bring parts of an object into a complete whole, while in economic terms it would imply, in its narrowest sense, the coordination of economic activities within a country for the purpose of enhancing the development of that particular country [4]. Mutharika further gives the term a wider meaning, and indicates that it implies the process of integration of various economies in a given area or region into a single unit for the purpose of regional economic development. In a more precise way, economic integration occurs when two or more nations undertake policies that result in greater mutual economic interdependence.

Economists have defined the term “economic integration” in several different ways over time. Economic integration is a process of eliminating restrictions on international trade, payments and factor mobility [5]. Economic integration thus results in the uniting of two or more national economies in regional trading agreements. T. Nikolayeva and V. Gayanov identified integration as holistic education, acting in the interests of all participants in order to achieve common strategic objectives, including the members of association and the connections between them, which are due to the strategic needs of the subjects themselves in enhancing the competitiveness and creating a relatively free from the external market competition [6].

From these definitions, it can be distinguished two different methodological approaches to the study of the process of economic integration. In the first, the so-called ‘static approach’ for economic integration is identified as the onset of favorable circumstances and prerequisites for integration, the formation of supranational Institute, which aims are the convergence of national economies and holding its members agreed interstate economic policies to achieve common strategic goals. This interpretation of the essence of international economic integration has long been a major, especially in the neo-liberal-leaning theorists. From the point of view of the other, “active” approach, it can be told about this concept as about the controlled and voluntary process of developing and strengthening ties with the sequential approach and structural merging economic entities, in order to obtain comparative advantages [7].

Thus, the term “economic integration” in the scientific literature does not have some diversity in the interpretation of the essence of the concept. The diversity of views on the specifics of the economical integration process can be reduced to a few items that are presented in the Tab. 1.

Tab. 1. Classification of approaches to describing essence of “economic integration”

Approaches	Describing essence	Authors
Factorial	Economic integration is being concerned with efficiency in resource use. The necessary conditions include the freedom of movement of goods and factors of production and an absence of discrimination amongst members.	Robson (1987)
Systematic	Economic integration is both a process and a state of affairs. Integration is a process that involves the removal of trade discrimination between different states, while it is a state of affairs to the extent that it is the absence of different forms of discrimination.	Balassa (1962)
	Economic integration is a discriminatory removal of all trade impediments between participating nations and the establishment of certain elements of co-operation and co-ordination between them.	El-Agraa (1994)

Cont. of tab. 1

Process	Economic integration serves to indicate the gradual elimination of economic frontiers between countries. In the first stage, trade among partners is liberalized. This is followed by the liberalization of movement of production factors. The objective of the third stage is the coordination of national policies with regard to economic sectors, possibly including exchange rates.	Molle (1990)
	Economic integration is the elimination of economic frontiers between two or more economies. An economic frontier is any demarcation over which actual and potential mobility of goods, services and production factors, as well as communication flows, are relatively low.	Pelkmans (2006)
	Economic integration is an objective, informed and guided process of rapprochement, mutual adaptation and merging of business systems with self-regulation and self-development capacity.	Rybalkina (2003)
Institutional	Economic interaction is the process leading to the convergence of economic mechanisms, taking the form of some agreements and concerted adjustment of some authorities.	Kireev (1997)
	Economic integration means internationalization of economic life of two or more states, characterized by interpenetration and intertwining of their national economic processes and conduct a coordinated economic policy in the relations between these states and third countries.	Sidorovich (1997)

Summarizing the approaches to defining the essence of the concept of “economic integration”, it should be noted that a common feature of its interpretations within the factorial approach is to identify the necessary conditions for the fullest attainment of business entities, systematic approach emphasizes interrelationship between business entities, the process approach focuses on the establishment and operation of the cooperation between business entities and institutional approach describes economic integration from the point of correlation between different institutes during the process of convergence [8]. Separately, each approach only establishes the presence of certain elements or connections between them, without indicating the quality and purpose of the operation. Thus, there is a need for a broader concept which would consider all of the above approaches. So, economic integration is the gradual establishment of a numerous relationships network, based on common policies and common laws that will regulate and control the economic activities of the Member States, affecting the daily life of citizens and professional troops engaged states [9].

Economic integration can contribute to addressing the region’s development challenges by strengthening incentives and opportunities for growth, economic diversification, and employment. While it is not a panacea or a substitute for domestic reform, economic integration can help attract investment needed to generate more and better jobs by removing barriers to trade and investment and by improving the enabling environment for both domestic and foreign investment [10].

The concept of economic integration implies that nations come together in some type of partnership to foster trade and development. Economic integration can be manifested as a free trade area, a customs union, a common market, an economic union, or in its most extreme form, as a political union (Tab. 2).

So, economic integration is an agreement among countries in a geographic region to reduce and ultimately remove, tariff and non tariff barriers to the free flow of goods or services and factors of production among each other; any type of arrangement in which countries agree to coordinate their trade, fiscal, and/or monetary policies are referred to as economic integration. Generally, agreements may be entered into force to ensure to each contracting party a favoured treatment as compared to others. Such an agreement is usually referred to as the most-favoured nation agreement.

Tab. 2. Concept of economic integration

Name of stage	The content of stage
Free Trade Area	There are two distinguishing characteristics of a free trade area. The first characteristic is the liberalization of trade regulation for members. Second, the removal of trade barriers placed against members. This includes the removal of tariffs, quotas, and various non-tariff barriers, or a pledge to remove such trade barriers by a date certain in the future.
Customs Union	A customs union adds a third characteristic to the two characteristics of a free trade area, namely the imposition of a common tariff on nonmember countries. This means that the member countries of a customs union pledge to liberalize trade regulations, remove trade barriers placed against members, in addition to agreeing to impose a common tariff against nonmember countries.
Common Market	A common market encompasses all characteristic of a free trade area and of a customs union, while adding mobility of factors of production as a fourth distinguishing characteristic. Included is mobility of capital, labor, and technology. Mobility of labor requires that the member countries develop a common visa policy and a common position on residency [11]. Additionally, the member countries will develop common policies to harmonize standards, have mutual recognition or acceptance of each others standards, or agree on minimum standards.
Economic Union	An economic union brings a fifth distinguishing characteristic to the four characteristic discussed in the previous paragraphs. That characteristic is to seek economic integration through harmonizing fiscal and monetary policies, creating a common currency, and establishing a super-national governing authority.
Political Union	A political union brings full economic and political unification to members of a economic union. The question whether or not there will be a United States of Europe sometime in the tomorrow's beyond

Economic integration could help policy makers address these critical development challenges. In a narrow sense, economic integration is understood as the elimination of tariff and nontariff barriers to the flow of goods, services, and factors of production among a group of cooperating countries [12]. The latter include economy-wide policies such as exchange rate policy, competition policy and other aspects of the overall investment climate, and sector-specific policies affecting trade in services and the efficient provision of key backbone services such as finance, transport, telecommunications, energy, and water.

3. Conclusions

World globalization, in the form of globalization of production and globalization of marketing has presented new opportunities for cooperation between nations. The ability to exchange good and services globally, to export products to distant lands, the opportunity to shift production to other countries (often to least-cost locations), the advances in communication and computing technologies, all of these things define the arena of global trade. In that arena, global and regional economic integration organizations establish the rules of the game. These organizations impact the global trade arena with increasing frequency and with profound implications for global business. Analysis of the theoretical approaches to defining the essence of economic integration has allowed to prove that economic integration is a complex multi-layered process with a variety of mechanisms and means of implementation.

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Summary

The article presents approaches to the definition of economic integration. It is proved that economic cooperation and integration could help address the political, social and economic problem of the region by boosting growth, fostering diversification, and stimulating employment. Further developed systematization of approaches to the definition of "economic integration" is presented. It was proved that the concept of economic integration implies that nations come together in some type of partnership to foster trade and development.

Keywords: economic integration; globalization; world economy; cooperation; integration theory; economic growth.

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