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**INTRODUCTION TO  
“INTERNATIONAL ECONOMIC RELATIONS”**

Study guide

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The study guide covers the main provisions of the specialty of international economic relations, namely it reveals the essence of the scientific concept of “international economic relations”, its terminological nomenclature, main constituent parts, position in the system of modern sciences as well as its significance, prospects of further development. A glossary of terms is provided.

For the students majoring in international economic relations.

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Study guide

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## TOPIC 1

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### **KHARKIV NATIONAL UNIVERSITY – LEADING HIGHER EDUCATIONAL INSTITUTION OF UKRAINE**

V.N. Karazin Kharkiv National University is one of the oldest universities in Eastern Europe. In accordance with Presidential Decree of October 11, 1999 No. 1313 and of May 28, 2003 No. 454 the University is a self-governing (autonomous) national higher educational institution.

Founded in 1804 on the initiative of the outstanding enlightener V.N. Karazin, for more than two centuries the University has represented aspiration of people for the light of knowledge and the pinnacle of science. The University has played a leading role in the development of modern Ukrainian culture as well as in the transformation of Kharkiv into a principal intellectual, industrial and cultural center.

Kharkiv University was at the origin of many priority areas of science, trained up to 200 thousand highly qualified specialists. The university's faculty and graduates have made it a world-class scientific discovery. The names of many prominent researchers are associated with the University; among them are Nobel Prize Winners I. Mechnikov, L. Landau, S. Kuznets, world famous mathematicians M. Ostrohradskyi, O. Lyapunov, O. Pohorelov, physicists I. Lifshitz, K. Sinelnikov, A. Walter, O. Akhiezer, biologists M. Bulankin, V. Nikitin, chemists M. Beketov, M. Izmailov, astronomers O. Struve, M. Barabashov, philologists O. Potebnya, O. Biletsky, physicians L. Hirshman, M. Trinkler, historian D. Bahaliy, geologist D. Sobolev, geographer M. Dmitriev and others.

More than 100 alumni of the University became full and corresponding members of the National Academy of Sciences of Ukraine.

The University has 21 schools and 115 departments, their number is steadily growing. It also has 10 international centers.

Distinguished by high achievements in education and scientific activities, Kharkiv University as well as Lviv University started new priority programs majoring in International Relations that were formerly provided only by Institute of International Relations of Taras Shevchenko National University of Kyiv. Namely, in 1998 Kharkiv National University opened a specialty “International Economic Relations” on Professor A.P. Holikov’s initiative with the active support of Professor V.S. Bakirov, then Vice-Rector and current Rector of the University. First, it was attached to the department of social and economic geography. Later, at the suggestion of the then Dean of the School of Economics (now the first Vice-Rector of the University, Prof. V.V. Alexandrov), it was transferred to a specially created new department of International Economics and International Economic Relations.

After launching the specialty "Tourism" at this department, there arose a need in its further splitting and creating new departments, namely the Department of International Economics, the Department of International Economic Relations and the Department of Travel Business, as well as in establishing a new school. Thus, foundation of the School of International Economic Relations and Travel Business in 2005 became a logical consequence. Professor A.P. Holikov became its first dean and in 2006 he transferred his powers to the new dean Professor V.I. Sidorov. Under V.I. Sidorov's guidance the School underwent qualitative and quantitative changes. Nowadays, it comprises four departments: the Department of International Economic Relations (the Head is N.A. Kazakova, Associate Professor), the Department of Travel Business (the Head is A.Yu. Parfinenko, Associate Professor), the Department of International Law (the Head is L.V. Novikova, Associate Professor), the Department of Economic Theory (Ye.M. Vorobiov, Full Professor). Further on, the Department of Country Studies, the Department of International Information, the Department of Hotel and Catering Business and that of International Business are to be established.

The training is carried out by 15 Doctors of sciences and 40 Candidates of sciences for 950 students. The school offers further opportunity to obtain a higher qualification by providing postgraduate training in the major "World Economy and International Economic Relations".

Training at the Department of International Economic Relations results into Bachelor's degree (4 years). The graduates of the Department can pursue their studies leading to the Master's degree (1–2 years).

In accordance with the National Classifier of Ukraine: "Classifier of Professions" DK 003: 2010, **Bachelor of International Economic Relations** is eligible to perform professional work and hold the following positions:

- 3439 – assistant accountant;
- 3439 – assistant economist;
- 3439 – commercial bank operator;
- 3439 – assistant chief financial officer;
- 3439 – assistant auditor.

In accordance with the National Classifier of Ukraine: "Classifier of Professions" DK 003: 2010, **Master of International Economic Relations** is eligible to perform professional work and hold the following positions:

- 2441.2 – economist;
- 2441.2 – economist in accounting and analysis of economic activity;
- 2441.2 – planning economist;
- 2441.2 – financial economist;
- 2441.2 – economic observer;

- 2441.2 – contract and claim economist;
- 2310.2 – lecturer (assistant) of higher educational institution;
- 2419.2 – commodity market research analyst;
- 2419.2 – expert on foreign economic issues;
- 2441.2 – economic consultant;
- 2441.2 – economic advisor;
- 2444.2 – translator.

## TOPIC 2

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### **INTERNATIONAL RELATIONS AS A BRANCH OF SCIENCE**

#### **2.1. International relations and their structure. Major international organizations**

International relations are external relations between countries, i.e. their mutual exchange of material products, services, information based on the international geographical labor division as well as cooperation of political and humanitarian organizations aimed at effective solution of global and regional problems of humanity, expansion of citizens' personal contacts.

International relations encompass diplomatic, economic, political, military and humanitarian relations. In accordance with the aforementioned areas the subjects below have been developed and introduced into the curriculum: international relations (diplomatic field), international economic relations, international business (economic field), international law (legal field), country studies (economic and political and geographic field), and international information (informational and journalistic field).

International intergovernmental and non-governmental organizations have been established to facilitate the effective implementation of international relations. Major political organizations include the following: United Nations Organization (UNO), Organization for Security and Co-operation in Europe (OSCE), League of Arab States (LAS), Organization of American States (OAS), Organization of African Unity (OAU), Commonwealth of Independent States (CIS), Asian and Pacific Council (ASPAC) and others. International economic and monetary organizations include the following: World Trade Organization (WTO), Organization of Petroleum Exporting Countries (OPEC), World Tourism Organization (UNWTO), International Bank for Reconstruction and Development (IBRD), International Monetary Fund (IMF). The military organizations include the following: North Atlantic Treaty Organization (NATO), Pacific Security Pact (ANZUS). There are a lot of international regional organizations of an integrative nature, namely: European Union, North American Free Trade Agreement (NAFTA), Eurasian Economic Union (EurAsEC) and others.

#### **2.2. International economic relations and their role and importance in the world economic reproduction**

Continuous production of material goods and services is an objective basis for the existence of human society. The process of their reproduction regardless of its social form must be nonstop.

Society can stop neither consuming nor producing. Economic reproduction takes place both within individual enterprises, households, industries, regions and countries, and on a global scale.

Reproduction is based on seamless unity of all its constituents, namely production, distribution, exchange, consumption, accumulation (Fig. 2.1).

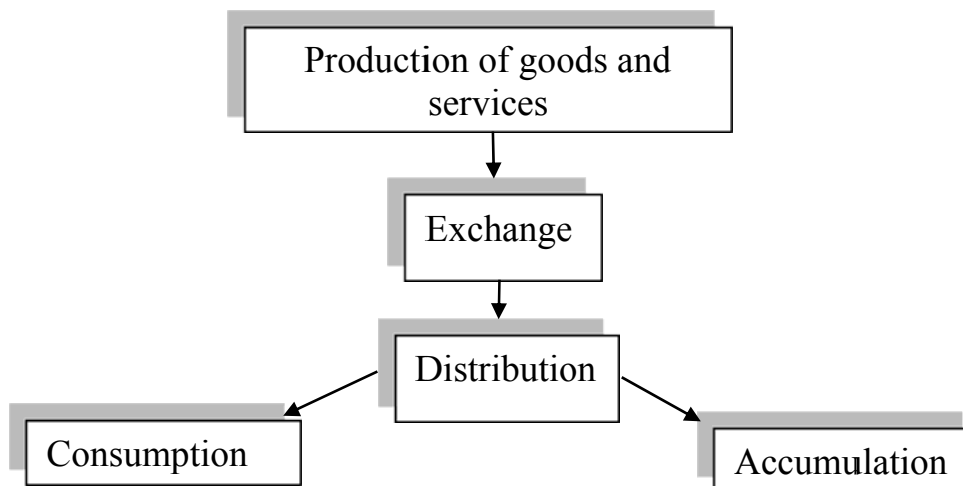


Fig. 2.1. Structure of the economic reproduction

International economic relations (IER) are part and parcel of all the stages of economic reproduction. IER refer to the system of economic relations between national economic agents based on the international labor division and factors of production.

Economic content of IER by stages of economic reproduction:

***IER in production*** are relationship between global economic agents in material production represented by:

- joint construction of economic infrastructure;
- joint ventures;
- international specialization and production cooperation;
- direct manufacturing relations.

***IER in exchange*** are relationship between global economic agents regarding the sale and purchase of goods, capital, labor and services represented by international trade.

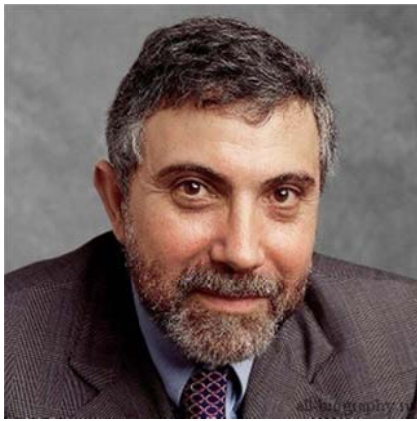
- ***IER in distribution*** are relationship between global economic agents regarding distribution of material, labor and financial resources that include the following:
  - development of joint venture;
  - international capital flow;
  - international labor migration.

***IER in consumption and accumulation*** are relationship between global economic agents regarding meeting their needs through mutual deliveries or production of common economic infrastructure.

### 2.3. Leading scientists in the field of world economy and international economic relations

The world economy and international economic relations are the object of study of many foreign and domestic scientists. Among foreign researchers, the works by A. Smith, D. Ricardo, W. Rostow, E. Heckscher, B. Olin, P. Lindert, G. Myrdal, J. Tinbergen, B. Ballas (B. Balassa), M. Porter, V. Inozemtsev, O. Bulatov, O. Kireev, V. Lomakin, V. Rybalkin and others deserve much attention.

Paul Krugman's works on international economics, spatial economics, "new economic geography", Peter Lindert's research on world economic relations, Michael Porter's investigations on international competition, Vasily Leontiev's research on input-output analysis are especially noteworthy.



Paul Krugman,  
American economist,  
Nobel Prize Laureate

Paul Krugman is an author of well-known works *International Economics*, *The Spatial Economy – Cities, Regions and International Trade* and others.

P. Krugman's theory he was awarded the Nobel Prize in 2008 explains the reasons of modern urbanization of world economy.

Large-scale production together with struggling to reduce transport cost result in growing the number of people who tend to settle down in the metropolitan areas. In its turn, increasing population of the cities stimulates the development of economy and industrial growth, which leads to a further increase in the number of inhabitants and growth of metropolitan areas.

American economist, Professor of Economics,  
University of California



Peter H. Lindert

Author of one of the most respected textbooks of US higher education on international economic relations entitled *Economics of World Economic Relations*.

The outstanding domestic contributors to investigating the laws of the development of world economy and international economic relations are the following: A.S. Filipenko, O.I. Shnyrkov, M.Z. Malsky, I.M. Hrabynsky, Yu.M. Pakhomov, Yu.V. Makohon, A.P. Holikov, S.O. Yakubovsky, I.V. Burakovsky, V.M. Levkyvsky, M.H. Nikitina, T.V. Orekhova, V.O. Shevchuk.

Doctor of Economics, Professor of the Department of World Economy and International Economic Relations of the Institute of International Relations, Taras Shevchenko National University of Kyiv; Honored Scientist and Engineer of Ukraine.

Author and coauthor of more than 300 scientific works, including more than 20 monographs, textbooks, study guides. The most well-known of them are the following: *Economic Development of Modern Civilization* – K., 2000; *Ukraine and the World Economy: Interaction at the Turn of the Millennium* – K., 2002; *Global Forms of Economic Development* – K., 2007; *World Economy* – K., 2007; *International Economic Relations: Theory* – K., 2008; *Economic Globalization: Origins and Results* – Moscow, 2010 (in Russian); *International Economic Policy Theory* – K., 2013 and others.



Anton Serhiyovych  
Filipenko

The scope of scientific interests covers the following fields: internationalization of economic relations, formation of international economic communities, theory and practice of world economic development, economic globalization.

Doctor of Economics, Professor, Head of the Department of World Economy and International Economic Relations of the Institute of International Relations, Taras Shevchenko National University of Kyiv; Honorary Educator of Ukraine.

Author of more than 250 scientific publications, namely the monographs entitled *Competition in the Economic Relations of Eastern European Countries* - M., 1996; *European Union Competition Policy*. – M., 2003; *European Union Trade Policy*. – K., 2005, *The European Union in the Global Innovation Space*. – K., 2008. Textbooks: *International Economic Relations*. – M., 1994; *European Monetary Union*. – K., 2001; *International Economic Relations. Case studies*. – K., 2013 and others. Participant in more than 30 international scientific and educational programs.



Oleksandr Ivanovych  
Shnyrkov

The scope of scientific interests covers the following fields: competition and competitive interactions in EU countries, EU trade policy, the EU and its role and importance in the world economy and international economic relations.

Academician of the National Academy of Sciences of Ukraine, Honorary Worker of Higher Education of Ukraine, laureate of the State Prize of Ukraine in the field of science and technology, director of the Institute of World Economy and International Relations of the National Academy of Sciences of Ukraine, professor at the Department of International Economics of Kyiv National University.



Yurii Mykolaiovych  
Pakhomov

Author and coauthor of more than 500 scientific works, including the following: *Ways and Crossroads of Modern Civilizations*. – K., 1998; *Globalization and Security of Development*. – K., 2001; *Model of World civilizations*, K., 2002; *Market Transformation Strategy as a Factor in Mitigating the Polarization of Society*, – M., 2002; *International Vectors of Ukraine*. – K., 2004; *Strategy of Innovative Development of Ukraine for 2010–2020 under Conditions of Globalization Challenges*, – K.,

2009; *Geo-economic Development Scenarios and Ukraine*. – 2010 and others.

The scope of scientific interests covers the following fields: globalization processes in the world, geo-economic strategy of Ukraine's development.

Candidate of Geographic Sciences, Doctor of Economics, Professor, Head of the Department of International Relations, Ivan Franko National University of Lviv. Founder of the School of International Relations (1992) and its first dean. In 1992–2002 he was a lecturer, guest professor at universities in the UK, Canada, Germany, Poland, USA, Switzerland, Sweden, and participant of many international conferences, symposia and meetings.



Markian Zinoviiovich  
Malsky

Ambassador of Ukraine to Poland in 2010–2014. In 2011 he received diplomatic rank of Ambassador Extraordinary and Plenipotentiary of Ukraine.

Author of more than 150 scientific works, including the following: *Territorial Economic Systems. Ecological and Economic Aspects of Development* (Lviv, 1994), *Regional Economic Policy* (Lviv, 2001), *Fundamentals of Global Economic Relations* (Lviv-Rzeszow, 2003), *International Relations: History, Theory, Economics, Law* (Kyiv, 2010), *Theory of International Relations* (Lviv, 2002; Kyiv, 2003, 2007, 2011), *Ukrainian Diplomatic Dictionary* (Kyiv, 2011).

The scope of scientific interests covers the following fields: theory of international relations, commercial diplomacy, regionalism.

Doctor of Economics, Professor, Head of the Department of International Economic Relations Department, Ivan Franko National University of Lviv.

Author and coauthor of 9 monographs, 16 textbooks and study guides and of more than 200 scientific papers published in Ukraine, Austria, Belarus, Poland and Russia.

Prof. I.M. Hrabynskyy is the founder of a new scientific direction in the study of environmental problems of the world economy. Under his supervision, research works on the concept of sustainable ecological and economic development of Ukraine under the conditions of integration into the European Union have been carried out. He pays considerable attention to the theory of comparative ecological-economic advantage in foreign trade. He has founded Lviv Scientific School in the study of environmental problems of the world economy.



Ihor Mykhaylovych  
Hrabynsky

Doctor of Economics, Professor, Head of the Department of World Economy and International Economic Relations of Odessa I.I. Mechnikov National University.

Author and coauthor of many scientific works – monographs, papers, study guides including the following: *Financial stability of the European Union Countries in the Global Economic Crisis: the Experience for Ukraine* – Kharkiv, 2014; *Stability of National Banking Systems in East Asia in Terms of Global Imbalances* – Odessa, 2013; *Stability of the National Financial System During the Global Economic Crisis of 2008–2010*. – Odessa; *International economic relations* – Odessa, 2012.



Serhiy Oleksiovych  
Yakubovsky

The scope of scientific interests covers the following fields: international monetary relations, international flow of financial resources, stability of national financial systems, European monetary and financial integration.

Yu.V. Makohon is the Head of the Department of International Economics of Donetsk National University, Head of the Sector of the Institute of Industrial Economics of the National Academy of Sciences of Ukraine, Director of the Regional Branch of National Institute for Strategic Studies in Donetsk, Doctor of Economics, Professor, Academician of the Academy of Economic Sciences of Ukraine, Honored Scientist and Engineer of Ukraine



Yuriy Volodymyrovych  
Makohon

Author and coauthor of more than 500 scientific works, including 20 monographs and 150 educational and methodical publications, has 13 copyright certificates.

The wide scope of scientific interests covers the following fields: Ukraine in the world economy, integration of certain branches of the domestic industry into the world economy, regional economic policy, interstate foreign economic relations, etc.

A.P. Holikov is Doctor of Geographical Sciences, Professor of the Department of International Economic Relations of V.N. Karazin Kharkiv National University, Honored Scientist and Engineer of Ukraine



Arthur Pavlovych Holikov

Author and coauthor of more than 250 scientific work including the monographs: *Regions of Ukraine: Search for Optimal Development Strategy* – Kharkiv, 1994; *Regional Development Strategy: European Context*, – Kharkiv, 2008; *Kharkiv Region*, 1997; 2012 – Kharkiv; *Cooperation of Ukraine with Arab Gulf States* – Kharkiv, 2010; *Transformation of International Economic Relations in the Age of Globalization* – Kharkiv, 2015. Textbooks and study guides: *World Economy and International Economic Relations*, – Simferopol, 2003; *International Trade: Structure, Geography, Trends* – Kharkiv, 2003; *Economy of Ukraine* – Kharkiv, 2005; – K., 2009; *Geography of the World Economy* – K., 2008; *Economic and Mathematical Modeling of World Economic Processes*, – Kharkiv, 2006 ; – K., 2009; *International Economic Terms: Reference Dictionary*, Kharkov, 2007; – K., 2008; *Economy of Foreign Countries* – K. 2008; *Regional Economy* – Kharkiv, 2010; *International Organizations* – Kharkiv, 2014; *World Economy* – Kharkiv, 2015; *International Economic Relations* – Kharkiv, 2015.

The scope of scientific interests covers the following fields: regional economic policy, spatial organization of world economic processes and their economic and mathematical modeling.

Scientific and educational centers on international relations have been established in Ukraine, namely those of Kyiv, Lviv, Kharkiv, Odessa, Donetsk and others. The largest of these is Kyiv center where there are Institute of International Relations of Taras Shevchenko National University of Kyiv, Institute of World Economy and International Relations of National Academy of Sciences of Ukraine, Diplomatic Academy, and others. Lviv center is represented by Ivan Franko National University of Lviv with its School of International Relations, Lviv Academy of Commerce with its Department of International Economic Relations. Kharkiv center includes V.N. Karazin National University with the

Departments of International Economic Relations, of International Law, of World Economy and International Relations and Kharkiv National University of Economics with its Department of International Economics. Donetsk center includes the Department of International Economics of Donetsk National University and Regional Branch of National Institute for Strategic Studies. Odessa center is represented by Odessa I.I. Mechnikov National University with its Department of World Economy and International Economic Relations.

### **Comprehension questions**

1. Name major political international organizations.
2. Name major international organizations.
3. Name major economic and monetary international organizations.
4. Draw a diagram of the world economic reproduction.
5. Define the term "International Economic Relations" (IER) and specify their role at the following stages of economic reproduction:
  - *IER in production*
  - *IER in exchange*
  - *IER in distribution.*
  - *IER in consumption and accumulation.*
6. Name the leading foreign scientists in the field of international economic relations.
7. Name the scientific centers in the field of international economic relations established in Ukraine and their leading scientists.

### NOMENCLATURE OF SCIENCE

#### 3.1. Factors of production and economic potential of society

Factors of production that are sometimes referred to as economic resources are the resources (natural, financial, material and technical, labor, etc.) that must be used to create a product. According to the classical provisions of economic theory, these include *land*, *capital (property resources)*, *labor*, *entrepreneurial ability*, *technology (human resources)*. Some scientists, for instance, American economist Edward Leamer, itemizes these factors of production, singling out coal, oil, other types of fuel and raw materials, and also subdivides labor into the skilled, semi-skilled, unskilled one.

Each of the factors of production has a price. The price of labor is wages, the price of technology is royalties and patent fees, the price of capital is bank interest, and that of land is land rent. The latter is the most difficult to determine because the concept of "land" includes many components, namely location, size and configuration of the area, endowment with fuel, raw materials, soil, water and other natural resources, favorable climatic, relief conditions, etc.

Factors of production are a historical category. Factor endowment of world countries is different and it changes both in time and space. By origin, they are subdivided into basic and advanced, by degree of specialization – into general and special (Fig. 3.1.)

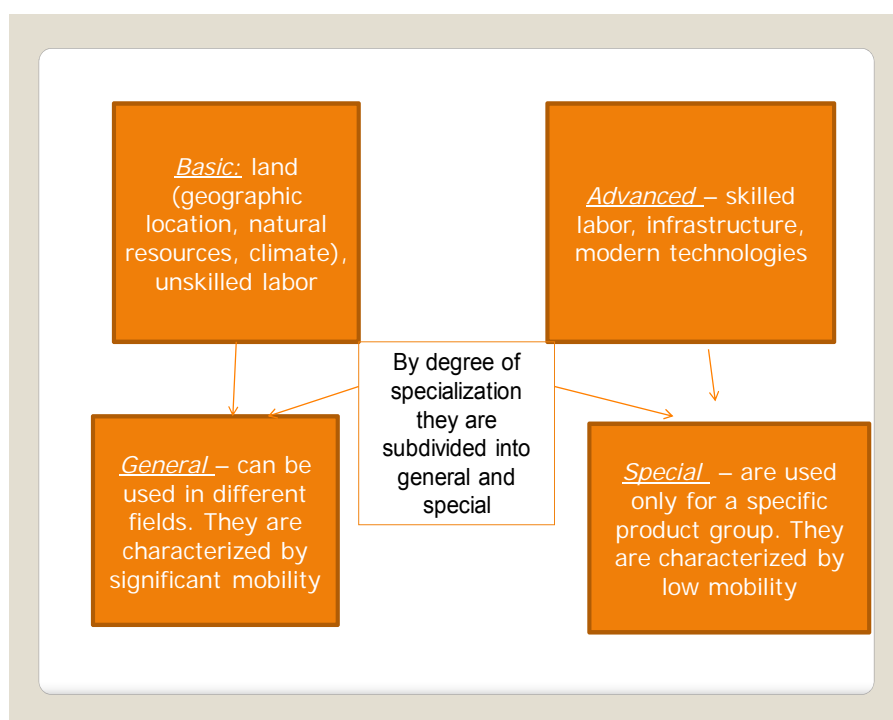


Fig. 3. 1. Classification of factors of production

The notion of economic potential of society is closely related to the factors of production.

**Economic potential** is the aggregate capacity of economic resources available within a country, region or any other area to produce the maximum possible volume of material goods and services that meet the needs of society at this stage of its development over a period of time (year) in terms of their monetary value.

Components of economic potential are as follows: natural resource, industrial, agricultural, transport, export, recreational, scientific, intellectual.

### **3.2. Human environment and natural resource potential of the world economy**

Human environment, or the environment in scientific terms, is a complex systemic formation. Its study is possible from natural science perspective as well as from ecological and economic one.

Considered from the natural science perspective, it consists of biosphere, hydrosphere and lithosphere.

The biosphere (from Greek *bios* – life and *sphaira* – sphere) is the shell of the earth, inhabited by living organisms. Academician V.I. Vernadsky is considered to be the founder of the theory of biosphere. According to his theory, the upper and lower layers of the biosphere are determined by the spheres of the earth's environment, suitable for the existence of living organisms (plants, animals, bacteria, viruses). The upper boundary of the biosphere is the lower boundary of the ozone layer in the atmosphere which is located at an altitude of about 25 km from the Earth's surface. The ozone layer does not let the bulk of the sun's ultraviolet rays to pass through. The lower boundary of the biosphere is at a depth of 3–3.5 km from the surface of the earth's crust.

V.I. Vernadsky called the thickest accumulations of living matter the films of life. On land they are soil, vegetation of the Earth, its wildlife. In the oceans, the films of life are represented by a planktonic surface layer. The living matter of the biosphere is formed, transformed and decomposed, involving a large number of minerals. The volume of re-formed living matter is about 10 % of the total biological mass annually. Living matter constantly passes through itself huge masses of water, rocks, gases.

Water is the main component of the hydrosphere (from the Greek *hydros* – water, *sphaira* – sphere), which means the water surface of the earth, consisting of seas, oceans, water, land, atmospheric water, groundwater and ice. Of the natural waters, the world's ocean accounts for 96.53 % of the world's reserves.

The lithosphere (from the Greek *lithos* – stone, *sphaira* – sphere) is a solid shell of the Earth. The lithosphere normally refers to the earth's crust.

The upper boundary of the lithosphere is the atmosphere and hydrosphere, and the lower boundary is the mantle that collides with the Earth's core. Earth crust power is 30–70 km below continents and 5–20 km below ocean. It consists of sediments of rocks.

Considered from ecological and economic aspect, the environment is classified taking into account the rationality of environmental management. Two main classes are defined, namely the natural conditions of society and natural resources.

Natural conditions represent a range of living organisms, bodies and natural phenomena which impact life and economic work of society, but are not directly involved in the material and industrial use, production and non-productive activities of people (such as weather or climate).

Natural resources are the bodies and forces of nature that are used or can be used directly as means of production and consumer goods to meet the material and spiritual needs of society, to improve their living standards.

In some cases, natural conditions can serve as a resource. Thus, mountainous terrain can serve as a resource for tourism activities, and the Mediterranean climate can be a resource for recreation and health improving. World countries and regions' endowment of natural resources greatly varies (tab. 3.1, 3.2).

Table 3.1

**Indices of endowment of the world countries  
and regions with natural resources**

Country (region)	Forest resources	Protected areas	River flow	Aggregated index
World (total)	1	1	1	1
Europe – without ex-USSR	1.05	1.51	1.44	1.33
France	0.85	1.38	0.90	1.04
Poland	0.90	1.38	1.51	0.93
Ex-USSR	1.16	0.46	0.57	0.73
Estonia	1.46	1.33	0.76	1.18
Latvia	0.64	1.70	0.72	1.02
Lithuania	1.37	1.87	0.83	1.36
Belarus	1.06	0.17	0.48	0.57
Moldova	0.40	0.05	0.12	0.19
Russia	1.44	0.57	0.69	0.90
<i>Ukraine</i>	<i>0.54</i>	<i>0.32</i>	<i>0.26</i>	<i>0.37</i>

Table 3.2

**Indices of provision of the world countries and regions'  
population with natural resources**

Country (region)	Forest resources	Protected areas	River flow	Aggregated index
World (total)	1	1	1	1
Europe – without ex-USSR	0.42	0.59	0.59	0.50
France	0.36	0.59	0.37	0.44
Poland	0.31	0.47	0.18	0.31
Ex-USSR	3.85	1.47	1.91	2.64
Estonia	1.75	1.59	0.92	1.37
Latvia	0.67	1.76	0.76	1.06
Lithuania	0.74	1.00	0.44	0.68
Belarus	0.95	0.18	0.43	0.62
Moldova	0.12	0.01	0.04	0.12
Russia	7.30	2.82	3.50	4.67
<i>Ukraine</i>	<i>0.27</i>	<i>0.18</i>	<i>0.13</i>	<i>0.27</i>

Cf. S.A. Lisovsky and L.G. Rudenko *Ukraine and the World Economy: Interaction at the Turn of the Millennium* / A.S. Filipenko, V.S. Budkin, A.S. Halchinsky et al. – K.: Lybid, 2002. – P. 59, 60.

***Natural resource potential.*** The notion of natural resource potential (NRP) is widely used in modern scientific and educational literature (especially in geographical and economic ones). However, its generally accepted definition is yet to be worked out. Generalization of current definitions by different authors allows making the following interpretation: the natural resource potential of a land or water area is the aggregate productivity of natural resources in terms of their monetary value.

The approach above makes it possible to calculate the amount of any kind of natural resource that can be produced by its source per a unit of time, its price (for instance, a kind of raw material received within a year in monetary terms) and its estimated period of use at a given rate of its exploitation. Probably there is no need to prove that water sources in the Crimea and Volyn with equal water consumption will have completely different resource potentials (potential, i.e. the "power" of water in the Crimea will be greater than in Volyn, where its consumption value is much lower, compared to the Crimea).



Valeriy Petrovych Rudenko

V.P. Rudenko, Doctor of Geographical Sciences, Professor of Chernivtsy National University has greatly contributed to the development of the theory of natural resource potential (NRP).

In accordance with the theory of natural resource potential (NRP), it has its own structure consisting of land, water, plant, faunistic, recreational and mineral potentials (Fig. 3.2.).

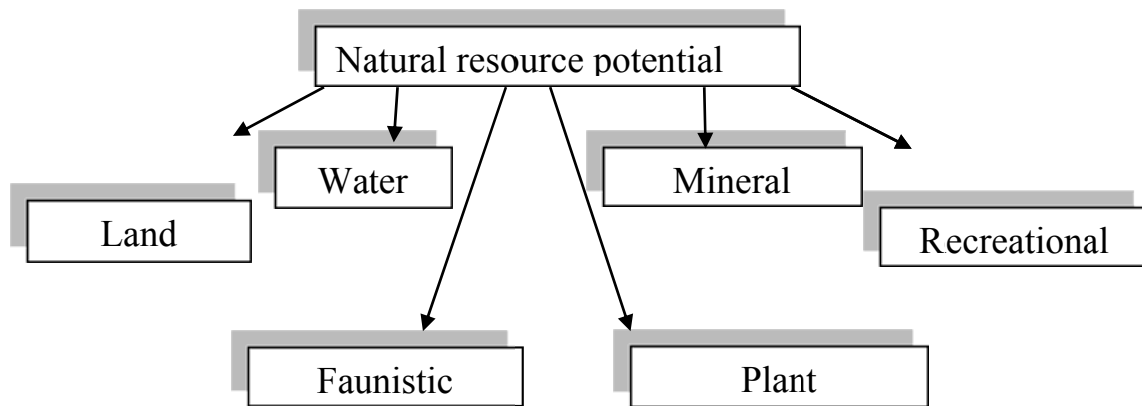


Fig. 3.2. Structure of natural resource potential

**Land potential** is made up by the land resources of the planet, by which we mean the earth's surface suitable for human life and activity. The lands used for production activities normally account for approximately 3.5 billion hectares. They make up the land bank of the world which includes agricultural lands (arable land, gardens, pastures, meadows, etc.), forests, urban lands, lands used by industry, transport network, etc. (Fig. 3.3).

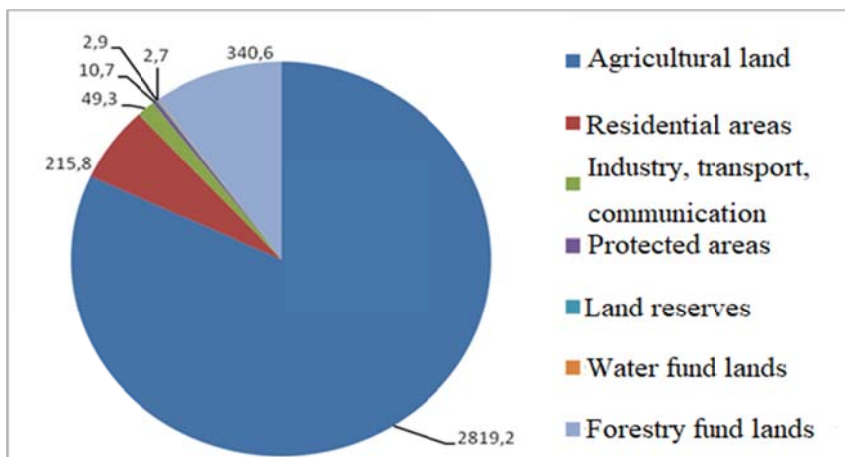
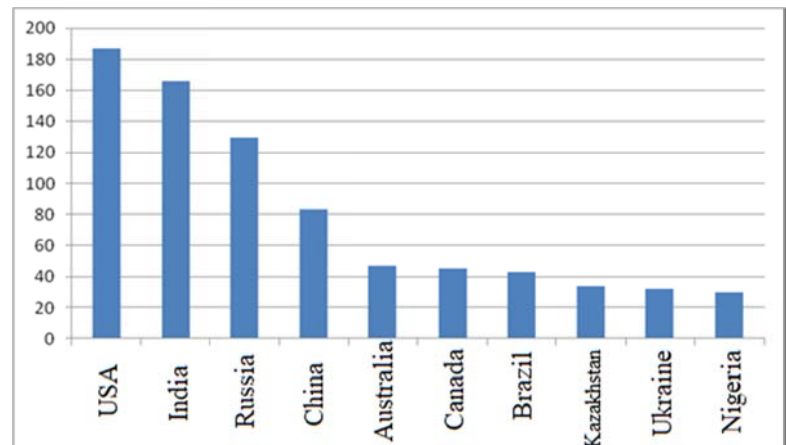


Fig.3.3. Structure of world land bank, mln ha

The most important part of agricultural land is arable land. Its distribution among the countries of the world is very uneven (Fig. 3.4).

Fig. 3.4. Countries with the largest arable land, mln ha

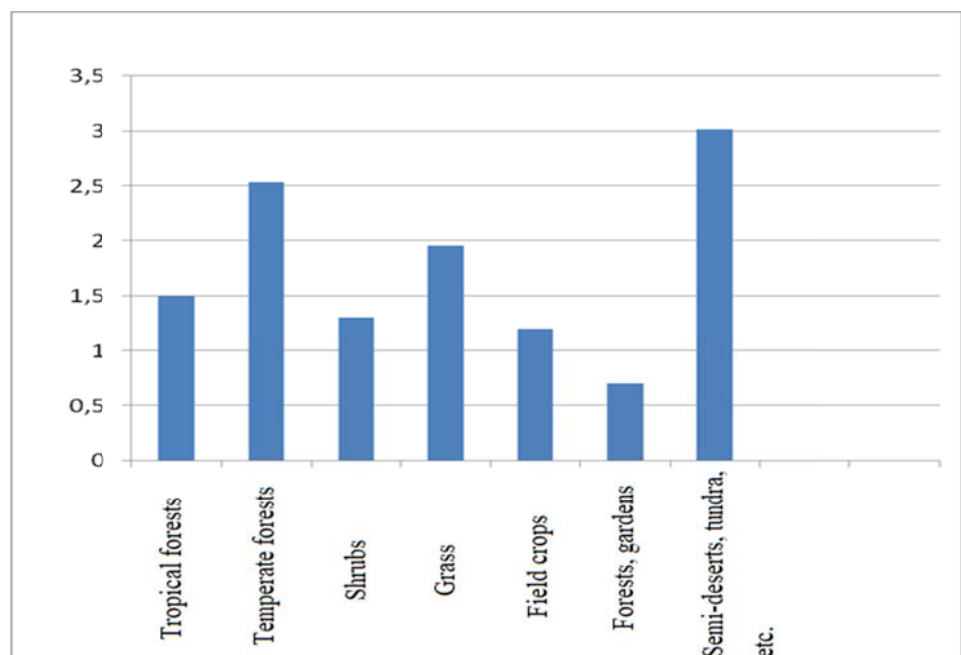


In terms of per capita, China has the lowest area of arable land – 0.09 ha and Egypt – 0.05 ha.

**Water resources** are an integral part of the planet’s hydrosphere. However, their share in the hydrosphere is relatively small, they account only for 0.003%. They include surface flow (rivers, lakes, marshes), groundwater, mountain glaciers (except the Arctic and Antarctic zones), i.e. the part of the planet's hydrosphere that can be used now or in the foreseeable future. The distribution of water resources among the countries of the world is extremely uneven. While the average index of water availability amounts to 268 thousand m<sup>3</sup> per 1 km<sup>2</sup> of land per year, there are countries and regions where the index above is ten times higher (Brazil, the Republic of Congo) and those where it is ten times lower (Algeria, Saudi Arabia, Central African Republic, etc.). The USA accounts for 353 thousand m<sup>3</sup> of water per 1 km<sup>2</sup> per year, France – for 441 thousand m<sup>3</sup> of water per 1 km<sup>2</sup> per year vs Ukraine with its 83 thousand m<sup>3</sup> of water per 1 km<sup>2</sup> per year. There is a significant spatial disparity between water resources and their use.

**The plant resources** of the planet include forests, shrubs, grass, field crops, gardens, parks, semi-desert vegetation, tundra, high mountains (Fig.3.5).

Fig. 3.5. Plant resources, area, bln ha



Forests are the major part of plant resources. Their economic use allows obtaining timber, technical, food, forage, medicines and other products.

The forest area of the planet that is covered with forest is about 40 million km<sup>2</sup>, which is 28 % of its land. But only 23 million km<sup>2</sup> are suitable for commercial use.

Total timber reserves are 359 billion meters<sup>3</sup>, with coniferous amounting to 127 billion meters<sup>3</sup>, and deciduous – to 232 billion meters<sup>3</sup>. Most of the forests are located in the northern and southern forest zones.

The northern forest zone is located in a temperate climate zone. There are three regions of their exploration: Russia, Northern Europe, North America. The largest forest area is in Russia (30% of the world's forest area).

The southern forest zone extends within the equatorial and tropical climatic zones. Forestry regions are distinguished as follows: Southeast Asia, Central and West Africa, South America. Among the countries in this zone, the largest areas of forests are concentrated in Brazil, the Republic of the Congo, the Democratic Republic of the Congo, Indonesia, Guiana and Guyana.

**Faunistic resources** account for about 1.5 million animal species. In natural conditions, faunistic resources include wild animals, birds, and fish. They are the subject of hunting, fishing. The largest faunistic resources of the planet are preserved in Africa, where national parks of world significance are created, as well as in South America, Australia. Special hunting grounds have been created in many countries in Europe, North America, and several regions of Africa. Of great importance is the commercial fishing, which is carried out by many countries throughout the global ocean.

**The recreational potential** of the planet includes the resources of natural and anthropogenic origin.

Natural recreational resources are special features of nature, natural and natural-engineering geosystems, bodies, natural phenomena, their components, environmental facilities which are used to meet the recreational needs of the population under the present conditions of development of productive forces. The main natural recreational resources include the following: coasts of warm seas, banks of rivers, lakes, reservoirs, forest and meadows, foothills and mountainous countries, caves.

Recreational resources of anthropogenic origin or socio-economic recreational resources are cultural sites, monuments of history, architecture, ethnographic features of the area, etc. The socio-economic recreational resources include metropolitan and historical centers; cities-resorts and resorts areas: religious complexes and individual structures located within and outside settlements, ancient cities, fortifications and more.

Important recreational and tourist areas include the coasts of the Mediterranean, the Black and Baltic seas, the Atlantic and Pacific oceans of the

Americas, the Indian and Pacific oceans of Africa, Asia and the islands. Mountain systems of the Alps, Caucasus, Himalayas, Andes are also important recreational and tourist areas.

Recreational and tourism resources are a significant source of income for many countries, namely Greece, Spain, Italy, Switzerland, France, Egypt, Mexico, San Marino, Monaco, etc.

**Mineral resource potential.** The planet's interior contains about 70 ore and 8 non-metallic minerals. They form fuel-energy and mineral resource potentials consisting of more than 200 types of minerals. Mineral resource potential is subdivided into the following ones: metal-ore (metallic raw materials for metallurgy), fuel and energy (oil, natural gas, coal, oil shale, etc.), mining and chemical (phosphorus-containing raw materials, salts), construction (crystalline rocks, marl, sands, etc.), non-metallic potential for metallurgical production (Fig. 3.6).

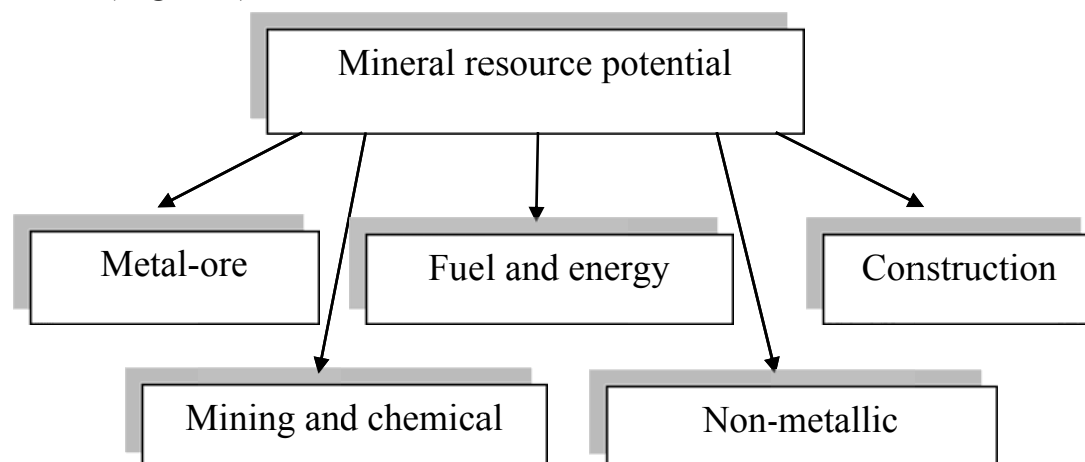


Fig. 3.6. Structure of mineral resource potential

Minerals are an important category of international trade, accounting for 19 % of total commodity exports. In the export of mineral raw materials, the bulk of deliveries is fuel – 53 %.

The distribution of mineral resource potential on the planet is extremely uneven, and the demand in mineral raw materials which are the main base for manufacturing industrial products is increasing annually. Today, in the world more than 100 billion tonnes of mineral resources and fuels are extracted from the depths annually.

The countries of the world have very different reserves of different kinds of natural resources. Only a few countries are endowed with almost all known natural resources including mineral, forest, water, soil and other, they are as follows: the United States, Russia, China, Brazil, India, Australia, and Ukraine are also rich in mineral resources though somewhat inferior to the countries above. Many countries in the world have reserves for one or more types of resources that are of world importance (Table 3.3).

Table 3.3

World countries with the largest reserves of basic natural resources<sup>1</sup>

Countries	Types of raw materials
Saudi Arabia, Iran, Iraq, Kuwait, UAE	Oil
Russia, Turkmenistan, Iran, Saudi Arabia, USA, UAE	Natural gas
China, USA, Russia, Ukraine, Australia, Germany, Poland	Coal
Brazil, Australia, Ukraine, Russia, USA, Canada	Iron ore
Guinea, Brazil, Australia, Jamaica, Suriname	Bauxite
Chile, USA, Zaire, Zambia, Australia	Copper ores
Ukraine, South Africa, Australia, Gabon, Brazil, India	Manganese Ores
Malaysia, Brazil, Indonesia, China, Bolivia	Tin ores

More generally, the endowment of the country with minerals is as follows:

$$D = Q + R + I = m + E,$$

where  $D$  is the need of the economy for fuel and raw materials;  $Q$  is raw materials and fuel that the country gets through its own mineral resources sector;  $R$  is raw materials and fuel produced and used from waste;  $I$  – mineral resources that the country gets from external sources;  $m$  – the internal need of the economy;  $E$  – the need for raw materials for export.

In the world economy, the developed countries are mainly consumers, while the developing ones are producers and exporters of natural resources. Such "specialization" is explained both by the level of historical and socio-economic development of the world countries and by the special features of the location of many kinds of resources on the planet.

According to the latest data recapitulated by the World Energy Council (WEC), available organic fuel reserves in the world are 1220 billion tonnes of reference fuel, while potential reserves are estimated to be 4.5 times more. It means that the available (proven) reserves of organic fuel are enough to meet the global demand for many decades.

Some countries have significant proven reserves of minerals. Particularly noteworthy is the Russian Federation, where 13 % of the world's oil reserves, 39 % of natural gas and coal, 1/3 of iron ore, 70 % of apatite ore are found. Its

<sup>1</sup> Oliynyk Ya.B, Smyrnov I.H. *Geography of the World Economy (with the Basics of Economics)* [Text]: textbook. / Ya. B. Oliynyk et al, ed. Ya. B. Oliynyk, I.H. Smyrnov. – K., 2011. – 640 p.

mineral resources are 3 times more than those in the US, and 4.4 times more than those in the PRC.

The factors that determine the level of endowment with minerals of individual countries and the world community as a whole are of economic character. In general, the economic limit to the exhaustibility of any type of raw material is the cost of extraction and processing which the society will never exceed due to the range of reasons. These reasons as well as the costs are different for different countries. For developed industrialized countries, the level of economically justified costs is determined by the world price which together with the rate of profit forms the so-called elementary price. The latter in its turn determines the lowest limit of eligible costs. However, the decisive role in the formation of the level of costs is played by the size of the investment capital and the rank of the mineral sector among other branches in view of its use.

For developing countries, the size of currency earnings and expenditures in other export industries is decisive for the formation of a critical level of internal costs. For the countries which are not sufficiently endowed with raw materials and have limited import potential, the socially necessary level of costs is determined by the level of scarcity of a particular raw material and the economy's ability to produce domestically.

The degree of endowment with natural resources of the world countries are estimated on the basis of the index of resource endowment that characterizes the correlation between the size of stocks and the extent of their use. In this case, the endowment with mineral resources is determined by the number of years for which there will be enough of proven reserves (available or potential) at the rate of their current use. As for the endowment with forest, land, water resources, it is determined by their stock per capita.

***Alternative Energy Sources.*** The scarcity of traditional energy sources, especially of oil and natural gas, as well as the considerable adverse environmental impact make humankind pay attention to alternative energy sources, namely solar energy, wind energy, that of underground thermal sources, biogas, etc. These energy sources are renewable and practically do not pollute the environment when used.

Today, the development of unconventional energy has become irreversible. There are many examples when the state gives priority to environmental friendliness, low energy consumption or energy independence rather than to total costs for the extraction and purchasing energy resources. There are at least three reasons for encouraging implementation of renewable energy sources – RES (Fig. 3.7).

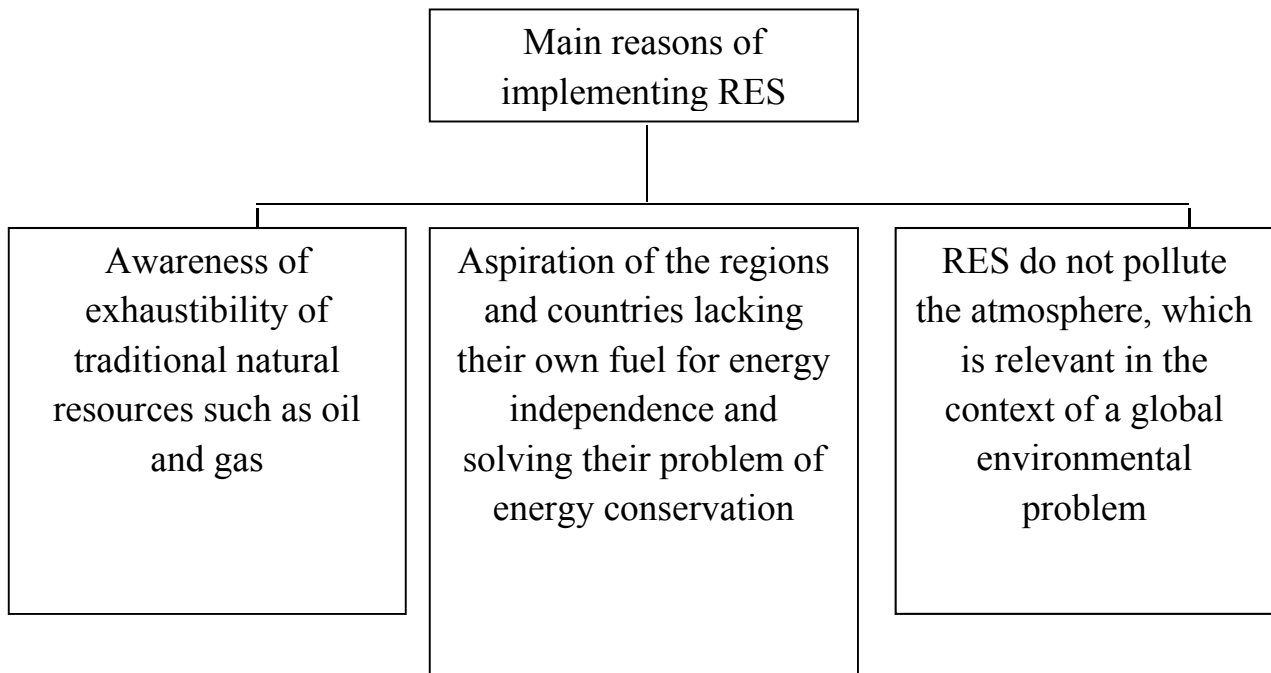


Fig. 3.7. Main reasons of implementing RES

The share of RES in the global energy balance is still insignificant, only 14 %, although their economic potential is estimated at 20 billion tonnes of reference fuel per year, which is twice the amount of modern annual extraction of all fuels (coal, oil, natural gas, etc.).

Given the shortcomings of traditional energy sources and the environmental problem, such developed countries as the USA, Japan, Germany, Denmark, Sweden, Finland, Spain, Portugal, Austria, China and some others in their energy policy are paying considerable attention to the development of the alternative energy sector and are planning to bring the share of renewable energy sources in the overall energy balance up to 20–50 %.

Different countries and regions prefer different types of RES, adapting their use to local requirements.

The most striking example of the development of renewable energy is the European Union countries (Fig. 3.8).

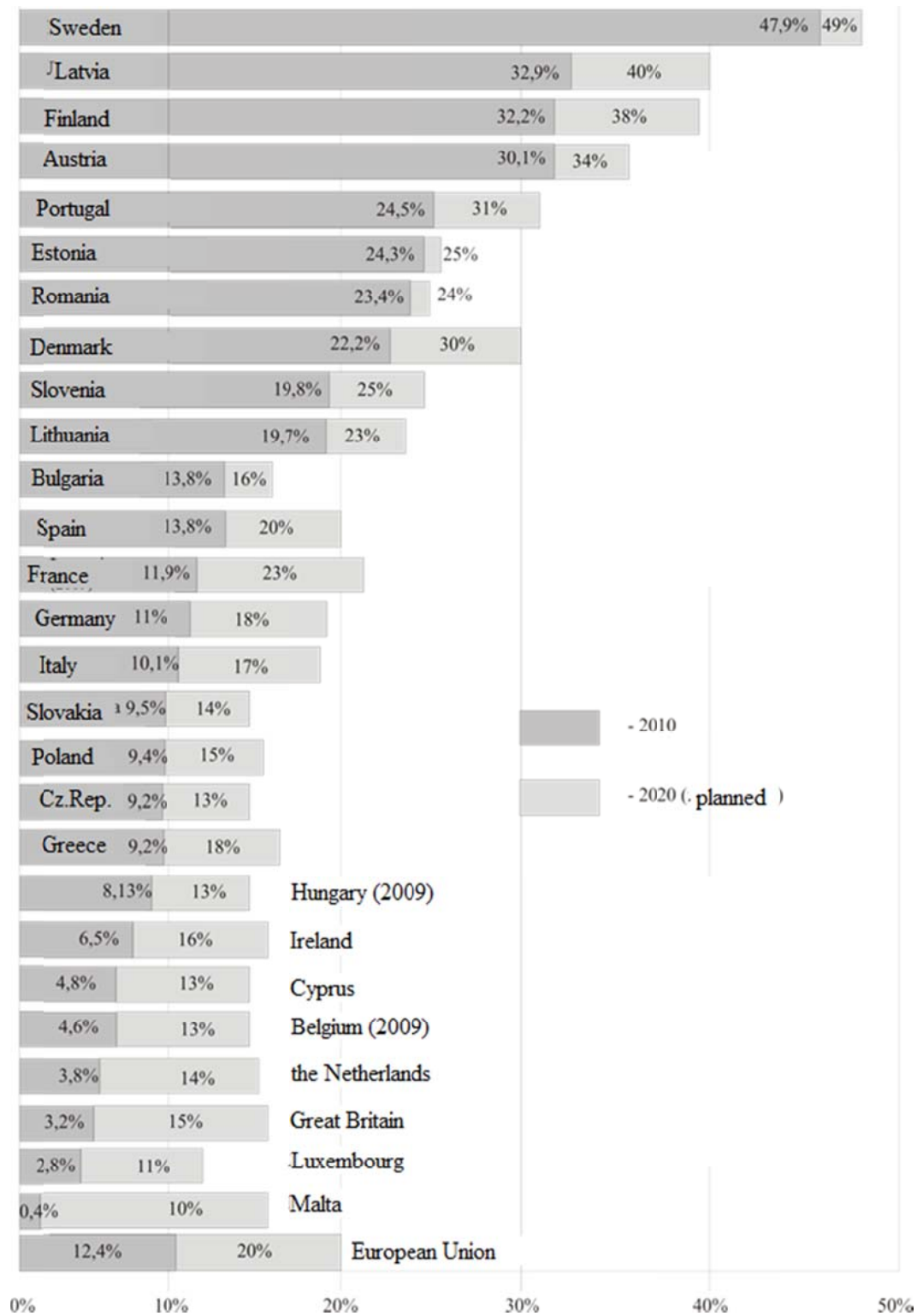


Fig. 3.8 Use of RES by EU countries

### 3.3. Economic development and economic growth

Traditionally, economic development is quantitative and qualitative changes occurring in the internal socio-economic structure of a country (region).

According to the methodology of the World Economic Forum, the components that determine economic development in the medium and long

term are divided into three categories: technological, institutional and macroeconomic. These factors can provide a progressive or regressive impetus to economic development, which consists in changes of the three components of the reproduction process: the dynamics (positive or negative) of the population and labor force; capital growth (financial savings and production capacities); increase in labor productivity (fig. 3.9).

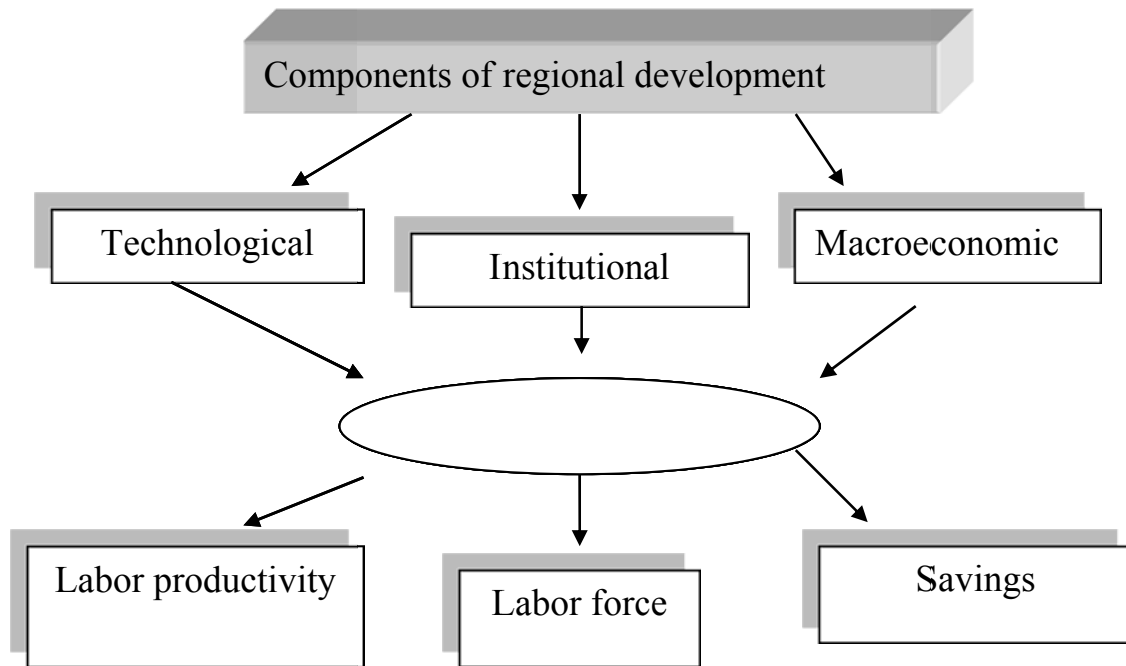


Fig. 3.9. Components of regional economic development and their impact on the components of the reproduction process

Economic growth is one of the components of economic development and is only described as a quantitative increase in certain indicators, without altering the internal structure of the object (for example, an increase in exports of a country in monetary terms without changing exports structure).

**Technological component of economic development.** One of the important prerequisites for successful economic development is growth of the "economic level of technologies" and their efficiency over time. Its realization heavily depends on science and technology policy – a policy aimed at connecting science with production and education, which ensures scientific and technological progress in regions, establishment and development of research centers (technopoles, technoparks, business incubators, etc.) ..

Scientific and technological progress is impossible without innovations. Modern science sees "innovation" as an initially established or implemented activity that serves public needs and aims to achieve real effect in the areas where new knowledge took the form of scientific discovery or technical invention.

Active introduction of innovations into the economy leads to a decrease in material and energy consumption in production, increase in labor productivity and, accordingly, to the increase in competitiveness of regions. The field of regional innovation policy aims to promote interrelations between concentrations of research centers, development works and productive forces, as well as aims to promote the creation of territorial organizations which combine science and production. This field includes conditions and factors of establishment and development of research centers.

**Institutional component of economic development.** Institutional factors are important for economic development. They include:

- independence of the judiciary;
- protection of property rights;
- transparency of government contracts;
- fighting organized crime in business and others.

**Macroeconomic component of economic development.**

Almost all countries in the world have differences in the levels of economic development. Different countries apply different methods of encouraging and equalizing economic development. Meanwhile, both internal and external factors are nearly always involved in economic development allowing for certain models of development. Currently, two economic models prevail – the “catch-up” model and the innovation-oriented development model.

### 3.4. International system of national accounts

The System of National Accounts (SNA) is a statistical system of recording economic activities. It was adopted by the United Nations in 1961 and supplemented in 1968 and 1993.

Basic measurements of the SNA are:

- Gross Domestic Product (GDP) and its variety;
- Gross National Product (GNP)
- National Income (NI)
- Net National Product (NNP) and others.

**GDP** is the total value of goods and services produced annually within a country (or region) by all economic entities, regardless of their nationality.

**GNP** – the total value of goods and services produced by national entities (enterprises, organizations, individuals) during a year, regardless of the state hosting them.

Subtracting depreciation expenses, we get a net national product (NNP).

**National income** (NI) equals GNP minus depreciation, indirect taxes, losses (unsold output) etc.

Thus, NI is a monetary measurement for the value newly created in society minus nonproductive costs and losses (indirect taxes, unsold products, physical losses, i.e. products which decayed, burned, or left in the field, etc.).

**NI** is described as the total sum of all real incomes of citizens, enterprises and organizations. Therefore it characterizes the standards of living of the population.

The share of NI in GNP depends on the level of socio-economic development of the countries.

Calculation of GDP can be based upon:

- current prices (nominal GDP);
- constant prices of the base year (real GDP).

Normally, real GDP is used which excludes price changes, inflation, temporary market conditions, etc. (as a rule, base years are those divisible by 5)

Since prices for identical products in different countries are not the same for different reasons, and official exchange rates do not correspond to their actual purchasing power, accurate comparison require that real GDP base on purchasing power parity (PPP).

**Purchasing Power Parity (PPP)** – a ratio between national currencies based on their purchasing power, which means prices for certain goods and services in each country.

As prices are different in all countries of the world, the purchasing power parity does not usually coincide with the exchange rate (official or market) of national currencies. So PPP is mostly applied for analytical purposes.

Gross Value Added (GVA) – value of the output or services, produced by an employee of the company with the help of the capital stock of this company.

GVA calculation pattern is demonstrated by the matrix, where  $X_i = TO$  (total output). Mathematically,  $GVA = TO - \sum x_{ij}$  (Table 3.4).

Table 3.4

GVA Matrix

Producers	Parts supplier					jL= GVA	TO
	1	2	3	...	n		
1	$X_{11}$	$X_{12}$	$X_{13}$	...	$X_{1n}$	$L_1$	$X_1$
2	$X_{21}$	$X_{22}$	$X_{23}$	...	$X_{2n}$	$L_2$	$X_2$
3	$X_{31}$	$X_{32}$	$X_{33}$	...	$X_{3n}$	$L_3$	$X_3$
...	...	...	...	...	...	...	...
m	$X_{m1}$	$X_{m2}$	$X_{m3}$	...	$X_{mn}$	$L_m$	$X_m$

The share of the enterprise's total income that remains available after paying taxes and other fiscal charges is considered its net income (NI). Net income replenishes the payroll fund, subsidizes social and household needs of the employees and ensures production development.

### 3.5. Quality of life

Indicator of the quality of life describes the level of satisfaction of material, cultural and spiritual needs of a person. It is determined by the UN methods based on the calculation of the Human Development Index (HDI) depending on the country. HDI calculation is performed with the help of UN methods by the formula in figure 3.10.

According to the UN graduation, if the HDI is less than 0.500 – the quality of life is low, if it equals 0.501–0.900 – the quality of life is average, if more than 0.900 – the quality is high.

The highest HDI rates are typical for the USA, Canada, Western Europe, Australia, New Zealand, Japan, Republic of Korea, Singapore.

Calculation of HDI

$$\text{NDI} = \sqrt[3]{\text{LEI} \times \text{EI} \times \text{II}}$$

$$\text{LEI} = \frac{\text{LE} - 20}{83,2 - 20}$$

$$\text{EI} = \frac{\sqrt{\text{MYSI} \times \text{EYSI} - 0}}{0,951 - 0}$$

$$\text{MYSI} = \frac{\text{MYS} - 0}{13,1 - 0}$$

$$\text{EYSI} = \frac{\text{EYS} - 0}{20,6 - 0}$$

$$\text{II} = \frac{\ln(\text{GNtpe}) - \ln(163)}{\ln(108211) - \ln(163)}$$

Fig. 3.10. Formulas for calculation of HDI

### 3.6. Competition and competitiveness

**Competition** is an economic process of interaction of producers and their struggle for the most favorable conditions of production and marketing of goods as well as for great profits.

Competition can be differentiated:

- by scale – individual, local, sectoral, inter-sectoral, national, global;
- by nature: perfect and imperfect.

There is also **monopoly** on production with no competition and **oligopoly** when several manufacturers coexist without competition.

**Competitiveness** – ability of a particular object or entity to outperform competitors under certain conditions. It is divided into:

- product competitiveness;
- competitiveness of producers (corporations or firms);



Michael Porter

- sectoral competitiveness;
- competitiveness of countries and regions.

M. Porter made a significant contribution to the theory of international competition.

M. Porter formulated the main factors of competitive advantages (known as "M. Porter's Diamond") and also defined the stages of competitiveness development (Fig. 3.11. and 3.12).

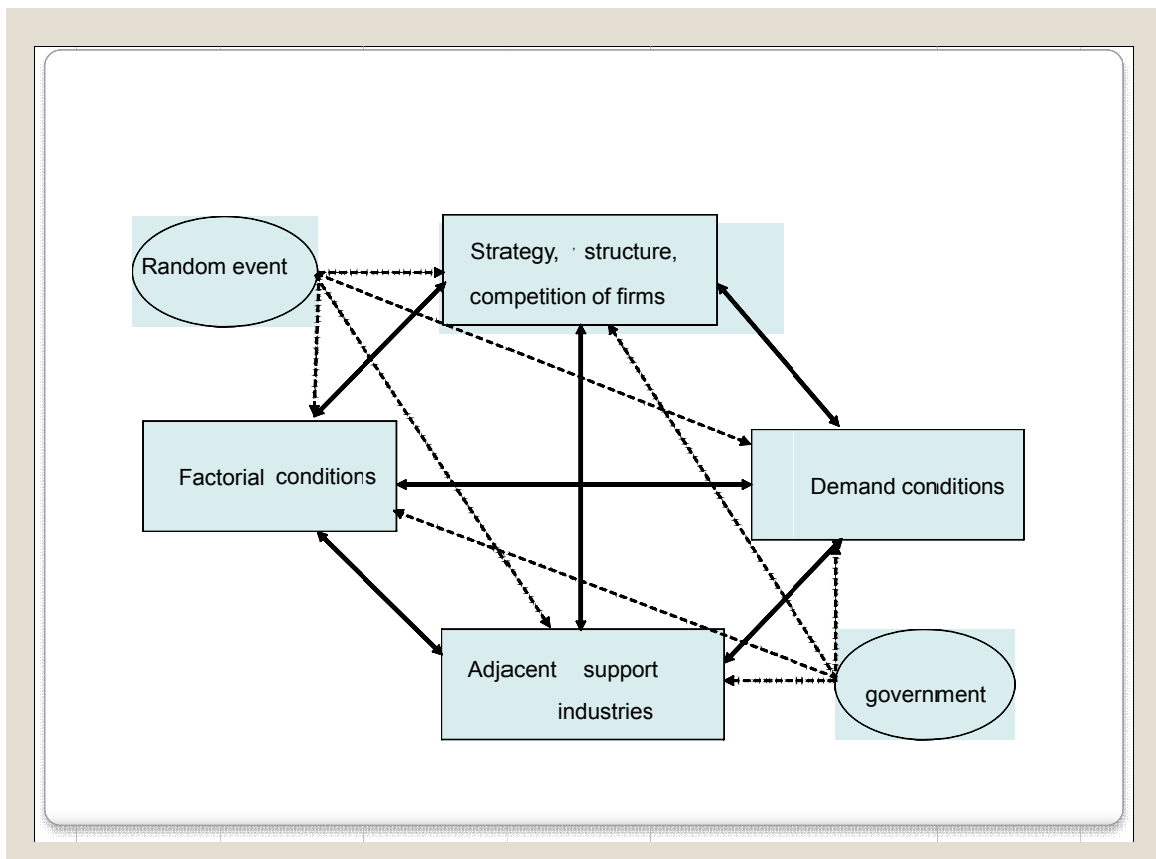


Fig. 3.11. M. Porter's diamond of competitive advantages

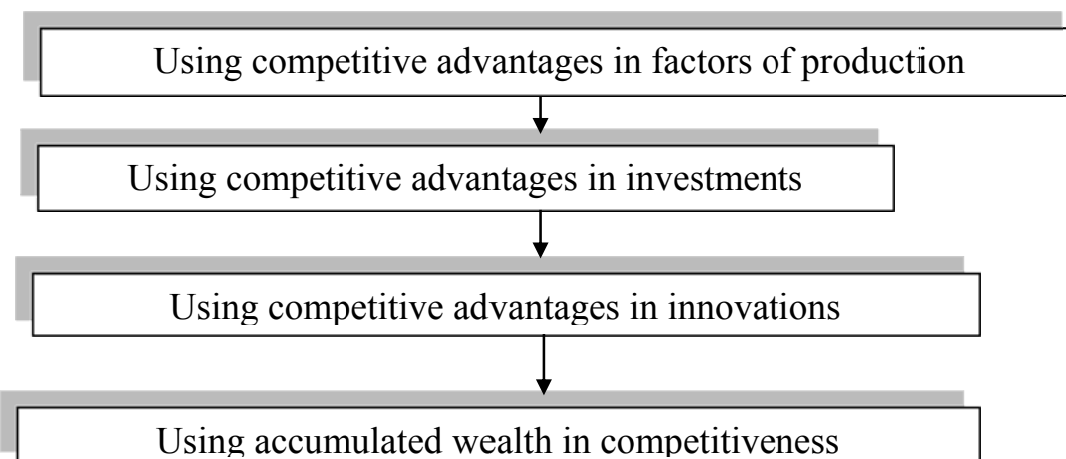


Fig. 3.12. Stages of competitiveness development

Global Competitiveness Index (GCI) is used in international analytical surveys to assess the ability of countries to ensure the well-being of their citizens.

GCI consists of 12 supplements: "Institutional Quality", "Infrastructure", "Macroeconomic Stability", "Health and Primary Education", "Higher Education and Training", "Product and Service Market Efficiency", "Labor Market Efficiency", "Financial Market Maturity", "Technological Level", "Internal Market Size", "Competitiveness of Companies", "Innovative Potential".

GCI depends on how effectively the country uses its resources.

The main ways to increase competitiveness are:

1. Innovation to increase productivity, improve the quality of goods, reduce their cost.
2. Improvement of the labor system organization.
3. Improvement of the territorial organization of production (due to the synergy effect) based on creation of:
  - Territorial-production complexes with specialized production cycles (SPC).
  - Economic clusters.

### **3.7. Forms of territorial organization of productive forces**

There are several forms of territorial organization of productive forces that increase productivity in competitive conditions. A significant contribution to their development was made by the Soviet economist and geographer M.M. Kolosovsky and American economist M. Porter.

M.M. Kolosovsky is the founder of the theory of territorial-production complexes, which he developed in the 1930s. According to his definition, a territorial-production complex (TPC) is an economically holistic and interdependent association of manufacturing facilities of different industries that have emerged and are developing on a certain territory.

The core of a TPC is the specialized production cycle (SPC) – *a complex of technologically related manufacturing facilities of different industries that are formed around the leading production based on a particular type of raw material and energy*. There are specialized production cycles in metallurgical, machine-building, chemical, light industries and others.

The SPC usually includes the main, complementary and ancillary productions (Fig. 3.13).



Mykola  
Mykolayovych  
Kolosovsky

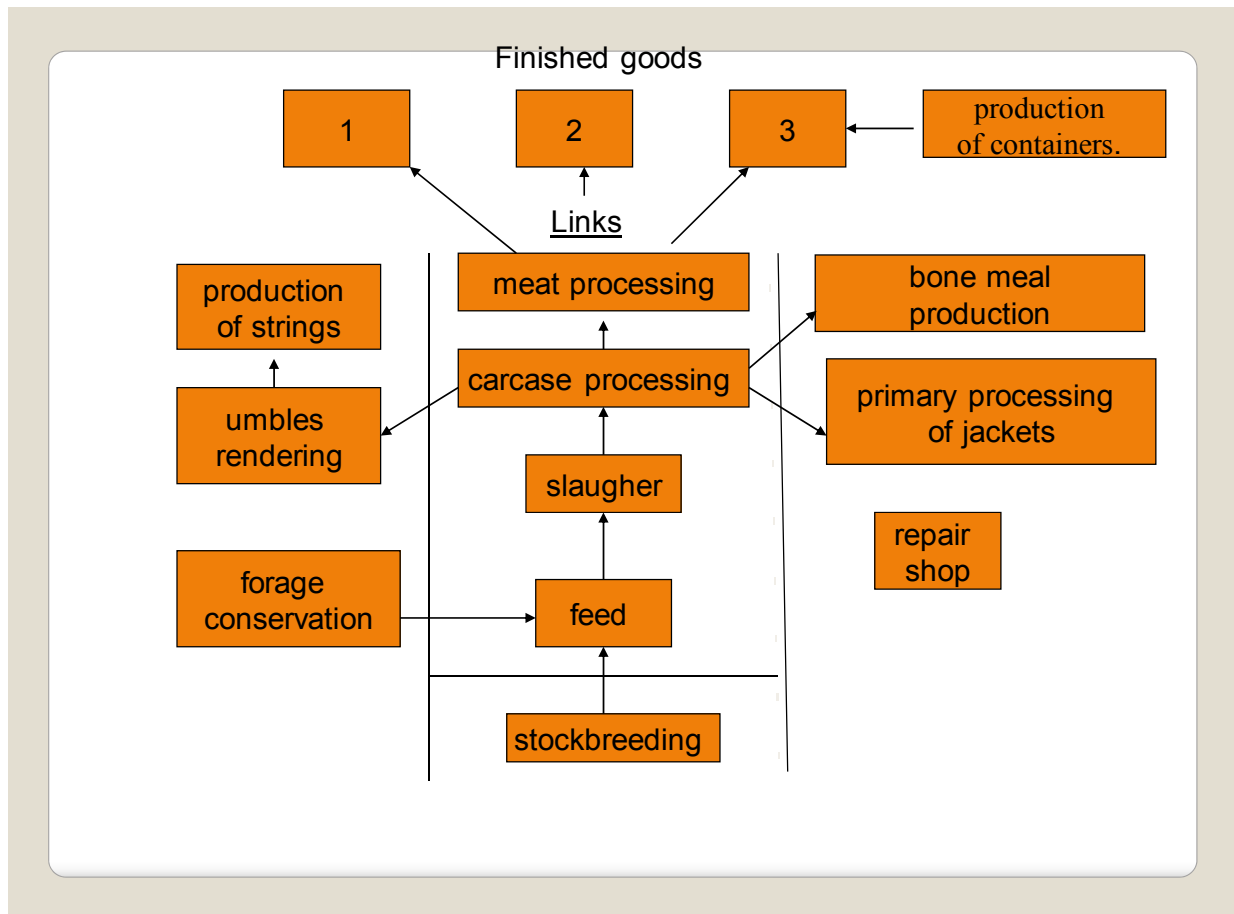


Fig. 3.13. Trunk (main), complementary and auxiliary production of SPC in meat processing industry

Separately from M.M. Kolosovsky, an American scientist, M. Porter, developed his own doctrine of the territorial organization of production as a means of struggle for competitiveness. He offers clusters – economic, industrial and others – as a form of territorial organization of production.

According to M. Porter, a cluster is a netgroup of geographically close, interconnected companies and cooperating organizations that work together in a particular type of business and whose characteristics are a common vector of business and complementarity.

Some clusters consist mainly of small and medium-sized enterprises. Others are formed by merging small and medium-sized firms into a technology chain in the form of "development blocks" around large corporations.

Amalgamation (geographical, technological) allows each participant to benefit from synergy, that is, from the effect that arises in the process of consolidation of production

By their nature, the clusters of M. Porter are close to the TPCs of M.M. Kolosovsky. But Kolosovsky's TPCs meet the conditions of the planned system of enterprise management, and M. Porter's – conditions of the market system.

Both M.M. Kolosovsky's TPCs and M. Porter's clusters can become bases for industrial units, industrial parks and other forms of territorial organization of production, which increase its efficiency and competitiveness.

### 3.8. "Poles of Growth"

"Poles of growth" (poles of development) is the main notion of the theoretical concept which maintains that development of production in market conditions is not uniform in all industries, and it is always possible to distinguish the most developing ones. These are so-called propulsive industries that stimulate development of the entire economy and are "poles of development". Production concentration provides that propulsive industries must be located in a specific place (region) – "growth center". The theory was developed by a French economist François Perroux (1950), and its territorial version – by a French economic geographer Jacques Boudeville.



Francois Perroux

According to F. Perroux, a pole of growth is a compact, dynamically developing industry that stimulates continuous emergence and growth of industrial centers in a particular territory (the so-called hinterland).

F. Perroux reasoned the classification of industries based on the trends of their development, distinguishing industries which:

- are slowly developing (textile, coal, shipbuilding, etc.);
- are developing, but do not have a significant impact on the development of other industries (production of consumer goods);
- propulsive and fast growing industries that involve others in the development process (machine-tool industry, etc.).

The location of the complex of dynamically developing core industries was called by F. Perroux *the geographically agglomerated pole of development*. He developed a model of interaction between the pole and the environment. The key industry in the model is the one, which provides maximum development. Substantiating the interrelations of the core industries, F. Perroux introduced the concept of "complex of industries", which is analogous to the term "territorial-industrial complex", introduced into science and territorial planning, and substantiated by a Russian economic geographer M. M. Kolosovsky in the 1930s.

Another French scientist and economic geographer J. Boudeville, argued that specific territories (inhabited areas) can be considered as "growth centers" that serve as sources of innovation in the economy of a region or country. Accordingly, a regional "growth center", which is a set of expanding industries, is capable of stimulating further economic activity throughout its area of

influence. In the future, this served as a theoretical justification for the forms of territorial integration of production, science, education – technopolises and tech-parks (Fig. 3.14).

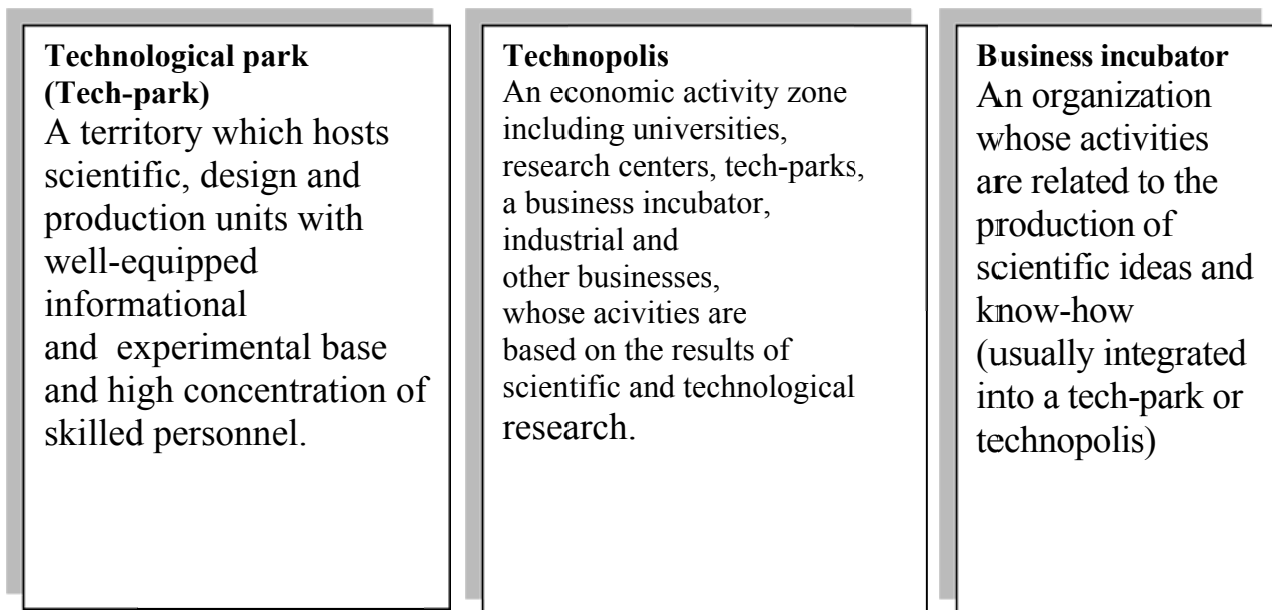


Fig. 3.14. Forms of territorial integration of production, science, education

"Poles (centers) of growth" are, for example, the Silicon Valley in the US, Bangalore in India, which have become sites of intensive development of computer technology. Grenoble in France (where the Olympic Winter Games were once held and the infrastructure that remained) became a site of modern microprocessor production, etc.

### 3.9. Free (special) economic areas and offshore centers

A free (special) economic area (FEA) is a limited area, which establishes customs, tax, financial, organizational and legal and other kinds of business environment, which promotes economic revitalization and integration into the world economy.

There are many reasons and goals behind the creation of FEAs:

- In industrialized countries – to revive economy in depressed areas (business entrepreneurs who work in such areas are granted certain benefits).
- In economically underdeveloped countries – to attract investment in order to stimulate economic development.

The main tasks in creation of FEAs are:

1. attracting foreign capital;
2. stimulating exports and increasing the country's incomes;
3. rationalization of imports (import substitution);

4. stimulating technical development and changing the structure of production;
5. employment growth and training of skilled specialists;
6. study of new methods of management, etc.

In the world economy the total volume of commodities exports from FEAs amounts to tens of billions of US dollars annually, and the total number of employees (taking into account special areas in China) – tens of millions of people. FEAs account for about 20% of world trade.

FEAs can be categorized into the following types:

- 1) Free trade zones, free ports, duty free warehouses, etc. based on softened customs requirements;
- 2) Export industrial zones based on preferential customs and tax regimes (including for foreign capital);
- 3) banking and insurance zones based on preferential banking and insurance;
- 4) technological zones (technopoles) based on granting privileges in development and application of modern technologies;
- 5) complex zones (free cities, special zones) – set tasks and use elements of different FEAs.

A distinctive feature of the FEA may be isolation from the rest of the country (movement of people through checkpoints and movement of goods through customs).

Initially, free economic areas were mainly established in developed countries. In the 1980s, there were about 600 of them there. Later, FEAs became widely spread in "new industrial countries" (NIC), some Southeast Asian countries and other regions of the world.

Free (special) economic areas became particularly popular in China where they were first created in 1970 based on experience of other Asian countries. The use of investments from so-called "Huatsiao" (ethnic Chinese living abroad) appeared to be a success. It was them who invested up to 75–80 % in the development of free economic areas during the first years. In the early 2000s, the number of FEAs of various types exceeded 180. Their foreign trade turnover amounted to many tens of billions of dollars, and the share of exports and imports of the country increased steadily. The FEAs hosted many thousands of jointventures. Although all FEAs are usually classified as complex rather than specialized, there are still differences between them. Thus, the specialization of the Shenzhen FEA (the largest) is industrial, Shantou FEA – agro-industrial, Xiamen FEA – industrial and touristic, Zhuhai FEA – predominantly touristic. One can say that China's economic reforms combined with the successful use of FEAs, have ensured a modern "Chinese economic miracle" in the country.

To some extent, offshore zones can be considered free economic areas. Offshore zone is a country or territory with attractively low or zero tax rates on all or certain categories of income for foreign companies.

Simplified registration and management procedures, more lenient financial reporting requirements. All these contribute to high economic activity in the offshore zone and the increased profit of companies.

For most island countries lacking natural resources, offshore zones are the main and sometimes the only way to generate income (Table 3.5).

Table 3.5.

#### Off-shore countries and territories

Off-shore countries and territories	Location
Andorra, Gibraltar, Monaco, Liechtenstein, Isles of Man and Jersey	Europe
Anguilla, Aruba, Bahamas, Barbados, Bermuda, Grenada, Trinidad and Tobago, Cayman Islands	Atlantic Caribbean
Vanuatu, Marshall Islands, N. Zealand	Oceania, N. Zealand
Mauritius, Seychelles	Indian ocean
Costa Rica, Panama	Central America
Cyprus, Singapore, Brunei	Asia

### Comprehension questions on topic 3

1. Factors of production. Definitions. Classical and neoclassical factors of production.
2. Determining the price of factors of production.
3. Classification of factors of production.
4. Economic potential, its components.
5. The environment in terms of natural science, ecology and economy.
6. Natural conditions and natural resources. Their use in business activities.
7. Indices of provision of territories and population of world countries with natural resources: comparative analysis. Ukraine's place among the countries of the world according to these indicators.
8. Natural resource potential (NRP) and its components.
9. Water-resource potential of the world economy. Availability of water resources in world countries.
10. Recreational potential.
11. The crop-growing potential of the world economy. Its structure.\
12. World forest resources. Countries with the largest forest floor in the northern and southern forest belts.
13. Faunistic natural resource potential and its use.
14. Mineral resource potential and its components.
15. Countries with the largest reserves of oil, natural gas, and coal.
16. Countries with the largest reserves of iron and manganese ore.

17. Countries with the largest reserves of bauxite, copper and tin ore.
18. A formula characterizing the country's mineral resources. Its components.
19. Alternative energy sources: status and prospects of use.
20. Economic development and economic growth.
21. Concepts of economic development components: technological component, institutional component, macroeconomic component.
22. International system of national accounts and their main indicators.
23. Gross domestic product (GDP) and methods for calculating it. GDP and GNP – what's the difference?
24. National income.
25. GDP – nominal, GDP – real, GDP –based on purchasing power parity.
26. Gross value added (GVA) and mechanism of its calculation (make a matrix).
27. Quality of life and methodology for its assessment based on the Human Development Index (HDI). Components of the formula used for calculating HDI.
28. Geographic variation in the quality of life of the world's population (based on comparison of HDIs).
29. Competition: definitions and its classification by scale and nature.
30. Development stages of competitiveness of national economies.
31. The Global Competitiveness Index (GCI) and its geographical disparities across national economies.
32. Ways to increase competitiveness by improving the territorial organization of production.
33. Territorial production complex, M.M. Kolosovsky's specialized production cycle and M. Porter's economic clusters.
34. "Poles of growth" by F. Perroux. Their essence and importance for the rise of economies of countries and regions.
35. Forms of territorial integration of production, science, education.
36. Free (special) economic area (FEA). Definitions. The reasons for their creation in industrialized and underdeveloped countries.
37. Types of FEA.
38. Offshore zones. Offshore countries and territories.

## TOPIC 4

# WORLD ECONOMIC SYSTEM AND WORLD ECONOMY

### 4.1. World Economic System

The world economic system consists of countries and territories tied economically.

The world economic system has its structure, which includes: basic elements in the form of scientific and technical sphere, industrial and investment sphere, monetary and financial sphere and the world market; entities in the form of international economic organizations, integration entities, states, as well as enterprises, firms, transnational corporations. The world economic system operates on the following structural levels: global, regional, international, and the level of companies (Fig. 4.1).

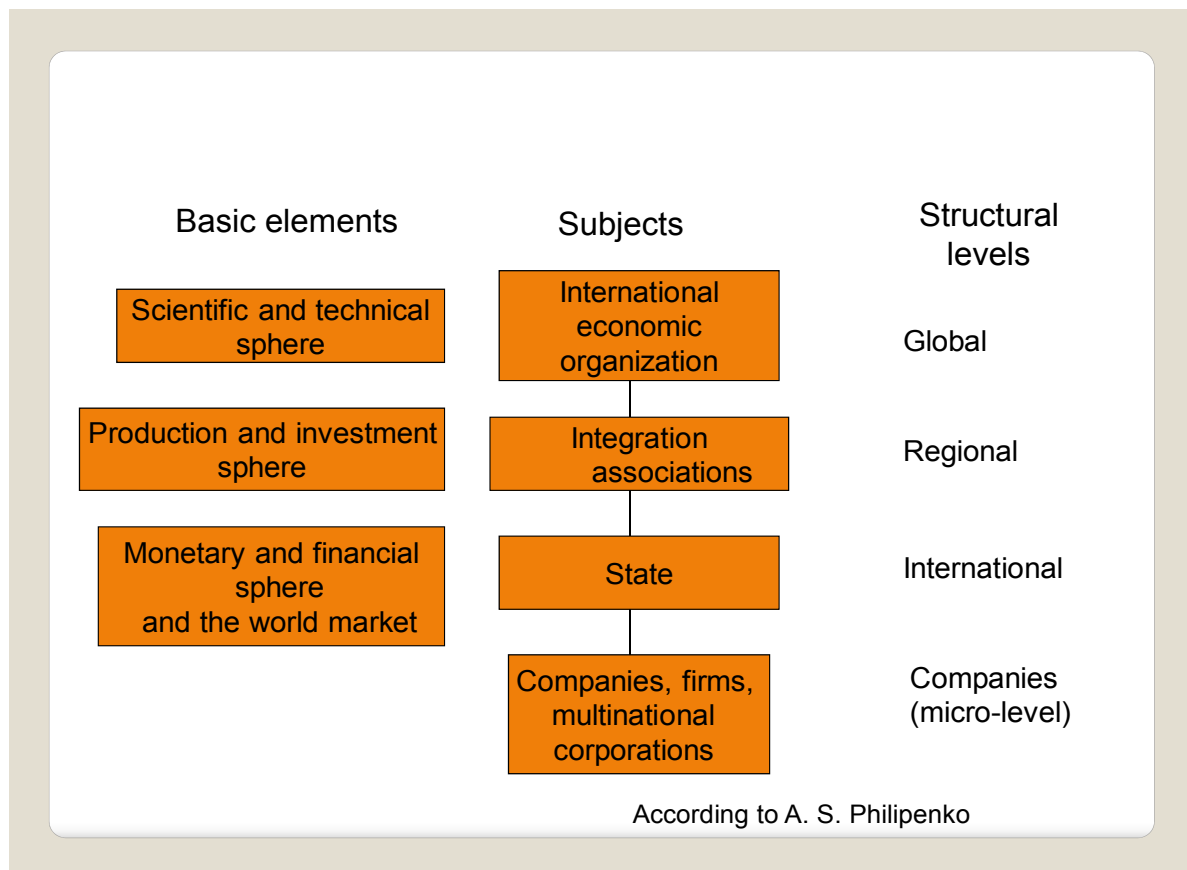


Fig. 4.1. Structure of the world economic system

The most important part of the world economic system is the world economy.

## 4.2. World economy, its sectors and development cycles

The world economy is a global economic organism, consisting of national economies linked to each other by the system of international geographical division of labor, as well as economic and political relations based on the laws of market economy.

There are two components of the world economy subsystem, which perform certain functions:

- a complex of national economies;
- a complex of international economic relations.

$$WE = \sum_1^n NE + \sum_1^m IER = \sum_{i=1}^n \sum_{j=1}^m (NE + IER)$$

WE – world economy,

NE – national economies,

IER – International Economic Relations

The world economy has an industry structure. At the same time, in foreign practice, it is also divided into sectors based on types of activity: primary (consisting of industries engaged in the collection or extraction of materials provided by nature), secondary (consisting of industries that transform materials provided by the primary manufacturer into finished products), tertiary (industrial infrastructure), quaternary (social infrastructure). (Table 4.1).

Table 4.1

Sectors of World Economy

Sectors	Industries
Primary sector of economy	Agriculture, forestry, mining, harvesting of wild fruits and herbs, hunting, fishing, aquaculture.
Secondary sector of economy	Processing industry, industrial and civil construction, power engineering.
Tertiary sector of economy	Transport, trade, catering, household services, private services.
Quaternary sector of economy	Management, education, science, culture, health, safety.

Usually, to analyze the dynamics of production both in international and national economies, it (the production) is divided into three sectors: industrial (industrial sectors and construction); agrarian (agriculture); infrastructure or

service sector (transport, trade, financial activities, science, education, etc.). This approach enables to trace the structural dynamics of economic development, both globally and in individual countries, as well as to make comparative analysis as for time and space.

The current share of these sectors of the world economy in terms of GDP production and employment is shown in Figs. 4.2.

In the course of its development, the world economy undergoes significant changes in the relations among the industrial, agrarian and service sectors. The share of the industrial and agrarian sectors is decreasing and the service sector is growing accordingly.

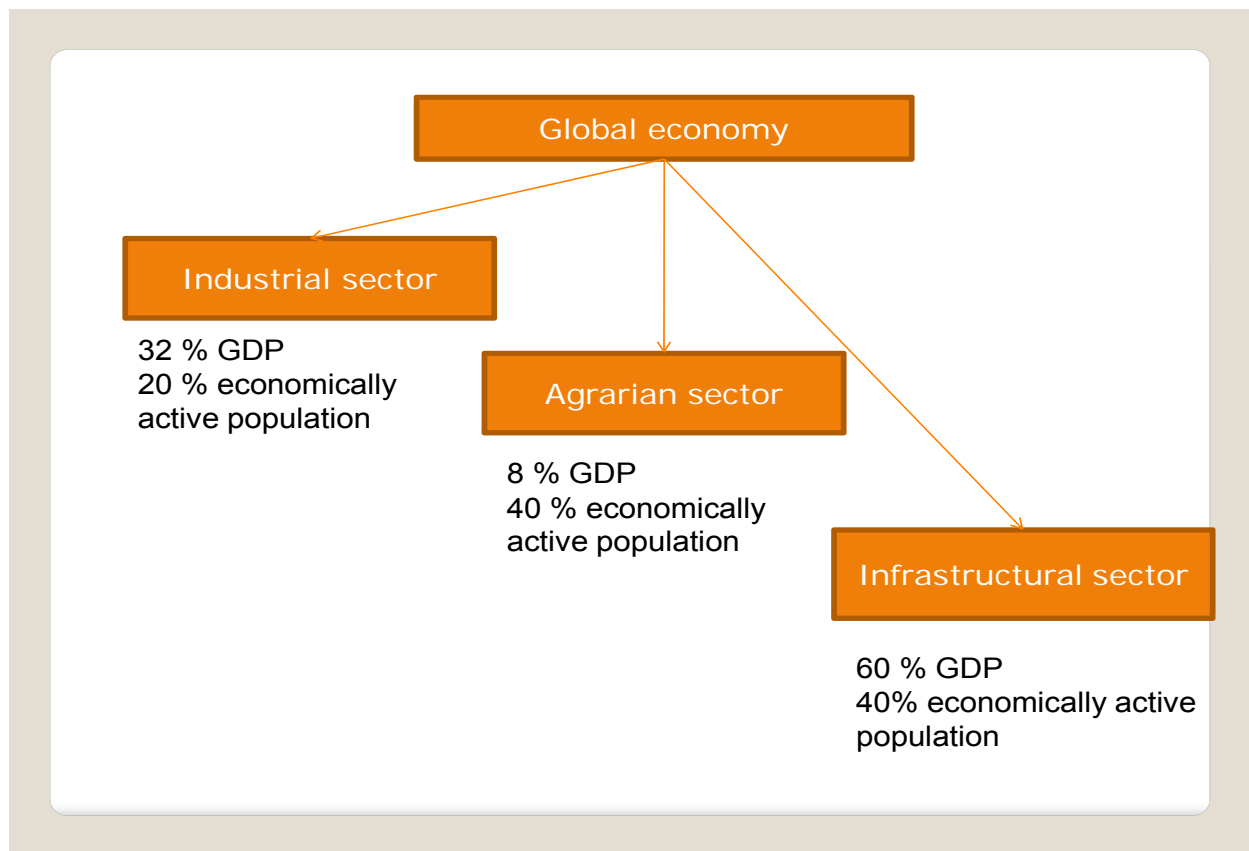


Fig. 4.2. Share of industrial-, agrarian-, and infrastructural sectors of the world economy in terms of GDP production and employment

During its existence, the world economy has undergone complex evolutionary changes, including certain periods of technological waves. The main characteristics of technological structures periods are differences in the environment of the leading countries, use of energy sources, structural materials, production technologies, dominant industries, and others. (Table 4.2).

Table 4.2

## Technological structure of the world economy

Technological structure	Time period	Leading countries	Dominant technologies
I	1770-1830	Belgium, Great Britain, France, Russia	Water engine, iron smelting, working of iron, canal construction
II	1840-1880	Great Britain, USA, Germany	Steam engine, coal industry, mechanical engineering, ferrous metallurgy, machine tools
III	1890-1940	France, USA, UK, Germany	Electric motor, electrical and heavy mechanical engineering, steel production, inorganic chemistry, shipbuilding, transmission lines, standardization
IV	1940-1990	USA, USSR, European countries, Japan	Nuclear power, non-ferrous metallurgy, organic chemistry, synthetic materials, electronics, car industry
V	1990-2030 (forecast)	USA, Japan, EU, PRC, Southeast Asian countries.	Computing, telecommunications, robotics, micro and fiber optics, space technology, artificial intelligence, biotechnology

Many scientists have proven that the global economy is developing cyclically. The world's first fundamental work on crisis theory and anti-cyclical/anti-crisis policy appeared in 1894. This work named "Industrial crises in modern England, their causes and immediate effects on national life" was written by a prominent Ukrainian economist M. Tuhan-Baranovsky. He first developed the doctrine of cyclicity of the systemic economic dynamics tied to the frequency of industrial crises, and also showed the way crises emerge, but also the way to overcome them through activation of investment and social policies. Cyclicity in the development of the world economy was considered in the works of C. Schumpeter, S. Kuznets, J. Tinbergen and other well-known scientists.

There are periods when the world economy is booming (booms), followed by periods of recession, depression and recovery. According to M. Kondratiev, cycles can last from 40 to 60 years (Fig. 4.3).



Mykola Dmytrovych  
Kondratyev

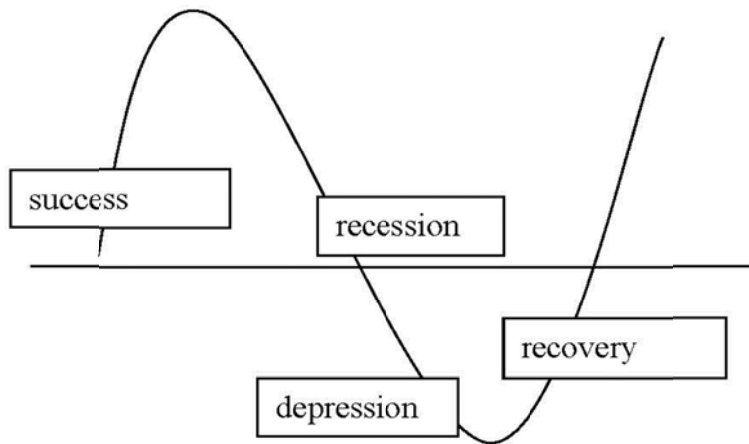


Fig. 4.3. Development cycle of the world economy

Certainly, scientific and technological progress, globalization, regional economic integration and other world economic processes make certain adjustments in the cycles of modern development of the world economy, changing the time-limits of prosperity, recession, depression, recovery and their meaning.

### 4.3. Global agroindustrial complex

The agroindustrial complex (AIC) is a multi-sectoral production system in which a particular industry performs its specific function. AIC is an integral part of the global economy, combining three major industries:

- Logistics support service of agricultural production.
- Production of agricultural products.
- Processing of agricultural products (Fig. 4.4). Each field of agroindustrial complex is sometimes assigned the relevant fields of science and training

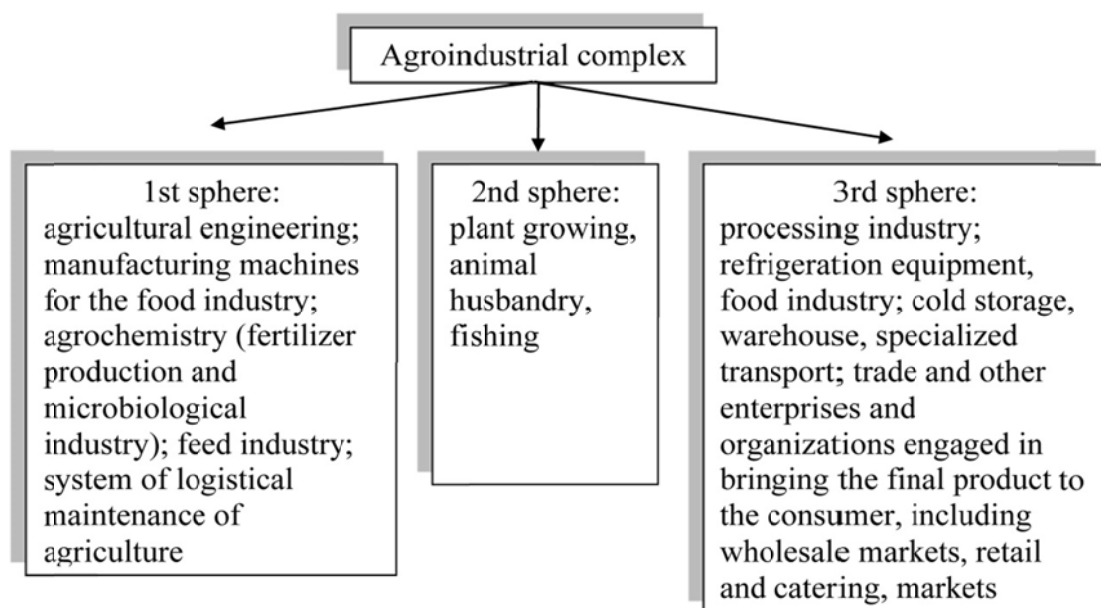


Fig. 4.4. The structure of the agro-industrial complex (AIC) in terms of its component spheres

Poor developing countries have little or no AICs. In contrast, highly developed countries have very powerful agribusinesses that employ up to 20 % of the workforce, capable of producing 18–20 % of GDP.

Noteworthy is the ratio among the components of the agro-industrial complexes of highly developed countries: 3:1:6. So, the smallest share (1) is agricultural production itself. (In the US, for example, it covers about 2 % of GDP with 2.5 % of the population employed in it, while the whole AIC produces 18 % of the country's GDP).

### **Comprehension questions on topic 4**

1. Definition of the concept *world economic system*. Its structural elements and subjects.
2. Definition of the concept *world economy*. Two main components of the world economy and their mathematical expression.
3. Sectors of the world economy, their branch composition.
4. The share of industrial, agrarian and infrastructure sectors of the world economy in terms of GDP production and employment.
5. Technological structures of the world economy: periods, leading countries, prevailing technologies.
6. M.D. Kondratyev's development cycles of the world economy.
7. World agro-industrial complex and its spheres.
8. Types of production belonging to the 1st sphere of agroindustrial complex.
9. Types of production belonging to the 3rd sphere of agroindustrial complex.
10. Ratio of agro-industrial complexes in highly developed countries.

# WORLD ECONOMIC PROCESSES

## 5.1. General provisions on the development of world economic processes

*The process*, (lat. *prossesus* – moving forward), means the course of a phenomenon, which includes changes of its state, development stages, and so on. Speaking of world economy processes, we can assume that *the process* is a sequence of economic phenomena occurring in the modern world economy and in the relations among its subjects – national economies of the world.

At the heart of world economic processes are the components of geo-economic development of human society, which include the following stages (Fig. 5.1).

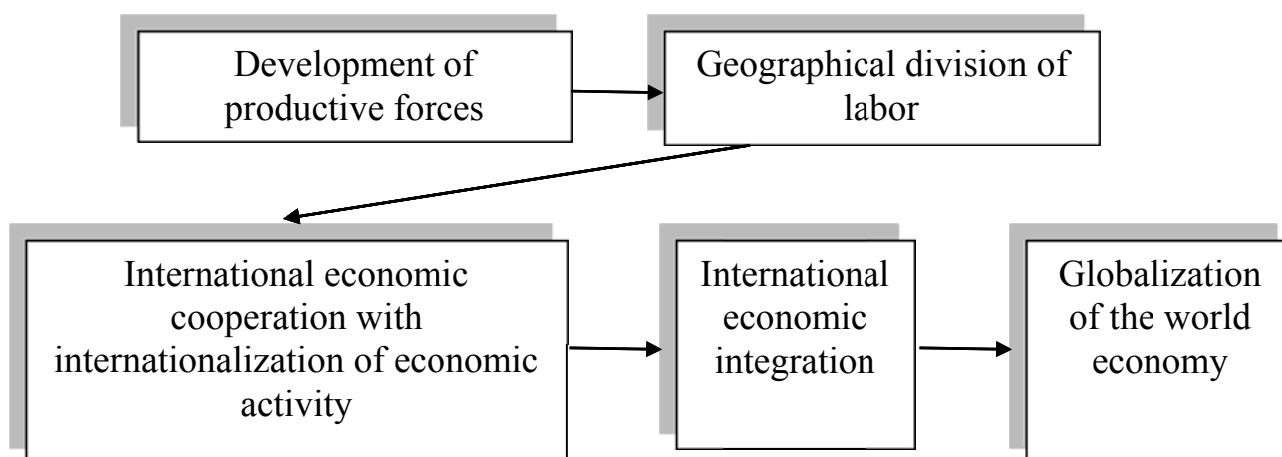


Fig. 5.1. Stages of geo-economic development

The components of geo-economic development include a wide range of world economic processes – geographical division of labor, international economic relations, which include international trade, internationalization of economic activity, globalization, economic integration, as well as regionalization, transnationalization, cross-border cooperation, etc.

## 5.2. Geographical division of labor

The geographical division of labor (GDL) is a steady production of goods and services in individual countries and regions which is targeted at the external market rather than the domestic needs. GDL can occur among countries (international division of labor) or within a country (interregional division of labor). (Fig. 5.2).

The main forms of GDL are specialization and cooperation.

*International specialization* is production of certain types or components of products.

There are:

Subject specialization, constituent part specialization, technological specialization (assembly, painting, etc.)

*International co-operation* is a stable industrial connection among independent enterprises both domestically and internationally

Specialization is carried out on the basis of economic and geographical law of territorial differentiation of productive forces, which determines the choice of economically advantageous concentration levels of economic activity for economically developed territories (countries, regions, residential areas). The choice is based on availability and combination of natural conditions and resources, as well as socio-economic factors.

The coefficient of specialization (localization) is calculated by the formula:

$$C_{sp} = \frac{p}{P} : \frac{v}{V}$$

Csp. - coefficient of specialization

p – production output of the country's industry

P - country's total output

v - production output of this industry of the world economy

V - world economy's total output

With  $K_{sp} > 1$ , specialization is available. With  $K_{sp} < 1$ , specialization is not available.

The dialectical nature of GDL is in unification of division and unification of production processes.

The economic nature of GDL provides for obtaining economic benefits by its participants at the expense of the difference between the international and national value of exported goods and services. The other way is saving internal costs by refusing to produce goods that are cheaper to import (according to the theories of absolute and comparative advantages of A. Smith and D. Ricardo).

1GE		PR		SI
Interregional division of labor				
NE		IV		MP
RA		A		L
International division of labor				
L		TE		E

Fig. 5.2. System of geographical division of labor

### 5.3. International Economic Relations

International Economic Relations (IER) is part of international relations, which is a system of economic relations arising between subjects of national economies on the basis of international division of labor and factors of production.

IER emerged before the world economy and had a form of trade relations among countries of certain regions. With the development of the world economy they have become global and now include 2 components (Fig. 5.3).

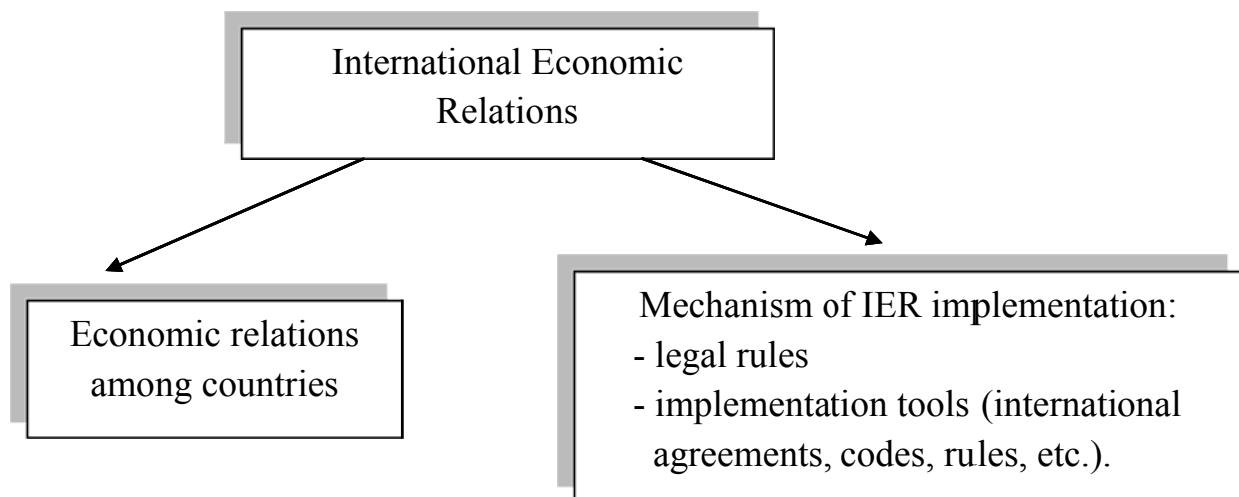


Fig. 5.3. Two main components of IER

International economic relations have the following forms:

- international trade;
- international scientific and technical relations;
- international investment activity;
- international specialization and cooperation;
- international monetary and financial relations;
- activities of international economic and financial organizations.

### 5.4. International Trade

International trade which accounts for 80 % of all the international economic relations constitutes the principal IER component.

International trade as part of IER is described as money-to-goods exchange in the framework of sale and purchase relations among the agents of international economy. It is further subdivided into commodity trade which accounts for about 80 % of the total foreign trade turnover and service trade which reaches over 20 %<sup>2</sup>. Meanwhile, the share of service trade tends to grow.

<sup>2</sup> c. f.: the service share in the world GDP reaches 60 %.

International trade resulted from the geographical labor division and represents the fundamental connection between manufacturers of various countries based on the supply and demand balance.

The overall international trade equilibrium is shown as a *standard model for international trade* which allows for tracing the connection between the demand and supply in the country and its foreign counterparts. It demonstrates the number of imported goods the country needs to export its own goods (Table 5.1)

Table 5.1

Matrix of the Standard Model for International Trade

Where to Where from		COUNTRIES				
		1	2	3	...	$\sum^{\times}$
C O U N T R I E S	1	$x_{11}$	$x_{12}$	$x_{13}$	...	$X_{1n}$
	2	$x_{21}$	$x_{22}$	$x_{23}$	...	$X_{2n}$
	3	$x_{31}$	$x_{32}$	$x_{33}$	...	$X_{3n}$
	...	...	...	...	...	...
	$\sum^{\times}$	$X_{m1}$	$X_{m2}$	$X_{m3}$	...	$X_{mn}$

Within the matrix,  $x_{11}$  is domestic production and consumption in country 1,  $x_{12}$  and  $x_{13}$  show exports to countries 2 and 3. Instead, country 1 imports goods from countries 2 and 3 for the same total value ( $x_{21} + x_{31}$ ).

For the equilibrium in the trade balance to be maintained, import expenses of a country must equal its profit from exports.

Foreign trade balance is defined as an economic parameter describing the scope of foreign trade of a single country, a group of countries or an administrative territory (region) over a certain period of time: month, quarter, year, etc.

Taking foreign trade as B, export as E and import as I, the foreign trade turnover formula is as follows:

$$B = E + I$$

The top five economic agents – EU, USA, PRC, Germany, Japan and France – are known for the highest foreign trade volumes.

Assuming the foreign trade balance is denoted by letter ***B***, its formula is as follows:

$$B = E - I.$$

The foreign trade balance can be positive or negative but is rarely reduced to zero. Consequently, the terms of trade surplus and trade deficit emerged.

The trade deficit refers to unfavorable trade balance of a country. In contrast, the trade surplus describes a favorable trade balance.

The modern world trade policy is marked by the development and confrontation of two major tendencies, protectionism and liberalization (Fig. 5.4).

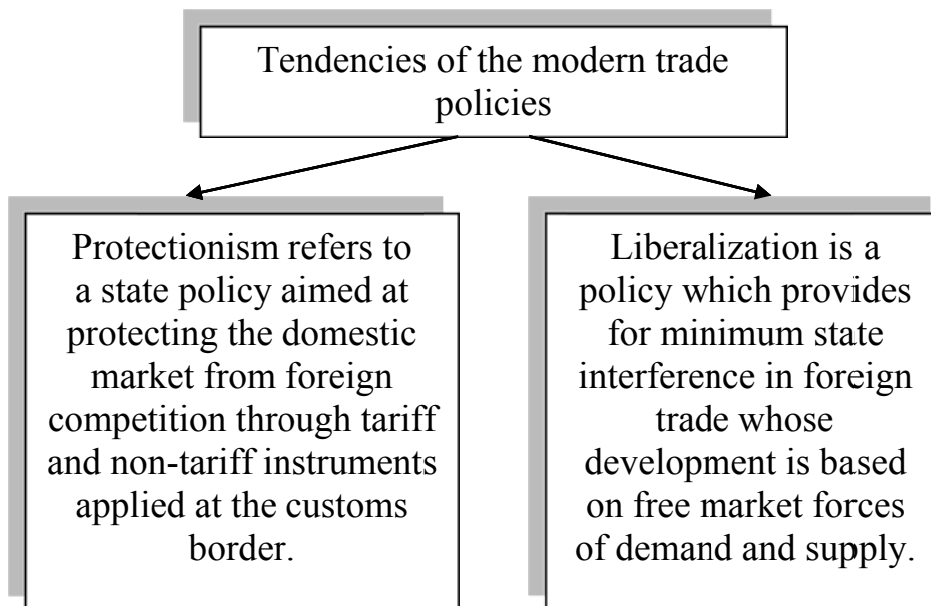


Fig. 5.4. Tendencies in the foreign trade policies of the countries around the world

International trade is based on the specific rules and principles developed by various countries worldwide. Their foundation was laid in 1947 in the General Agreement on Tariffs and Trade (GATT) which eventually resulted in creation of the World Trade Organization (WTO) in 1995.

Unlike GATT, the WTO regulates both trade in goods and services. Its guiding principle is fostering foreign trade liberalization.

The WTO is the only legal and institutional organization in the world trade system.

The vast majority of modern countries have acceded to the WTO.

Trade in finished goods accounts for the greatest share of trade in goods. (Fig. 5.5)

Trade in services includes transport, communication, finance, insurance, information, tourism, education, etc<sup>3</sup>. The top two sectors are tourism (32 %) and transport (23 %). Among other services which account for 45 % of trade, business services prevail. They tend to be dynamic.

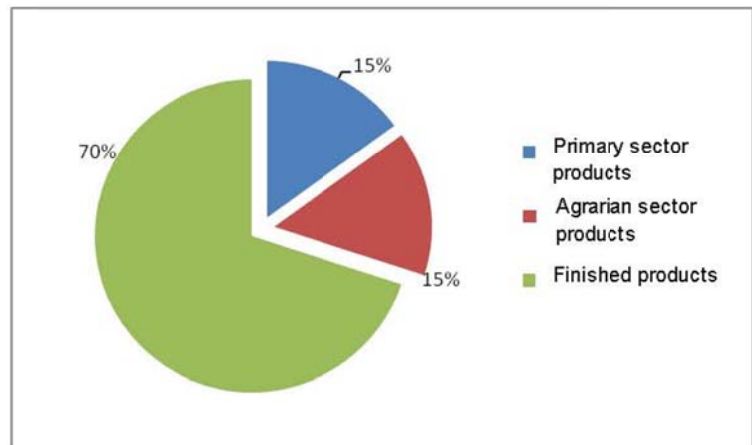


Fig. 5.5. Structure of trade in goods

The world market of goods and services emerged as a system of exchange of goods and services among countries based on the international labor division and monetary, credit and financial relations. The world market covers all the national markets of the countries around the world interconnected through foreign trade. From the functional perspective, it is both a field and a result of efforts made by the workforce, input of capital, natural and other resources.

The world market is described through its product-related and geographical segments.

The product-related segment of the world market is represented by three main forms of product markets (Fig. 5.6).

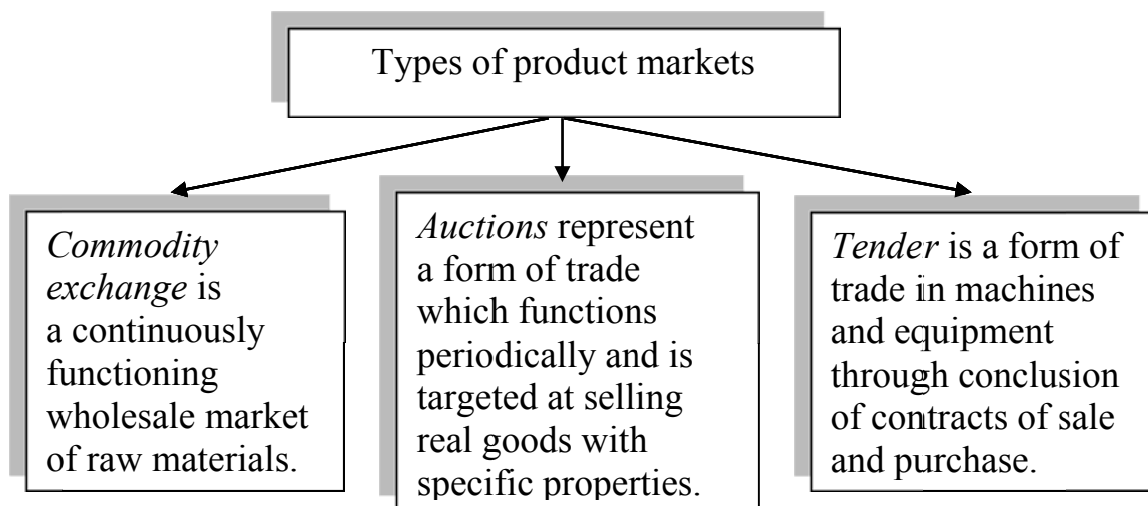


Fig. 5.6. Principal forms of product markets within the foreign trade structure

The geographical segment characterizes the market from the point of view of special coverage, i. e. participation of various countries in the marketplace with their own products.

<sup>3</sup> Under the UN classification, international services fall into 160 types.

## 5.5. International economic cooperation and internationalization of economic activity

Nowadays, international economic cooperation in trade, science and technology, investment and industry, credit and finance has reached a level which reflects internationalization of economic activity.

Internationalization of economic activity is a process which involves the following:

1. international economic cooperation on the basis of strengthening interconnections and interdependence of world economies;
2. ever-growing influence of international economic relations on the national economies;
3. active participation of various countries in the world economy.

A new stage, the economy internationalization is entering into, is transnationalization associated with an increasing role and importance of transnational corporations (TNCs) in the world economy.

Transnationalization provides for a growing impact of external factors on the development of every country and accumulation of transnational capital. It is manifested in two ways, qualitative and quantitative.

Qualitatively, transnationalization is reflected in domestic corporate international markets. Nowadays, they prevail in the world flows of goods, services, capital and labor which produces a significant influence on the entire system of international economic relations.

Quantitatively, transnationalization is manifested in the growing number of TNCs and expansion of their activities. In certain cases, the scope of their operation in terms of capital flow exceeds the national budgets of individual countries, which leaves its imprint on both the domestic and foreign policies of such countries.

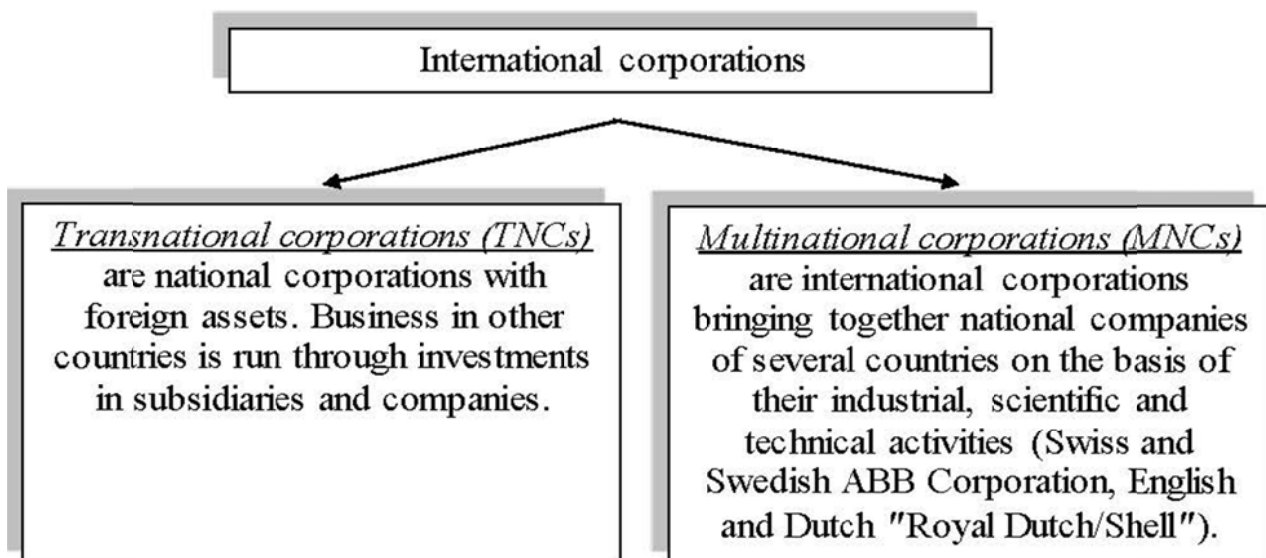


Fig. 5.7. Types of international corporations

On the one hand, international corporations result from an increasing concentration of production, on the other, they cause it as well as become the driving force of internationalization. The corporations fall into two types – transnational and multinational ones (Fig. 5.7).

## 5.6. Globalization

Globalization refers to geographical distribution of international economic activities, as well as social, cultural and other phenomena which function on a global scale. It is one of characteristic features pertaining to the modern world economy, which can be described as strengthened interdependence and interplay of various areas and processes in the scope of the world economy, which is reflected in gradual transformation of the world economy into a single market of goods, services, capital, labor and knowledge.

Globalization and internationalization of economy entail regionalization and economic integration.

Regionalization is synonymic to subdivision into districts, i.e. spatial or spatial and temporal differentiation of territories, namely regions and districts. It can fall into 3 levels: macro-level – individual macro-regions of the world (subregions), meso-level – regions of a country (territories, provinces, voivodeships, etc.), micro-level – territories (districts, deparments, gminas, etc.) within individual regions.

The term of "region" can acquire several meanings.

For the purposes of spatial analysis, "region" (from Latin – Regio (regionis) – an area, circuit) is part of the territory with specific natural, climatic and economic conditions as well as characteristic development of productive forces, taking account of demographic, historical, social features as based on the laws of the national and regional economy which results in the establishment of regional economic relations<sup>4</sup>.

From the economic point of view, regions, as administrative territories of a state, are part of its national economic complex and play a significant role in its economic development. The abovementioned function of the region is fulfilled through the state budget.

Proceeding from their contributions to the state budget, regions can be divided into donating and subsidized ones.

Donating regions are communities which contribute to the state budget more funds than they receive. The difference is used by the Center for further partial redistribution of funds to subsidized regions.

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<sup>4</sup> According to the Law of Ukraine "On Stimulation of Regional Development", Autonomous Republic of Crimea, regions, the cities of Kyiv and Sevastopol are considered to such territories.

A subsidized region is a community which contributes to the state budget less funds than it receives (due to financial, material and technological input from the Center).

On an international scale, regionalization represents the development and enhancement of economic, political and other connections between states, regions and other territorial entities, which are part of a single territory characterized by geographical integrity due to subregional integration entities.

Regionalization leads to the foundation of integrated regional unions joining several states.

Regional development and inter-regional economic relations are closely linked to cross-border cooperation at the meso-level.

Cross-border cooperation (CBC) is one of essential ingredients in the international relations which takes the form of existing or potential economic and humanitarian relations between the administrative territories of a state, its individuals, legal entities and their counterparts from other states within their competence under the law of the respective states.

In practice, CBC represents a complex of forms and tools for interaction between partners who cooperate in industry, agriculture, transport and communications, recreation and environmental protection, who are involved in trade, become investors and recipients of capital, as well as engage in other mutually beneficial social and economic partnerships in the areas on the border. Cross-border cooperation is mainly manifested in the creation of euro-regions.

Euro-region is a *form* of cross-border cooperation leading to inter-regional integration, on the other hand, it is an *instrument* of aligning and raising the levels of social and economic development in the regions. As a tool, the euro-region can serve as a "connecting channel" through which goods, services, people and capital flow from one region to another.

From the theoretical perspective, the herald of the euro-region establishment was a famous French geographer, Paul Vidal de la Blache. As early as in 1917, in his geopolitical work "Eastern France", dedicated to the territorial allegiance of Alsace and Lorraine, he introduced the idea of turning the border areas into a zone of cooperation between France and Germany. It was in Europe that this idea was implemented 40 years later in the form of cross-border associations which became known as euro-regions after the first such union, "Euregio", emerged at the border between Germany and the Netherlands in 1958.

Currently, euro-regions are functioning along the main axes (bands) of cross-border cooperation:

– the North-Mediterranean Sea, which runs along the border of Germany, the Netherlands, Belgium, Luxembourg, France, Switzerland and Italy;

– the Baltic and Adriatic Sea, extending along the border of Western European countries (Germany, Austria, Italy) and the post-socialist states of Eastern Europe (Poland, Czech Republic, Slovakia, Hungary, Slovenia);

– the Baltic and Black Sea covering the area along the western border of the former USSR, running through Kaliningrad region of the Russian Federation, Poland, Lithuania, Belarus, Ukraine, Slovakia, Hungary, Romania and Moldova.

Euro-regions are formed along the entire border of Ukraine connecting it to the neighboring countries.

## **5.7. International economic integration**

The term of international economic integration refers to closer bonds between and mutual adjustment of national economies, their involvement in a single reproductive process of a regional scale.

It is concerned with closer economic cooperation between countries located in the same geographical region on the basis of the international labor division between individual national economies, their interaction at different levels and in a variety of forms through the development of profound sustainable relations.

According to the economic integration theory, the success of the process relies on the following:

First of all, integration is a viable solution for the countries with relatively equal levels of social and economic development (otherwise, there is a threat of absorption of national economies by other countries).

Secondly, there are significant differences in the specialization of national economies relevant for the creation of a single economic complex within an integrated regional unity for mutual benefit.

Thirdly, countries belonging to the aforementioned integrated regional unities must hold a considerable share of domestic regional trade.

Regional economic integration can take a variety of forms, depending on the level of its development (Table 5.2).

Economic integration leading to the establishment of integrated regional entities currently constitutes a global trend. It fosters a more comprehensive and rational use of the national economic potential pertaining to the integrating countries, increases competitiveness of their economic complexes through synergy, raises the level of social and economic development and the welfare of the people. Around the world, there are dozens of macro-regional entities at different levels of integration. The most significant ones include EU, EurAsEc, NAFTA, MERCOSUR, ASEAN (Table 5.3).

Table 5.2

## Forms and levels of economic regional integration

Forms of integration	Lifting tariffs and quotas	Common external tariff	Free circulation of production factors	Harmonization of economic policies	Unification of policies, establishment of political institutions
Free trade area	x				
Customs Union	x	x			
Common market (CM)	x	x	x		
European Union	x	x	x	x	
Full economic integration	x	x	x	x	x

Table 5.3.

## The largest integrated regional entities

Unity	Part of the world and the countries	Level of integration
European Union	Europe – 28 countries	Economic Union
Eurasian Economic Community (EurAsEc)	Eurasia – Russian Federation, Belarus, Kazakhstan	Economic Union
NAFTA	North America – Canada, USA, Mexico	Free trade area
MERCOSUR (Mercado Común del Sur).	South America – Argentina, Brazil, Uruguay, Paraguay, Venezuela + Associates: Chile, Bolivia, Colombia, Peru, Ecuador	Common market
ASEAN (Association of Southeast Asian Nations)	Philippines, Malaysia, Singapore, Indonesia, Thailand, Brunei, Vietnam, Cambodia, Laos, Myanmar	Free trade area

The European countries have made the greatest progress in terms of regional economic integration. It was here that the European Union was founded on November 1, 1993 on the basis of the Treaty on the European Union signed in Maastricht (the Netherlands) between the European Community members on 7 February 1992. Currently, the Union includes 28 countries whose integration provides for economic policy harmonization among all the member states.

In June 1993, the criteria for EU membership for the countries of Central and Eastern Europe were coined at the Copenhagen meeting of the European Council.

They are as follows:

1) stability of institutions which ensure democracy, the rule of law, human rights, observance and protection of minority rights (the so-called political criterion);

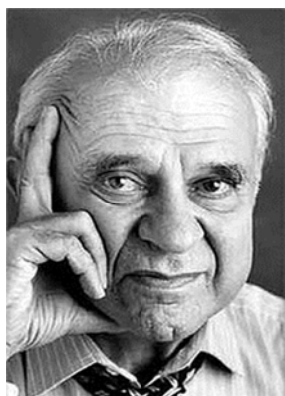
2) functioning market economy, as well as the ability to deal with competitive pressure and the impact of market forces in the EU (economic criterion);

3) ability to take up commitments deriving from membership, including the pursuit of political, economic and monetary goals through bringing the national legislation in conformity with the *acquis communautaire* (legal criterion).

The list of criteria above is not exhaustive since there is also a criterion related to the EU ability to admit a new member, as well as a geographical criterion as only a "European country" can accede to the EU.

### 5.8. Urbanisation and agglomeration of the world economy

Globalization and related regionalization processes have caused significant transformations in the world economy of today. This promoted the role and enhanced significance of the spatial economic studies in economics and international relations.



Vasily Leontiev

The main contributors to the establishment and development of the spatial economics are Nobel laureates Vasily Leontiev, Paul Krugman, as well as the father of regional science and regional analysis Walter Izard



Walter Izard

The spatial economics reflects the current concentration of reproductive processes in certain centers ("nuclei") of the world economy. Such processes initiate proliferation of the social and economic development stimuli throughout the world.

According to P. Krugman, the concentration of reproductive processes in certain world centers is caused by the following:

1. Large-scale production, on the one hand, and the attempts to reduce transportation costs, on the other, drive population towards metropolitan cities.
2. An increasing population of the cities, i.e. urbanization, in its turn, stimulates economic development and production growth, which completes the circle and raises urban population leading to the emergence of new metropolitan cities.

Due to the above processes, in the recent decades, urbanization has assumed worldwide proportions and has affected both developed and developing countries.

In various corners of the world, the so-called conurbations are formed. The term refers to extended urban areas, formed due to the merger of the neighboring cities into a single metropolitan zone



Metropolitan city of Chi-Pitts in the US, 35 mln people

The Boswash metropolis in the northeast of the United States, covering the area from Boston to Washington, constitutes 17 % of the population on about 2% of the country's territory. There are similar urbanized territories in Japan, China, Mexico, Brazil, Europe, Russia, etc.

Urbanization and creation of regions for continuous urban development encourages concentration of productive capacities, which leads to agglomeration of the world economy. Consequently, the regions of the planet are divided into high-tech areas (industrial metropolises) and less developed "periphery".

### **Comprehension questions on topic 5**

1. Draw a chart of the geographical and economic development stages.
2. Define the term of international labor division. The main forms of the international labor division.
3. Theoretical foundations and economic relevance of the international labor division.
4. Formula for establishing national specialization in the geographical labor division.
5. Define the term of international economic relations.

6. Describe two interrelated components of the international economic relations.
7. List the main forms of international economic relations.
8. Share of foreign trade in the system of international economic relations.
9. Correlation between trade in goods and services in the world trade.
10. Standard model of foreign trade and its economic nature.
11. Formulas for trade turnover and trade balance.
12. Two major tendencies in the international trade. Their nature.
13. GATT and WTO as the regulating mechanisms of the world trade.
14. Structure of the world trade in terms of finished goods, products of the primary industry, agricultural products
15. Forms of product markets in the foreign trade structure.
16. Product and location-related segments of foreign trade. Give examples.
17. Phenomena caused by the internationalization of economy.
18. Transnationalization, its qualitative and quantitative aspects.
19. Globalization: give a definition and describe the phenomenon.
20. Regionalization: definition.
21. Region: definition. Donating and subsidized regions.
22. Cross-border cooperation: nature and purpose.
23. Euroregion as a form and tool of cross-border cooperation.
24. International economic integration: definition and economic nature. Which processes in the countries' development does it encourage?
25. Preconditions for successful regional economic integration.
26. Forms and levels of international regional economic integration. Draw up a table.
27. 27. What major regional economic entities do you know?
28. 28. Maastricht Treaty and the Copenhagen criteria.
29. 29. Nature of the Copenhagen criteria.
30. Spatial economy. Reasons for modern urbanization and concentration of reproductive processes in certain parts of the world.
31. Urbanization and agglomeration of the world economy.
32. The largest metropolitan cities of the planet.

## TOPIC 6

# CONCEPTS OF THE DEVELOPMENT OF THE WORLD ECONOMIC SYSTEM AND INTERNATIONAL ECONOMIC RELATIONS

### 6.1. The concept of the world-systems

The concept of the world-systems, also known as world-system analysis, was developed in the 1970s as a comprehensive interdisciplinary approach to the studies in the world culture and development of the society. Novelty of this concept lies in the fact that its creators examined and explored not individual components of the world but the world as a single system, i. e. basic units for studying the society are represented by the world-systems instead of separate states (as their elements).



Immanuel Wallerstein

One of the scientists who developed this concept was the American sociologist and economist I. Wallerstein.

In his scientific papers, I. Wallerstein offers several definitions of the fundamental concept of world-systems. One of them describes the world-system as "a social system with its own borders, a specific structure, groups of agents, legitimization and interaction rules. It can be considered as an organism to the extent that it has a certain life cycle in the course of which some properties of the system are changing while others remain the same".

In terms of structure, the modern world-systems consist of the center, semi-periphery and periphery (Fig. 6.1).

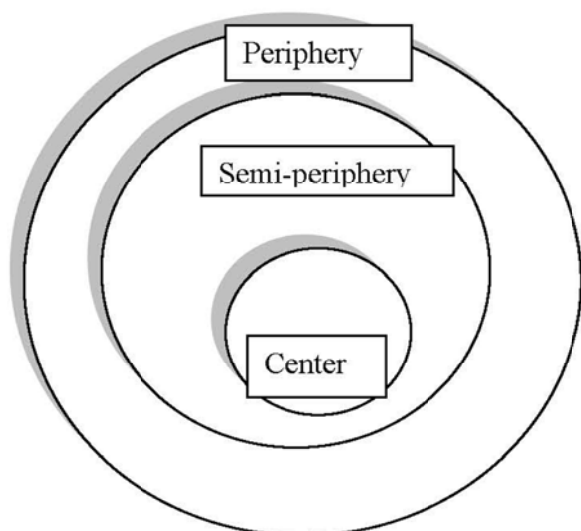


Fig. 6.1. Structure of the world-systems

The "center" is represented by the advanced countries with a high income per capita – Western Europe, USA, Canada, Japan, Australia, New Zealand, UAE, Kuwait, Israel, "newly industrialized countries of the world" such as the Republic of Korea, Singapore, etc. are also close to this group. "Semi-periphery" includes countries with an average level of social and economic development, namely Greece, South Africa, Venezuela, Brazil and other nations with a moderate income per capita. This group also covers post-socialist countries – Poland, Hungary,

Czech Republic, Slovakia, Russia, Ukraine, etc. "Periphery" is formed by a large number of developing countries with a low income per capita located in Africa, Asia, America, in particular Chad, Somalia, Mozambique, Ethiopia, Tanzania, Afghanistan, Bangladesh, Bolivia, Ecuador, Paraguay, etc.

According to I. Wallerstein, the world-systems is similar to any other system in that it is a fully functional organism with its own development cycle – establishment, development and transformation. The current world-system has already entered the final stage of its development (reached the bifurcation point), a new world-system shall emerge after. It is impossible to say whether it will be better or worse than the existing one, but the fact that the current system will be replaced is beyond doubt, according to I. Wallerstein. This is caused by numerous challenges (demographic, economic, environmental, political ones, etc.) the humanity is facing and the contradictions among the countries of the "center", on the one hand, and the "periphery" and "semi-periphery" countries, on the other.

## 6.2. Classification of countries depending on their social and economic development

There are several classifications and typologies of the countries around the world. The typology based on the UN methodology is the simplest one as it proceeds from the world population income. According to this methodology, all countries fall into three groups.

Group 1 – high-income countries (over \$ 20,000 per person).

Group 2 – middle-income countries (\$ 5–20,000 per person).

Group 3 – low-income countries (less than \$ 5,000 per person).

The first group ("center") consists of the countries with the highest GDP (GNP) per capita – \$ 20–40 thousand and more and an income of over \$ 15–20 thousand per person. They cover the United States, Canada, Japan, most of the Western Europe countries.

These countries are considered to be highly developed.

New members such as United Arab Emirates, Israel, Republic of Korea, Kuwait, seek to join the group of highly developed countries.

GDP structure in highly developed countries is dominated by the service sector with a small share of agriculture (Fig. 6.2).

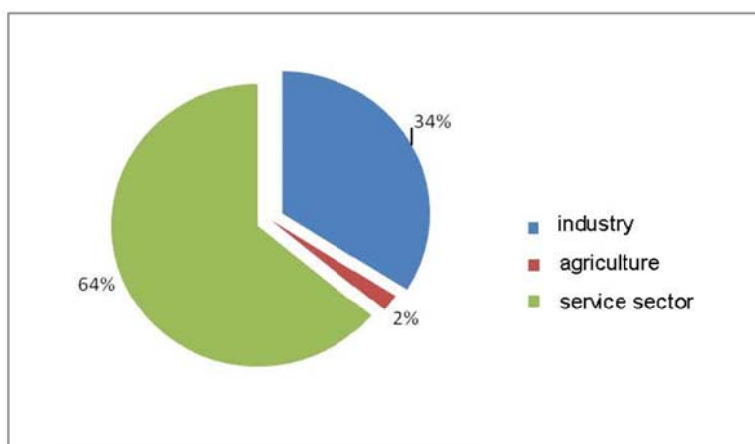


Fig. 6.2. GDP structure in high-income countries

"G7", consisting of the USA, Japan, Canada, Germany, France, Great Britain, Italy, holds a special place among the highly developed countries. G7 members are the world economy leaders who have achieved the highest labor productivity and the greatest scientific and technological progress. These countries account for over 80 % of the industrial output of all advanced countries and about 50 % of the world industrial output. They provide 50 % of all exported goods for the world market.

The second group ("semi-periphery") includes countries with average levels of social and economic development. Their GDP ranges from \$ 5,000 to \$ 20,000

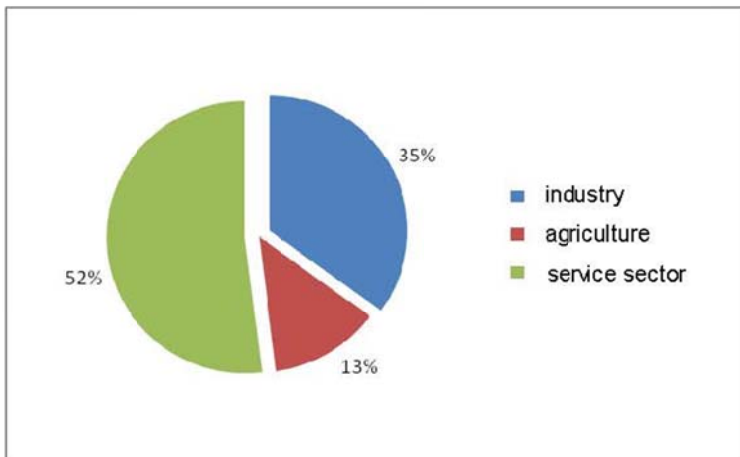


Fig. 6.3. GDP structure in middle-income countries

per person. The income per capita amounts to \$ 3.5 to \$ 10–15 thousand. Such countries are Greece, RSA, Venezuela, Brazil, Chile, Oman, Libya. A large group of former socialist countries such as the Czech Republic, Slovakia, Poland, Hungary, the Baltic countries, Russia, Ukraine also belong to this group.

A relatively high share of industry in the GDP output is a

characteristic feature of the aforementioned group (Fig. 6.3).

The third group is constituted by over 60 countries. GDP per person amounts to \$ 500 to \$ 3.5 thousand, while their income per capita ranges from \$ 365 to \$ 2500. India, China, Vietnam, Pakistan, Lebanon, Jordan, Bolivia, Paraguay, Ecuador, etc. are part of this group.

This group includes 50 of the least developed countries of the world where the annual GDP per capita is only \$ 360–500. Generally, such countries are described by a narrow, even monocultural economic structure, a significant dependence on external sources of funding and a low purchasing power.

The share of literate adults does not exceed 20 %; the value of the manufacturing sector output amounts to no more than 10 % of the GDP.

The least developed countries of the world cover Chad, Somalia, Mozambique, Ethiopia, Tanzania, Afghanistan, Bangladesh, etc.

A vast majority of these countries holds a relatively small share in the GDP produced by the service sector and a large share of agricultural products (Fig. 6.4).

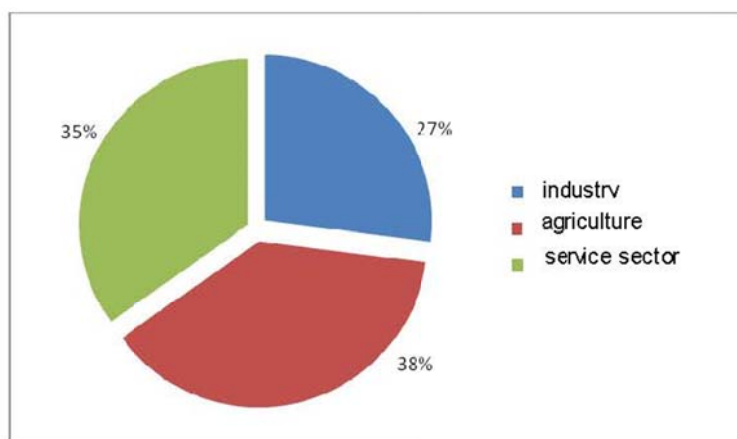


Fig. 6.4. GDP structure in low-income countries

A clear interconnection between the GDP structure, employment of the population and income per capita can be traced. The higher the employment in the service sector and the lower the employment in the agricultural and industrial sectors are, the higher the average income per capita will be and vice versa.

### 6.3. Concept of a new international economic order

The periphery countries, most of which have a low income per capita, face considerable development challenges.

1. Most of them take part in the internationalization of economy as suppliers of raw materials and manufacturers of labor-intensive products (some of them are suppliers of parts and components for sophisticated up-to-date technologies), this provokes their dependence on the advanced nations.

2. Their income:

Firstly, it is smaller, secondly, such national economies are unstable as they rely heavily on the world market conditions.

3. Their population has a low purchasing power while the domestic market is rather small. Their specialization is monocultural in nature.

4. Most low-income countries are dependent on the center countries in terms of the national debt which interferes with the development of their economies.

The contradictions between the periphery and center countries predetermined the development of the New International Economic Order (NIEO) concept adopted by the United Nations in 1974.

The concept ensured preferential conditions to be provided for the developing countries to take part in international economic relations, it is also aimed at assisting them in social and economic development and easing the burden of debt.

The NIEO concept is represented by 3 documents.

UN Declaration on the Establishment of a New International Economic Order.

Action plan for its implementation.

Charter of Economic Rights and Duties of States.

The main provisions of the new international economic order are as follows:

- Recognition of the sovereign equality of all states in the framework of international economic cooperation.
  - Establishment of the full national sovereignty over natural resources and all the economic activities.
  - Attenuation of fluctuations in prices for commodities exported to the developing countries and reduction of the price differential for imported products of the manufacturing sector.
  - Expansion of trade preferences for developing countries.
  - Adoption of measures targeted at reducing the technological gap between the developed and developing countries.
  - Solution to the problem of financial debt for the developing countries.
- Unfortunately, the aforementioned measures as well as similar ones have not been implemented yet for a number of reasons.

#### 6.4. Sustainable development concept

Sustainable development is a concept of social and economic development of the countries around the world which is based on the principles of the society and economy humanization, efficient use of natural resources of our planet in the best interests of humanity, respect for civil rights, social security of the population due to a more proportionate distribution of income and capital (Table 6.1).

Table 6.1.

Main components of sustainable development

Components of sustainable development	Indicators
Economic	GDP Output of basic products per person Sectoral composition of the economy
Social	Quality of life and standard of living
Environmental	Radioactive contamination of soil Environmental pollution Capital investments into solving environmental problems
Nature and resource-related	Indicators which describe renewal and rational use of natural resources

The concept of sustainable development follows environmentalization of science, social and economic development, which began as early as the 1970s after the publication of the famous scientific work, "The Limits to Growth", by the representatives of the Club of Rome.

Its ideas were expanded at the UN Conference on Environment and Development in Rio de Janeiro in 1992, Agenda for the 21st Century. The

Sustainable Development Concept provisions were amplified at conferences in Johannesburg, Kyoto, etc.

The so-called Kyoto Protocol, which entered into force on February 16, 2005, is of particular significance. Upon concluding the Kyoto Protocol, the signatories undertook to reduce emissions of carbon dioxide, methane and other industrial gases that cause global warming, the aforementioned reduction was supposed to reach 5.2 percent in comparison with the 1990 emission levels.

The strategy of sustainable social and economic development is aimed at finding a balance for humans, society and nature. The achievement of this goal requires fulfillment of the following conditions:

- The political system must provide for participation of the public in the decision-making process.
- The economic system must ensure extended reproduction and technical progress on a local basis for the purpose of their continuous strengthening.
- The social system shall relieve tensions arising out of a lack of balance in the economic development.
- The production system must preserve the environmental and resource base.
- The technological system must contribute to a constant search of new solutions.
- The system of international economic relations shall foster stability of trade and financial relations.
- The administrative system must be sufficiently flexible and adjustable.

Generally, the main components of sustainable social and economic development are of economic, social and environmental nature.

### **Comprehension questions on topic 6**

1. Concept of the world-systems. Their nature, definition of the "center", "semi-periphery" and "periphery" of the world economy.
2. UN classification of countries around the world. Description of each of the types.
3. GDP structure in the high-income countries.
4. GDP structure in the middle-income countries.
5. GDP structure in the low-income countries.
6. Principal challenges for the development of the countries in the "periphery".
7. Concept of a new international economic order (NIEO). The reasons for its emergence, fundamental documents.
8. Three main tasks NIEO aims to solve.
9. Concept of sustainable development. Its nature, purpose, status of implementation.
10. Main components of sustainable development.

## TOPIC 7

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### MAJOR INTERNATIONAL ORGANIZATIONS

The need for international cooperation, search for equality in the relations between the countries and maintenance of peace led to the establishment of numerous global as well as regional international organizations. They are subdivided into four types: global – United Nations, etc., strategic – North Atlantic Treaty Organization, regional – Organization for Security and Cooperation in Europe, industry-related – Organization of Petroleum-Exporting Countries, etc.

The overriding goal of any international organization is to join the efforts of several states in a certain field: political – Organization for Security and Cooperation in Europe (OSCE), military (NATO), economic – Organization for Economic Co-operation and Development (OECD), monetary and financial – International Monetary Fund (IMF), etc. An international organization can be founded if the following criteria are fulfilled:

- At least 3 countries willing to participate.
- A permanent official body and headquarters.
- A founding treaty.
- Respect for the sovereignty of the member states.
- Non-interference in the domestic affairs of member-states.

International organizations can be both governmental and non-governmental (e.g. Amnesty International, Doctors Without Borders, etc.).

The most influential and authoritative international organization, universal in its nature, is the United Nations.

#### 7.1. United Nations Organization

The United Nations Organization (UNO) is a global international organization whose aim is to maintain and strengthen peace, international security and international cooperation worldwide.

The principal UN bodies:

- General Assembly (GA),
- Security Council (SC),
- Secretariat (Secretary-General),
- International Court of Justice,
- Economic and Social Council;
- Board of Trustees.

It is headquartered in New York.

### Specialized UN agencies and offices

Under the UN Charter, each of its principal bodies is entitled to establish specialized agencies or offices to honor its commitments. Consequently, there are numerous UN offices and agencies focused on specific tasks. The most significant among them are:

- ILO (International Labor Organization);
- International Atomic Energy Agency;
- UN Food and Agriculture Organization;
- UNESCO (United Nations Educational, Scientific and Cultural Organization);
- UNIDO (United Nations Industrial Development Organization);
- The World Bank;
- World Health Organization.
- IMF (International Monetary Fund) (Fig. 7.1).

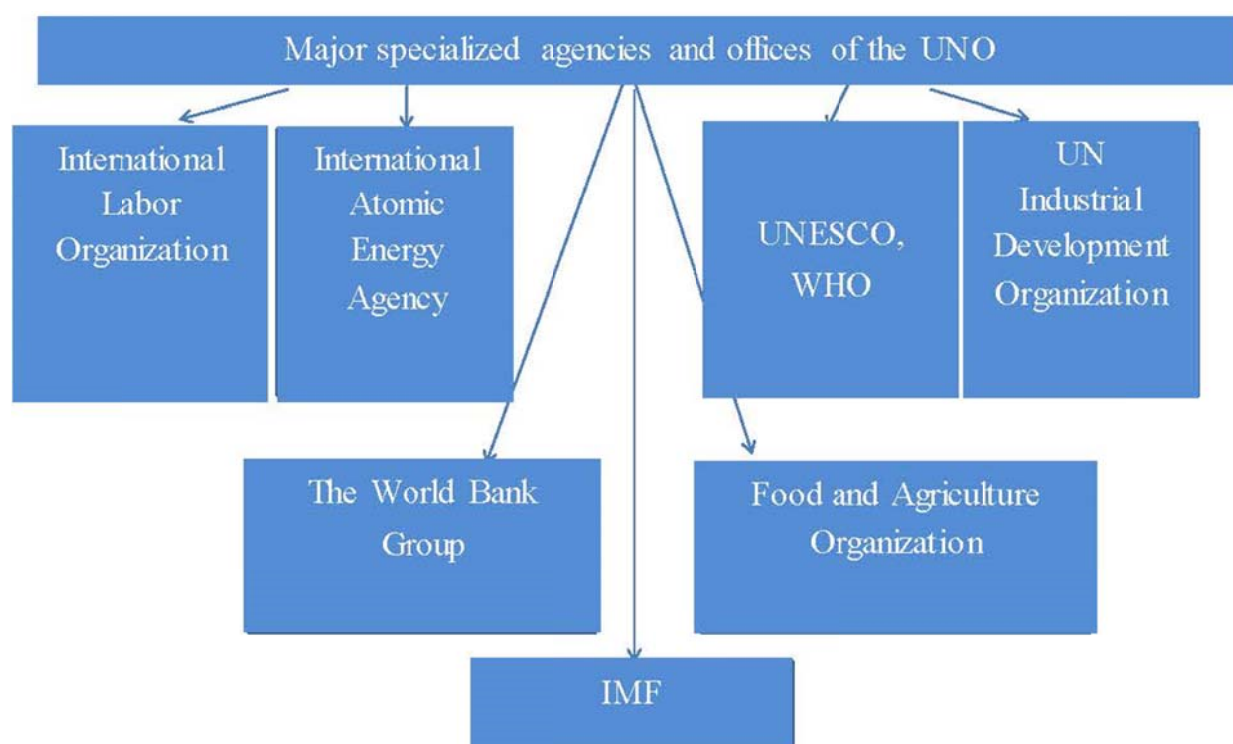


Fig. 7.1. Specialized UN agencies and offices

The World Bank Group and the International Monetary Fund (IMF) play a major role in the global economic development as well as development of the national economies.

The World Bank Group is composed of the World Bank itself, which comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), as well as the International Finance Corporation (IFC), the Multilateral Investment Guarantee

Agency (MIGA), the International Center for Settlement of Investment Disputes (Fig. 7.2).

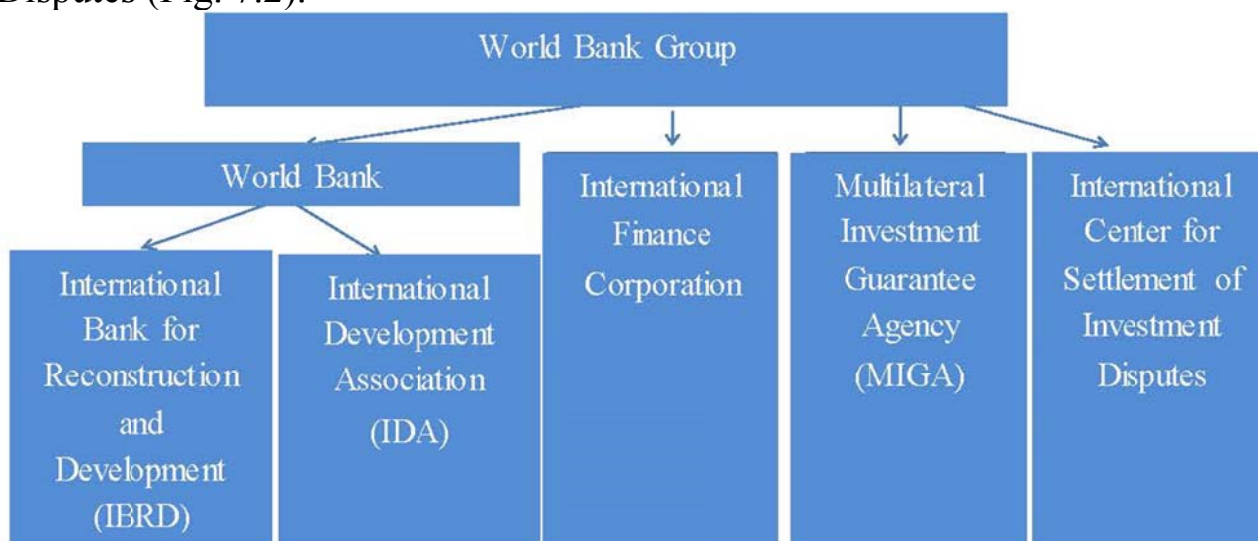


Fig. 7.2. Structure of the UN World Bank

The **World Bank**, created in 1944, is one of the most important organizations which provide financial assistance for the development of national economies worldwide.

The World Bank differs from the World Bank Group as it comprises only two institutions – the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The International Bank for Reconstruction and Development carries out most of the World Bank activities.

Apart from the two agencies mentioned above, the World Bank Group includes three more institutions:

International Finance Corporation (IFC);

Multilateral Investment Guarantee Agency (MIGA);

International Center for Settlement of Investment Disputes (ICSID).

Thus, the World Bank Group consists of five constituent organizations.

### **The International Monetary Fund (IMF).**

The International Monetary Fund (IMF) is a UN agency focusing on the regulation of monetary relations in the member states and provision of financial aid in case of a gap in the balance of payments by granting loans in a foreign currency.

The IMF has 191 members.

The IMF is headquartered in Washington, USA.

The IMF serves as the institutional basis of the present-day global monetary system. Its basic monetary unit and the main equivalent is the US dollar. The US plays a dominating role in the IMF.

The IMF resources are formed due to contributions to the authorized capital

made by the member states depending on their quota and due to the funds borrowed. The United States, Japan, Germany, the United Kingdom and France have the highest quotas. Their share as well as that of 20 other countries which are considered highly developed at the global level account for about 2/3 of the total authorized capital. The share in the authorized capital determines the number of votes the country is entitled to in managing the IMF funds (Table 7.1).

Table 7.1

Share of votes of some members in the IMF Board of Governors (2010)

Countries	Share of votes, %	Countries	Share of votes, %
USA	17.7	Italy	3.3
Japan	6.6	Canada	2.7
Germany	6.1	Russia	2.5
Great Britain	5.1	India	2.4
France	4.5	Netherlands	2.2
China	4.0	Ukraine	0.6

## 7.2. Organization for Economic Cooperation and Development, Organization for Security and Cooperation in Europe

*The Organization for Economic Cooperation and Development (OECD)* was created in 1961 to become the "successor" to the Organization for European Economic Cooperation founded in 1948 to coordinate economic assistance the United States and Canada provided for Europe to restore its economy in the post-war period. The organization was further expanded due to accession of Japan, Australia, New Zealand, Finland, Mexico, Czech Republic, Hungary, Poland, Estonia, Republic of Korea and other economically developed countries in Asia, America. Currently, the OECD has 34 members whose output reaches up to two-thirds of the goods and services produced by the world economy.

Through joint programs, the organization maintains relations with numerous non-member countries from the former Soviet bloc, Asian and Latin American countries. In certain cases, such relations result in expansion of the organization through accession of new members.

The OECD carries out extensive analytical activities, develops recommendations for its members and serves as a platform for multilateral negotiations on economic issues. Namely, its activities are aimed at counteracting money laundering, tax evasion, corruption, bribery, etc.

*The Organization for Security and Cooperation in Europe (OSCE)* – up to 1995 known as the Conference for Security and Cooperation in Europe

(CSCE) – was established in 1975 on the basis of the Final Act signed by 33 governments of Europe, the United States and Canada in Helsinki.

Provisions of the Final Act have become a long-term plan of action aimed at building a consolidated, peaceful, democratic and prosperous Europe.

At the meeting held in Helsinki in July 1992, the member states decided to establish the Forum for Security and Cooperation (FSC) in Vienna which now serves as a platform for dialogue on security issues and negotiations on arms control, disarmament and confidence and security building.

On January 1, 1995, under the decision of the Budapest Summit, the Conference for Security and Cooperation in Europe became the Organization for Security and Cooperation in Europe (OSCE) with a status recognized internationally. The OSCE member states now include Austria, Albania, Azerbaijan, Andorra, Belgium, Belarus, Bulgaria, Bosnia and Herzegovina, Vatican, United Kingdom, Armenia, Greece, Georgia, Denmark, Estonia, Ireland, Spain, Italy, Kazakhstan, Canada, Cyprus, Kyrgyz Republic, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Netherlands, Germany, Norway, Poland, Portugal, Russia, Romania, San Marino, Serbia, Slovakia, Slovenia, United States of America, Tajikistan, Macedonia, Turkey, Hungary, Uzbekistan, Ukraine, Finland, France, Croatia, Czech Republic, Montenegro, Switzerland and Sweden. The Parliamentary Assembly founded in April 1991 is one of the central OSCE institutions, whose functioning is crucial for fulfilling the objectives of the Organization as a whole.

The Foreign Affairs Council consisting of the ministers of the OSCE member states is the main forum for regular political consultations.

Under the Declaration of the Helsinki Summit of 1992, the OSCE developed a range of mechanisms for detachment of official missions and personal representatives of the OSCE President to establish facts, submit reports, carry out monitoring and provide mediation depending on their powers on crisis management and conflict prevention.

### **7.3 World Trade Organization**

World Trade Organization (WTO). It is a leading international economic organization comprising 160 members which account for over 96% of the world trade. It promotes development of free trade between its members and raises the significance and relevance of competition in the global market of goods and services. The organization is mainly concerned with establishing rules for the international trading system and resolving conflicts among member states. After a range of countries, currently candidates for accession, join the organization, the WTO will cover almost the entire trade turnover in goods and services worldwide.

In the recent years, the scope of the WTO activities has expanded greatly, at present they go beyond trade relations and to some extent function as a tool of international economic regulation. WTO membership has now become almost an indispensable prerequisite for any country seeking to integrate into the world economy.

The foundations of the modern WTO were laid in 1947 when some countries adopted the rules of international trade in goods known as the General Agreement on Tariffs and Trade – GATT. Later, in April 1994, 123 countries in Marrakesh (Morocco) signed the declaration establishing the World Trade Organization (WTO), which incorporated the GATT trade agreement as one of its principal instruments. Apart from governing international trade in goods, the WTO dealt with the regulation of international trade in services.

Virtually all major powers have now joined the WTO. In addition to purely economic benefits gained through reduced trade barriers, the WTO exerts a positive influence on the political and social situation in the countries and individual well-being of the citizens. The WTO system encourages competition and eases trade barriers. Reduction of the protectionist trade barriers makes imports of goods and services cheaper, as well as leads to cutting costs for trade in domestic products which require imported components, this results in an increase in the standard of living.

Ukraine became a WTO member in 2008.

### **Comprehension questions on topic 7**

1. Types of international organizations. Their purpose.
2. Criteria for establishment of international organizations.
3. The UN. Its purpose. Main bodies.
4. UN specialized agencies and offices.
5. The World Bank Group. Structure. Functions of the World Bank.
6. International Monetary Fund (IMF). Its functions.
7. Organization for Economic Cooperation and Development (OECD). Tasks the organization seeks to solve.
8. Organization for Security and Cooperation in Europe (OSCE). Tasks the organization seeks to solve.
9. GATT and the World Trade Organization.
10. Economic functions of the WT

# UKRAINE IN THE WORLD ECONOMY

## 8.1. Geographical and economic position of Ukraine

Geographical and economic position refers to a range of spatial relations between a country (region) and other economic entities (industrial regions, countries, etc.) which are located beyond its borders but affect the development of the country itself.

Several methods can be offered to estimate the geographical and economic position. The most widely used ones include the method of quantitative estimation of the geographical and economic potential and the "nearest neighbor" method.

Estimation of the geographical and economic potential may involve the so-called gravity model, which can be expressed as follows:

$$V_i = P_i + \sum_{j=1}^n \frac{P_j}{d_{ij}},$$

where:  $V_i$  – aggregated economic potential of  $i$  country;

$P_i$  – the country's own economic potential;

$P_j$  – economic potential of the  $j$  countries;

$d_{ij}$  – distance between the countries;

$n$  – number of countries.

This method allows for estimating not only the geographical and economic potential of the country, but also its growth resulting from the influence exerted by the economic potentials of the neighboring countries due to direct and inverse relationships between them.

One of the simplest and easy-to-use ways to estimate the geographical and economic (or geopolitical) position of a country is the "nearest neighbor" method. Essentially, it stipulates that the proximity of any studied entity to others can be presented in certain conventional units. Namely, accessibility to immediate neighbors is rated as 1, accessibility to more distant countries is rated as 2, then 3, etc.

The addition of topological distances permits to identify the entities whose location is the most convenient in relation to others (with a minimum sum of topological distances). The hierarchy coefficient is calculated according to the formula:

$$K = \frac{\sum_1^n L_i}{\sum_1^n L_{i \min}}$$

where  $K$  is the hierarchy coefficient for the location of the territory in relation to the territory of the centre;

$\sum_1^n L_i$  – sum of topological distances for each territorial entity

$\sum_1^n L_{i \min}$  – minimum sum of topological distances.

Estimation of the geographical and economic position of Ukraine with the "nearest neighbor" method (the matrix of topological distances) shows the following:

- within the European macroregion, the hierarchy coefficient of its geographical and economic position ( $K_i = 1.05$ ).  $i$  is one of the highest values, namely 1.05. Only Germany and France outpace Ukraine;

- against the backdrop of a larger macroregion (super-region), which, covers Kazakhstan, the republics of Central Asia, the Caucasus, Turkey, the Middle East and North Africa as well as European countries, Ukraine is also characterized by a relatively high hierarchy coefficient of the geographical and economic position ( $K_i = 1.11$ ).

Ukraine is outpaced by Germany, Russia, and France only.

Therefore, the geographical and economic situation of Ukraine can be described as one of the most convenient for extensive foreign economic ties.

The geographical position of Ukraine is convenient as well as the available transportation routes. Railways and motorways, pipelines, airlines connecting the eastern regions of Russia, Kazakhstan, Central Asia, the Caucasus and the countries of Central and Southern Europe run through the country.

The Ukrainian territory is also marked by the shortest routes connecting the northern and central regions of Russia, as well as the Baltic and Scandinavian countries with the Black Sea region.

Access to the seas of the World Ocean (though, unfortunately, through the internal straits of Turkey) enables Ukraine to establish and develop its foreign economic relations with a wide range of countries, including the USA, Great Britain, Canada, etc.

The geopolitical position of Ukraine, which is determined not only by its geographical location, but also by the political, social and economic situation in the surrounding countries, is reasonably favorable.

1. Ukraine has no shared borders with the advanced European countries.

2. It borders the following countries: Russia, Belarus, Poland, Slovakia, Hungary, Moldova on land, as well as reasonably developed Turkey, Bulgaria, Romania, Georgia across the Black Sea (Fig. 8.1).

Presently, there is no reason to expect a significant positive impact to be produced on the development of the Ukrainian economy by highly developed countries belonging to the second and third "neighboring areas" (Germany, Austria, Italy, France, etc.). Capital, technologies, know-how, investment originating there can "settle down" in the countries directly bordering the advanced nations before reaching Ukraine.

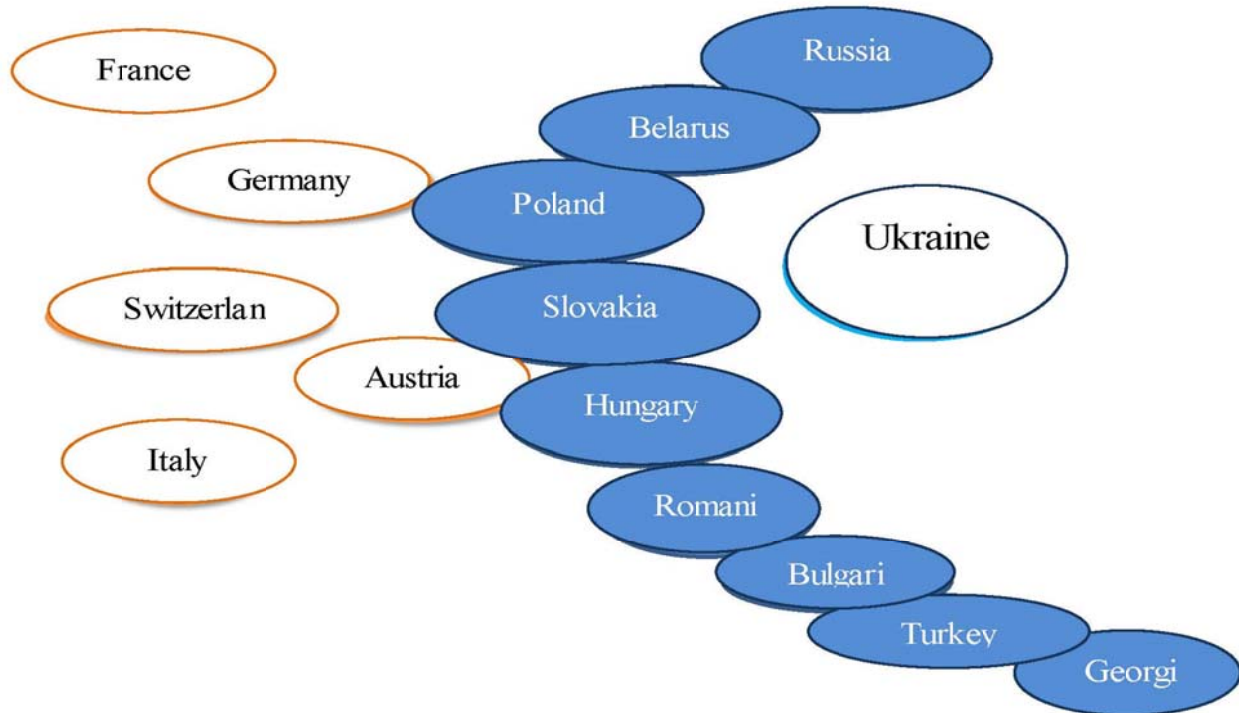


Fig. 8.1. Geopolitical position of Ukraine

The territory of Ukraine extends over three natural and climatic zones:  
 steppe;  
 forest-steppe;  
 forest (Polesye).

Generally, it benefits from favorable agro-climatic conditions which enable the production of the main crops characteristic of the moderate climate, which provides for the development of various sectors of agriculture. The prevalence of even land also contributes to agricultural production.

## 8.2. Factors of production in Ukraine

Ukraine possesses considerable factors of production such as land, labor and capital.

**Land.** The territory of Ukraine reaches 603.7 thousand km<sup>2</sup>.

In terms of its territory, Ukraine holds the second place in Europe (after Russia).

The share of land attributed to each of its citizens is about 1.25 times higher than that of an average European.

Up to 25 % of the world's black soils are concentrated on the Ukrainian territory. Bituminous coal and brown coal, iron and manganese ore, mineral salt, natural building materials, etc. are abundant, though the reserves of oil and natural gas as well as forest resources are rather limited (Fig. 8.2).

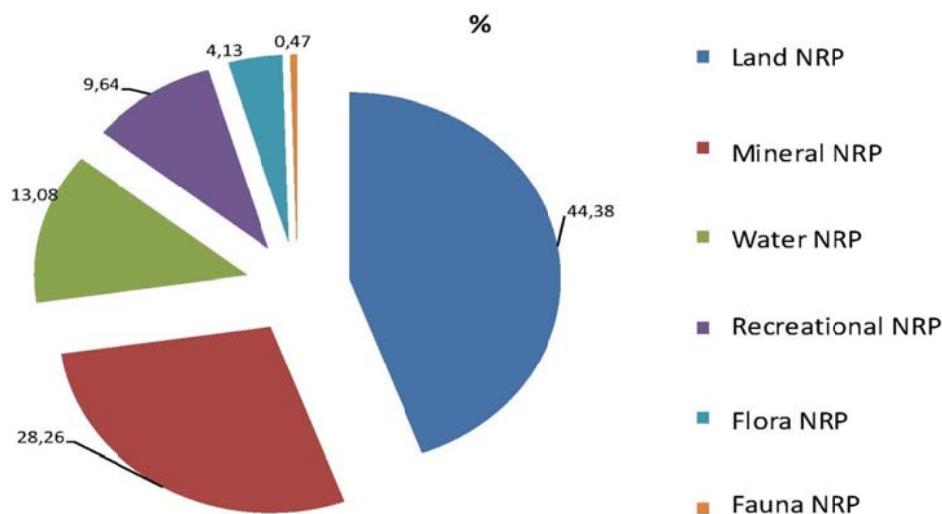


Fig. 8.2. Structure of the natural resource potential (NRP) in Ukraine

As shown in Fig. 29, the land resources constitute the principal natural wealth of the country as they account for 44.38% of the total NRP, land is followed by minerals (mineral resources) which amount to 28.26 % of the NRP, water resources reach 13.08 % while recreational NRP is limited to 9.64 %. The smallest share is made by flora and fauna resources hold the smallest share in the total NRP of the country, 4.13 and 0.47 % respectively.

A relatively low amount of water available to the territory can be cited as one of the shortcomings. The natural water supply on a considerable part of the territory is insufficient and unstable. Consequently, up to 2/3 of the arable lands are at risk in terms of their agricultural potential.

**Labor force.** Ukrainian population of over 45 million people wins it the 6th place in Europe. As well as in most of the European countries, the balance of natural population increase in Ukraine is passive, which leads to a gradual decline in the total population and a deteriorating demographic situation. Still, Ukraine has a relatively considerable and, to a large extent, highly qualified labor force.

**Capital** (property and financial resources). The economic and financial potential of the country shrank due to complicated social, economic and geopolitical conditions after the collapse of the Soviet Union, disrupted industrial and technological connections with enterprises of Russia and other republics. Gold-value reserves are limited, significant funds were transferred abroad by oligarchic clans (mainly to offshore zones), the state budget is affected by a revenue deficit, as a result, the country has to take foreign loans, thus increasing the public debt.

*Technology*, as a production factor, can be regarded as unsatisfactory from the perspective of the current economic development of Ukraine. The country uses outdated, energy-intensive and material-consuming production technologies. The introduction of cutting-edge technologies and know-how requires considerable subsidies the country is unable to provide.

The citizens' *entrepreneurial skills* are considerable, however, in the former centrally controlled system they were suppressed, individual entrepreneurial initiative was unwelcome, for this reason, at present, at the time of market relations, entrepreneurial abilities are only starting to come back to life.

### 8.3. Challenges of economic growth

After the Soviet Union collapsed, more than a third of the metallurgical production capacities, a fourth of all coal production, a considerable share of equipment manufacturing for the purposes of mining, metallurgical, light and food industries, vehicles of the former USSR remained in Ukraine (whose territory reached only 2.7 % of the area and only 18 % of the USSR population lived in Ukraine). A large disproportion is observed between the production capacities of heavy industry and the country's needs, which reduced the total output and led to bankruptcy of some enterprises.

In Soviet times, Ukraine (as well as the USSR as a whole) did not achieve a sufficient level of development. Numerous industries involved in the production of consumer goods were unable to develop sufficiently in Ukraine during the Soviet period. Presently, their establishment and development requires significant investments the country is unable to ensure while foreign investments are mainly targeted at the service sector (trade and entertainment, beer production, tobacco, etc.) and finance.

Currently, the national economy of Ukraine is dominated by a group of material production industries as well as the primary sector, construction, freight transportation, communications, trade. These industries account for over 50 % of all the people employed and about 70 % of fixed capital stock.

Agriculture, primarily crop production, plays a major role in the national economy.

The Ukrainian economic structure is now closer to that of developing countries rather than highly developed ones which is caused both by the general backwardness of the former Soviet economy and a lack of investment necessary to reform and restructure economy.

Having gained its independence, Ukraine as well as other countries of the former Soviet Union joined the global system of geographical labor division. Nevertheless, it proved to be insufficiently prepared for participation.

The Soviet system of geographical labor division virtually collapsed, and the Ukrainian economy had to face the world economic system with new functioning conditions, old connections, obsolete infrastructure, numerous enterprises with excessive production capacities.

A centrally controlled system was destroyed, markets relations could not function properly, the country’s economy was in the grip of a crisis, the monetary and financial one. All these factors held back the development of Ukraine by many years.

Nowadays, in the world economic system, Ukraine specializes in the production of:

- ferrous metals (cast iron, steel);
- chemical products (mainly mineral fertilizers);
- agricultural products (primarily grain);
- certain engineering products (mainly for military purposes);
- space technology.

Generally, taking account of its current status and economic development level, Ukraine can be classified as a country of average development as confirmed by the main macroeconomic indicators (Table 8.1).

Table 8.1

## Principal macroeconomic indicators

Indicator	Ukraine	Worldwide average	Minimum	Maximum
GDP per capita, \$ (by PPP)	7290 (111 <sup>th</sup> place)	10000–12000	150–300	> 100000 (Luxembourg, Monaco)
Life expectancy	69 (52,1 for men and 73.8 for women)	67.2 (65.0 for men and 69.5 for women)	39.6 (Swaziland)	82.6 (78 for men, 86.1 for women – Japan)
Quality of life (HDI)	0.7 (78 <sup>th</sup> place out of 177 countries)	0.45–0.65	0.3–0.4	> 0.95 (Norway)
Global Competitiveness Index	4.05 (84 <sup>th</sup> place)		2.85 (Chad -148 <sup>th</sup> place)	5.67 (Switzerland, Singapore)
Correlation of the economic sectors, % GDP	Industry –30 Agriculture – 15 Services – 55	Industry – 32 Agriculture – 8 Services – 60		Industry – 25–30 Agriculture –2–5 Services – 65–70

Against the backdrop of the state independence, the need for geo-economic certainty in the global economic space and integration into the system of global economic processes, a new foreign economic strategy needs to be

developed and implemented for Ukraine to become an independent agent of international economic relations.

Presently, Ukraine is an equal partner in international communication, participating in the pan-European process and a range of European agencies, actively contributing to reinforcement of world peace and security, maintaining trade and economic relations with most of the modern countries worldwide.

Integration into the EU has become one of the top-priority directions within the geopolitical strategy of Ukraine. Accomplishment of this goal requires meeting the so-called "Copenhagen criteria" related to compliance with certain economic, social and legal standards.

Becoming an associate member of the European Union in 2014 was the first step towards eurointegration for Ukraine. This enabled Ukraine to join a free trade area with the EU and take part in European integration programs<sup>5</sup>.

The principal objectives of the foreign economic policy of Ukraine targeted at the EU zone include the following:

- search for mutually beneficial economic, financial, scientific and technical cooperation;
- stimulation of trade relations with EU member states and encouragement of investments;
- financial and technical assistance from the EU member states for Ukraine to carry out market reforms and establish a socially oriented market economy;
- reinforced economic security of Ukraine.

### **Comprehension questions on topic 8**

1. Outline the geo-economic position of the country.
2. Give an estimation of the geo-economic potential of the country on the basis of the gravity model.
3. Give an estimation of the geo-economic (or geopolitical position) of the country with the methods of "closest neighborhood" by calculating the hierarchy coefficients of location.
4. Describe the current geo-economic status of Ukraine.
5. . Description and structure of the factors of production in Ukraine
6. Describe the economic problems Ukraine is currently facing, their causes and potential solutions.
7. Describe the foreign economic strategy of Ukraine in terms of its European integration.
8. The principal objectives of the foreign economic policy of Ukraine associated with its political course aimed at the EU membership.

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<sup>5</sup> Associated EU members are Turkey, Morocco, Algeria, Tunisia, Libya, Egypt, Lebanon, Jordan, Israel, some Latin American countries.

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## GLOSSARY

<p><b>Автаркія</b> – економічна політика самозабезпечення території країни або регіону шляхом створення замкнутого самодостатнього господарства, спрямована на максимальне обмеження ввозу (імпорту) і стимулювання вивозу (експорту).</p>	<p><b>Autarchy</b> is an economic policy of self-sufficiency implemented by a country or a region due to a closed sustainable economy focused on the maximum possible restriction of import and stimulation of export.</p>
<p><b>Автономія</b> – 1) право території на самоврядування, тобто самостійно здійснювати державне управління на підставі власних законів, що регулюють її внутрішнє життя; 2) самоврядування певної частини держави, яке здійснюється в межах, передбачених загальнодержавним законом – конституцією.</p>	<p><b>Autonomy</b> refers to 1) the right to self-government i. e. the territory is entitled to exercise state administration independently under the laws governing its domestic affairs; 2) self-government exercised by a certain part of the state within the limits established by the national law – constitution.</p>
<p><b>Агропромисловий комплекс (АПК)</b> – функціональна багатогалузева підсистема, що виражає взаємозв'язок, взаємодію сільського господарства та поєднаних із ним галузей економіки з виробництва сільськогосподарської техніки, сільськогосподарської продукції, її зберігання, транспортування, перероблення та реалізації.</p>	<p><b>Agroindustrial complex (AIC)</b> is a functional multisectoral subsystem reflecting the interconnection and interaction of agriculture and the related branches of economy which manufacture agricultural machinery and agricultural products, provide for their storage, transportation, processing and distribution.</p>
<p><b>Анклав</b> – територія, або частина території держави чи адміністративно-територіальної одиниці, з усіх боків оточена територією іншою держави чи адміністративно-територіальної одиниці.</p>	<p><b>Enclave</b> is a state, part of a state's territory or an administrative territory surrounded by another state or an administrative territory on all sides.</p>
<p><b>Аукціон</b> – періодично діючий центр посередницької торгівлі реальними товарами з індивідуальними властивостями.</p>	<p><b>Auction</b> is a center of intermediary trade in real goods with their inherent characteristics which operates on a periodic basis.</p>
<p><b>Аутсорсинг</b> – передача організацією, на основі договору, певних бізнес-процесів або виробничих функцій з обслуговування іншої компанії, що спеціалізується у відповідній галузі.</p>	<p><b>Outsourcing</b> is an agreement in which a company hires another company to be responsible for certain business processes or industrial functions in the corresponding field.</p>
<p><b>Багатонаціональні корпорації</b> – міжнародні корпорації, які є міжнародними за сферами діяльності. Їх відмінними рисами є існування багатонаціонального керівного центру та багатонаціонального акціонерного капіталу.</p>	<p><b>Multinational corporations</b> are corporations carrying out their activities internationally. Their distinctive features include a multinational management center and multinational stock capital.</p>
<p><b>Бартер</b> – прямий безгрошовий обмін товарами або послугами. Здійснюється за єдиним договором, в якому з метою еквівалентності обміну, для визначення розміру страхових сум, оцінки претензій, нарахування санкцій фіксується сума договору.</p>	<p><b>Barter</b> is a direct cashless exchange of goods or services. It is carried out under a single contract where the contract value is fixed for the purpose of exchange equivalence, determination of the insured amount, assessment of claims and imposed sanctions.</p>

<p><b>Біржа</b> – найбільш розвинена форма регулярно функціонуючого оптового ринку товарів, що продаються за стандартами (сортами), а іноді й за зразками, а так само ринку цінних паперів (акцій і облігацій) та іноземної валюти.</p>	<p><b>Stock exchange</b> is a highly developed, regularly functioning wholesale market for the goods sold depending on their standards (varieties) and sometimes samples, as well as the markets of securities (shares and bonds) and foreign currency.</p>
<p><b>Брокер</b> – фізична особа, яка зареєстрована на біржі згідно зі статутом і до обов'язків якої належить виконання доручень за рахунок та від імені принципала. Є посередником при укладенні угод між продавцями і покупцями цінних паперів, товарів, валют та інших цінностей на фондових і товарних біржах.</p>	<p><b>Broker</b> is an individual registered on the stock exchange pursuant to the charter and responsible for performance of assignments at the cost and expense and on behalf of the principal. They are mediators in the conclusion of agreements between sellers and buyers of securities, goods, currencies and other valuables on stock and commodity exchanges.</p>
<p><b>Валютна політика</b> – комплекс заходів у сфері міжнародних валютних відносин, що реалізуються відповідно до поточних і стратегічних цілей країни.</p>	<p><b>Foreign exchange policy</b> refers to measures taken in the field of international monetary relations and corresponding to the current strategic goals of the country.</p>
<p><b>Валютна система</b> – форма організації та регулювання валютних відносин, закріплена національним законодавством або міждержавними угодами.</p>	<p><b>Currency system</b> is one of the forms of organization and regulation of monetary relations provided for by the national laws or interstate treaties.</p>
<p><b>Валютний курс</b> – вартість грошової одиниці однієї країни, виражена в грошових одиницях іншої країни.</p>	<p><b>Exchange rate</b> is the cost of a country's currency in relation to the currency of another country.</p>
<p><b>Вільна (спеціальна) економічна зона</b> – частина території країни з особливим юридичним і економічним статусом, на якій товари розглядаються як об'єкти, що знаходяться за межами національної митної території, і тому не піддаються звичайному митному контролю й оподатковуванню, створюючи сприятливі умови для залучення іноземних інвестицій.</p>	<p><b>Free (special) economic area</b> is a part of a country's territory with a specific legal and economic status where goods are considered as objects beyond the national customs territory; therefore, they are free from customs control or taxation which improves conditions for foreign investments.</p>
<p><b>Галузева структура</b> – характеризує співвідношення між різними підрозділами господарства: промисловістю, сільським господарством, будівництвом, транспортом, невиробничою сферою.</p>	<p><b>Sectoral structure</b> describes the relations between different branches of economy: industry, agriculture, construction, transport, tertiary sector.</p>
<p><b>Глобалізація</b> – процес географічного поширення інтернаціоналізації господарської діяльності, а також соціальних, культурних та ін. явищ в житті людського суспільства, що набуває характер всесвітнього масштабу.</p>	<p><b>Globalization</b> refers to geographical expansion of economic internationalization, as well as social, cultural and other phenomena in the human society that reach a global scale.</p>
<p><b>Господарство</b> – сукупність усіх галузей матеріального виробництва і невиробничої сфери певної території.</p>	<p><b>Economy</b> covers all the branches of the industrial production and the tertiary sector of a certain territory.</p>
<p><b>Демпінг</b> – метод фінансової нетарифної торгової політики, що полягає в просуванні товару на зовнішній ринок за рахунок зниження експортних цін нижче за нормальний рівень цін, що існує в цих країнах.</p>	<p><b>Dumping</b> is a method of financial non-tariff trade policy consisting in the promotion of a product in the foreign markets through reduced export prices below the regular level of prices in these countries.</p>

<b>Держава</b> – політична форма організації життєдіяльності суспільства на обмеженій державним кордоном території шляхом створення органів влади, які керують основними сферами суспільного життя.	<b>State</b> is a form of political organization of a society on a specific territory restricted to the state borders by establishing governmental bodies that govern the principal spheres of public life.
<b>Дефолт</b> – непогашення в строк зовнішніх зобов'язань, а також запровадження умов обміну державних цінних паперів, які є менш сприятливими для іноземних інвесторів, ніж попередні.	<b>Default</b> is the failure to settle foreign liabilities and to introduce exchange conditions for government securities less favorable to foreign investors than previous ones.
<b>Диверсифікація</b> – вкладення грошей в різні види цінних паперів, що зменшує ризик.	<b>Diversification</b> refers to investment in different securities, which reduces the associated risks.
<b>Дискримінаційний режим</b> – режим економічних відносин між країнами, згідно з яким юридичним і фізичним особам однієї країни надаються в їх економічній діяльності на території країни, що проводить дискримінацію, гірші умови, ніж ті, які надані на цій самій території юридичним і фізичним особам інших країн.	<b>Discriminatory treatment</b> is a type of economic relations between countries where legal entities and individuals of one country are carrying out their economic activities on the territory of the discriminating country under worse conditions than those provided to legal entities and individuals of other countries on the same territory.
<b>Дистриб'ютор</b> – посередник, який володіє правом на купівлю та збут певної продукції від свого імені та за свій рахунок.	<b>Distributor</b> is a mediator who is entitled to buy and sell certain products on their own behalf and at their own expense.
<b>Економічна інтеграція</b> – процес зближення національних економік шляхом утворення єдиного економічного простору для вільного переміщення товарів, послуг, капіталів, робочої сили через національні кордони.	<b>Economic integration</b> is a process of rapprochement between the national economies which create a common economic space for free movement of goods, services, capital, labor across national borders.
<b>Економічні ресурси</b> – сукупність ресурсів, які використовуються в господарській діяльності для виробництва, обміну, розподілу та споживання матеріальних і духовних благ, задоволення зростаючих потреб населення.	<b>Economic resources</b> refer to the resources involved in economic activities focused on the production, exchange, distribution and consumption of material and spiritual assets, satisfaction of the growing needs.
<b>Економічно активне населення</b> – частина працездатного населення, зайнята суспільно корисною працею, що дає їй дохід, необхідний для відтворення самої себе.	<b>Economically active population</b> refers to the share of the working-age population involved in socially beneficial activities which bring income and simultaneously recreate the activity itself.
<b>Експорт</b> – продаж товарів або послуг, що передбачає їх вивезення за кордон (включає реекспорт).	<b>Export</b> is the sale of goods or services to foreign customers (including re-export).
<b>Єврорегіон</b> – транскордонне регіональне утворення на теренах Європи, що сформувався у межах суміжних одиниць адміністративно-територіального поділу двох і більше країн на основі реалізації спільних програм і угод, підписаних на рівні органів місцевого самоврядування.	<b>Euroregion</b> is a cross-border regional entity on the territory of Europe uniting adjacent administrative territories of two or more countries through joint programs and treaties signed by local governments.
<b>Єдиний економічний простір</b> – сукупність національних територій країн, у межах яких діють загальні принципи господарювання, узгоджені єдині правила зовнішньоекономічних відносин.	<b>Common economic space</b> refers to the national territories of countries sharing economic principles, single rules of foreign economic relations.

<b>Зовнішній борг</b> – фінансові зобов’язання держави (зовнішні позики та несплачені за них відсотки іноземним кредиторам на певну дату).	<b>Foreign debt</b> refers to financial state liabilities (foreign loans and pending interest payable to foreign creditors as of a certain date).
<b>Зовнішня політика країни</b> – загальний курс держави у міжнародних справах, сукупність принципів і пріоритетних методів, що визначають діяльність органів державної влади та державного управління у сфері регулювання відносин даної держави з іншими країнами і народами відповідно до національних інтересів та конкретно-історичними цілей.	<b>Foreign policy of a country</b> is the general course of action the state follows in international affairs, a range of principles and top-priority methods governing the work of public authorities and state administration in regulating relations within the state and other countries and peoples in line with national interests and specific historical goals.
<b>Зовнішньоекономічна діяльність</b> – діяльність суб’єктів господарської діяльності України та іноземних суб’єктів господарської діяльності, побудована на взаємовідносинах між ними, що має місце як на території України, так і за її межами.	<b>Foreign economic activity</b> is the activity of economic agents of Ukraine and foreign economic agents based on the relations between them both at home and abroad.
<b>Зовнішньоекономічна політика</b> – комплекс заходів, метою яких є досягнення певних переваг на світовому ринку й одночасно – захист внутрішнього ринку від конкуренції іноземних товарів.	<b>Foreign economic policy</b> refers to the measures aimed at gaining certain advantages in the world market and, at the same time, protecting the domestic market from foreign competition.
<b>Зона вільної торгівлі</b> – найпростіша форма економічної інтеграції, за якої всі члени угруповання взаємно скасовують мито на товари та послуги, що надходять у сферу зовнішньої торгівлі країн-учасниць.	<b>Free Trade Area</b> is the basic form of economic integration where all members of a group lift customs duties on goods and services for each other within the framework of the foreign trade among the participating states.
<b>Іммігрант</b> – особа, яка переселилася в дану країну з-за її меж.	<b>Immigrant</b> is a person who moved to a country from abroad.
<b>Імміграційна міграційна політика</b> – політика держави, що регулює прийняття іноземних громадян.	<b>Immigration policy</b> is the state policy governing the admission of foreign citizens.
<b>Імпорт</b> – купівля товарів або послуг, що передбачає їх ввезення з-за кордону (включає реімпорт).	<b>Import</b> is the purchase of goods or services involving their imports from abroad (including re-import).
<b>Інвестиційна діяльність</b> – сукупність практичних дій суб’єктів щодо реалізації інвестиції.	<b>Investment activities</b> cover a range of actions undertaken by the economic agents while making investments.
<b>Інвестиційний ризик</b> – характеризує ймовірність виникнення непередбачуваних фінансових витрат в ситуації невизначених умов інвестування.	<b>Investment risk</b> refers to the probability of unanticipated financial expenditure under uncertain investment conditions.
<b>Інвестиційний ринок</b> – ринок, що регулює сукупність економічних відносин, які виникають між продавцем та покупцем інвестиційних ресурсів.	<b>Investment market</b> is the market which regulates the economic relations established between the seller and the buyer of investment resources.
<b>Інвестиції</b> – вкладення капіталу у будь-якій формі в ту чи іншу справу для подальшого його збільшення або збереження.	<b>Investment</b> refers to injecting capital in any business for the purpose of its expansion or support.

<p><b>Індустріальні (промислові) парки</b> – ділянка землі зі спорудженнями та із загальною інфраструктурою, призначена для використання групою промисловців з метою забезпечення підприємств інфраструктурою для їхньої основної виробничої діяльності.</p>	<p><b>Industrial (production) parks</b> refer to land plots with facilities and infrastructure necessary for a group of manufacturers to provide enterprises with infrastructure required for their principal industrial activities.</p>
<p><b>Інжиніринг</b> – комплекс послуг комерційного характеру з підготовки та забезпечення процесу виробництва та реалізації продукції, обслуговування будівництва та експлуатації промислових, інфраструктурних, сільсько-господарських та інших об'єктів.</p>	<p><b>Engineering</b> is a range of commercial services for preparation and support of the production process and sale of products, construction maintenance and operation of industrial, infrastructural, agricultural and other facilities.</p>
<p><b>Інноваційна модель розвитку</b> – модель соціально-економічного розвитку економічно розвинених країн, що базується на інформаційному способі виробництва.</p>	<p><b>Innovative development model</b> is a model of social and economic development of advanced countries based on the informational production methods.</p>
<p><b>Інтелектуальний потенціал</b> – капітал нації, який створюється в науково-дослідних інститутах, лабораторіях та вищих навчальних закладах.</p>	<p><b>Intellectual potential</b> is the capital of a nation accumulated by research institutions, laboratories and higher educational establishments.</p>
<p><b>Інтернаціоналізація виробництва</b> – виявляє себе кількісно – у зростанні кількості міжнародних фірм і у розширенні масштабів їх діяльності, а якісно – у формуванні внутрішньо-корпоративних міжнародних ринків, які охоплюють переважну частину світових потоків товарів, послуг, капіталу і робочої сили.</p>	<p><b>Internationalization of production</b> is manifested in the growing number of international companies and in expansion of their activity from the quantitative point of view, and in the creation of intra-corporate international markets, which cover the vast majority of world flows of goods, services, capital and labor from the qualitative perspective.</p>
<p><b>Інтернаціоналізація господарського життя</b> – зближення національних економік, що виявляє себе в зростанні виробничої взаємозалежності, міжнародного товарообігу, руху капіталів і робочої с, взаємного впливу на найважливіші економічні процеси в країнах.</p>	<p><b>Internationalization of economy</b> is the rapprochement of national economies, manifested in the growing industrial interdependence, international turnover of goods, capital and labor flow, mutual influence on the crucial economic processes in a variety of countries.</p>
<p><b>Інфраструктура</b> – комплекс галузей господарства, що забезпечують загальні умови виробництва й життєдіяльності людей.</p>	<p><b>Infrastructure</b> is a range of industries which create fundamental conditions for production processes and people's lives.</p>
<p><b>Картель</b> – угода між підприємствами, які домовляються між собою про цінову політику і/або поділ ринку.</p>	<p><b>Cartel</b> is an agreement between enterprises which agree on pricing policies and/or market division.</p>
<p><b>Квота</b> – кількісний нетарифний засіб обмеження експорту або імпорту товару певною кількістю або сумою на певний термін. За спрямованістю дії квоти поділяються на: експортні і імпортні; за обхватом – на глобальні, групові, індивідуальні</p>	<p><b>Quota</b> is a quantitative non-tariff measure of restricting export or import of a product to a fixed amount or value for a specified period of time. Depending on the target goods/services, quotas are subdivided into export and import ones; depending on their scope quotas are classified into global, group and individual ones.</p>

<p><b>Кластер</b> – мережева група географічно близьких, взаємопов'язаних компаній та співпрацюючих з ними організацій, що спільно діють у певному виді бізнесу і характеризуються спільністю напрямків діяльності та взаємодоповненням один одного.</p>	<p><b>Cluster</b> is a network group of geographically close, interconnected enterprises and cooperating enterprises which work together in a particular business, share directions of their activity and complement one another.</p>
<p><b>Конвертованість</b> – обмін національної грошової одиниці на інші валюти, купівля та продаж іноземної валюти.</p>	<p><b>Convertibility</b> refers to the exchange of national currency to other currencies, purchase and sale of foreign currency.</p>
<p><b>Лібералізація зовнішньоекономічної політики</b> – розширення свободи економічних дій і зняття обмежень на діяльність у сфері міжнародних відносин для національних господарюючих суб'єктів, а також спрощення доступу на внутрішній ринок для зарубіжних суб'єктів.</p>	<p><b>Liberalization of foreign economic policy</b> refers to a greater freedom of economic activities and elimination of restrictions on activities for national economic agents in the course of international relations, as well as a facilitated access to the domestic market for foreign economic agents.</p>
<p><b>Лізинг</b> – довгострокова оренда машин, обладнання, промислових товарів інвестиційного призначення, куплених орендодавцем для орендаря для їх виробничого використання, при збереженні права власності на них за орендодавцем на весь термін договору оренди.</p>	<p><b>Leasing</b> is a long-term hire of machines, equipment, industrial investment goods purchased by the lessor for production purposes of the lessee, the lessor still retains their ownership for the entire term of the lease.</p>
<p><b>Ліквідність інвестицій</b> – їхня потенційна спроможність за короткий час і без суттєвих фінансових витрат трансформуватися у грошові кошти.</p>	<p><b>Investment liquidity</b> is the investment potential to be transformed into monetary funds promptly and without any significant value loss.</p>
<p><b>Ліквідність:</b> 1) здатність майнових цінностей швидко і без значних втрат вартості перетворюватися у грошові кошти; 2) визначення можливості покриття зобов'язань підприємства його активами; 3) рентабельність та фінансова стійкість підприємства, їх показники.</p>	<p><b>Liquidity:</b> 1) ability of property holdings to be converted into monetary funds promptly and without any significant value loss; 2) determination of an enterprise's capability to cover liabilities with its assets; 3) profitability and financial stability of the enterprise, their indicators.</p>
<p><b>Ліцензія</b> – письмовий дозвіл на використання об'єкта права інтелектуальної власності, в тому числі патенту на винахід, промисловий зразок, корисну модель.</p>	<p><b>License</b> is a written permit for the use of intellectual property, including a patent for an invention, an industrial design or a utility model.</p>
<p><b>Ліцензування</b> – регулює зовнішньоекономічну діяльність через дозволи, що видаються державними органами на експорт або імпорт товару у встановленій кількості за певний проміжок часу.</p>	<p><b>Licensing</b> regulates foreign economic activity through permits issued by state bodies for export or import of goods in a fixed amount for a specific period of time.</p>
<p><b>Маржа</b> – різниця між цінами, курсами, ставками; надбавка до орієнтира – вартості певного кредиту.</p>	<p><b>Margin</b> is the difference between prices, rates, values; markup to the value of the loan.</p>
<p><b>Митний збір</b> – податок, що стягується при перетині товаром митного кордону, який підвищує ціну товарів, що імпортуються (експортуються), і, отже, впливає на обсяги і структуру зовнішньої торгівлі країни.</p>	<p><b>Customs duty</b> is a tax levied when the goods are crossing the customs border, which raises the price of imported (exported) goods consequently influencing the volume and structure of the country's foreign trade.</p>

<i>Митний союз</i> – поглиблена форма економічної інтеграції, яка крім скасування мита на торгівлю між країнами-членами угруповання, виробляє і застосовує єдиний митний тариф у торгівлі з іншими країнами.	<i>Customs Union</i> is a manifestation of profound economic integration which not only lifts customs duties between member states but also establishes and imposes a single customs tariff for trading with other countries.
<i>Міграційна політика</i> – комплекс законодавчих, організаційних, економічних заходів, спрямованих на регулювання в'їзду в країну і виїзду з країни населення.	<i>Migration policy</i> is a range of legislative, organizational and economic measures aimed at regulating the processes of moving in and out of the country.
<i>Міграційне сальдо</i> – різниця між кількістю людей, що переселилися за межі даної країни (емігранти), і кількістю людей, що переселилися дану країну з-за її меж (іммігранти).	<i>Migration balance</i> is the difference between the number of people who moved beyond the country's borders (emigrants) and the number of those who moved into the country from beyond its borders (immigrants).
<i>Міжнародна економічна інтеграція</i> – процес зближення й проникнення національних господарських комплексів шляхом формування якісно нової економічної сфери в регіональному масштабі.	<i>International economic integration</i> is the process of rapprochement and mutual penetration of national economic complexes through the creation of a completely new economic sphere of a regional scale.
<i>Міжнародна ліквідність</i> – спроможність країни або групи країн забезпечувати свої короткострокові зовнішні зобов'язання прийнятними платіжними засобами.	<i>International liquidity</i> is the ability of a country or a group of countries to fulfill its short-term foreign commitments through acceptable means of exchange.
<i>Міжнародна спеціалізація виробництва (МСВ)</i> – форма міжнародного поділу праці, за якої зосередження однорідного виробництва у світі відбувається на основі прогресуючої диференціації виробничих процесів між різними країнами та їх суб'єктами.	<i>International specialization of production (ISP)</i> is a form of international labor division where the concentration of homogeneous production in the world proceeds from progressive differentiation of production processes between different countries and their economic agents.
<i>Міжнародна товарна номенклатура</i> – список товарів, складений відповідно до певної класифікаційної системи.	<i>International commodity classification</i> is a list of goods based on a particular classification system.
<i>Міжнародна торгівля</i> – сфера міжнародних товарно-грошових відносин, що є сукупністю зовнішньої торгівлі всіх країн світу.	<i>International trade</i> is a field of international exchange relations among all the countries of the world.
<i>Міжнародний кредит</i> – форма руху позикового капіталу у сфері міжнародних економічних відносин, де кредиторами і позичальниками виступають суб'єкти різних країн.	<i>International lending</i> is a form of borrowed capital flow in the course of international economic relations, where economic agents from various countries act as creditors and borrowers.
<i>Міжнародний науково-технологічний обмін</i> – сукупність економічних відносин між іноземними контрагентами з приводу використання результатів науково-технічної діяльності, що мають наукову і практичну цінність; передача знань і технологій, що стосуються певних виробничих процесів, в межах світового господарства.	<i>International scientific and technological exchange</i> refers to economic relations between foreign counterparties arising out of the use of the scientific and technological achievements of scientific and practical value; transfer of knowledge and technology related to specific production processes in the world economy.

<p><b>Міжнародний поділ праці (МПП)</b> – вищий шабель розвитку суспільно-територіального поділу праці між країнами, який спирається на стійку, економічно вигідну спеціалізацію виробництва окремих країн на тих чи інших видах продукції і веде до взаємного обміну результатами виробництва між ними в певних кількісних і якісних співвідношеннях.</p>	<p><b>International labor division (ILD)</b> is the top point in the development of social and territorial labor division between countries based on sustainable, profitable specialization in the production of certain goods by individual countries which leads to mutual exchange of production outcomes proceeding from quantitative and qualitative ratios.</p>
<p><b>Міжнародний ринок</b> – частина національних ринків, яка безпосередньо пов'язана з ринками інших країн.</p>	<p><b>International market</b> is the share of national markets directly connected with foreign markets.</p>
<p><b>Міжнародний рух капіталу</b> – переміщення капіталу між країнами у пошуку більш вигідної сфери застосування.</p>	<p><b>International capital flow</b> refers to movement of capital between countries in search of a profitable project.</p>
<p><b>Міжнародні валютні відносини (МВВ)</b> – сукупність суспільних відносин, що складаються при функціонуванні валюти у світовому господарстві та обслуговують взаємний обмін результатами діяльності національних господарств.</p>	<p><b>International currency relations (ICR)</b> refer to social relations resulting from the currency functioning in the world economy which serve as the basis for the mutual exchange of national economy products.</p>
<p><b>Міжнародні економічні відносини (МЄВ)</b> – система відносин, що виникають між суб'єктами з різних країн з приводу виробництва, розподілу, обміну і споживання товарів, послуг, капіталів, ідей в умовах обмеженості ресурсів і міжнародного поділу праці в рамках світового господарства.</p>	<p><b>International economic relations (IER)</b> refer to a system of relations between economic agents of different countries aimed at production, distribution, exchange and consumption of goods, services, capital, ideas against the backdrop of limited resources and international labor division in the world economy.</p>
<p><b>Міжнародні транспортні коридори (МТК)</b> – сукупність різних видів транспорту, що забезпечують значні перевезення вантажів і пасажирів на напрямках їх найбільшої концентрації.</p>	<p><b>International Transport Corridors (ITC)</b> refer to different means of transport which provide for major transportations of cargo and passengers within the routes of their highest concentration.</p>
<p><b>Науково-технічний потенціал</b> – сукупність науково-технічних можливостей, що характеризують рівень розвитку даної держави як суб'єкта світового господарства й залежних від кількості і якості ресурсів, що визначають ці можливості, а також від наявності фонду ідей і розробок, підготовлених до практичного використання.</p>	<p><b>Scientific and technological potential</b> refers to the complex of scientific and technological capacities which determine the level of development of a country as an agent of the world economy and depend on the quantity and quality of resources which provide for the economic capacities, as well as a fund of ideas and designs available for implementation.</p>
<p><b>Національна валютна система (НВС)</b> – є складовою частиною грошової системи країни, хоча вона відносно самостійна і виходить за національні кордони.</p>	<p><b>National Currency System (NCS)</b> is an integral part of a country's monetary system, although it is relatively independent and extends beyond the national borders.</p>
<p><b>Національна економіка</b> – багатогалузева система господарства країни, що максимально забезпечує задоволення суспільних потреб.</p>	<p><b>National economy</b> is a multisectoral system of a country's economy which provides for satisfaction of social needs.</p>
<p><b>Національний ринок</b> – внутрішній ринок, частка якого орієнтується на іноземних покупців.</p>	<p><b>National market</b> is a domestic market partially oriented at foreign customers.</p>

<p><b>Нова економіка</b> – відповідна інноваційній моделі розвитку господарська система, головним ресурсом якої є творчі здібності людей, що формують інтелектуальний капітал.</p>	<p><i>New economy</i> is an economic system corresponding to the innovative development model whose main resource is the creative ability of people which constitutes its intellectual capital.</p>
<p><b>Ноу-хау</b> – науково-технічні знання і досвід, необхідні для реалізації нової продукції чи технології, критеріями яких є невідомість невизначеному колу осіб, наявність очевидних зусиль власника ноу-хау по його збереженню у таємниці і комерційна цінність відповідної інформації.</p>	<p><i>Know-how</i> refers to scientific and technical knowledge and experience required for distributing a new product or technology which meet the following criteria: they are known to a restricted circle of people, the know-how owner makes his/her best efforts to keep them secret, and the relevant information is of clear commercial value.</p>
<p><b>Облігація</b> – борговий цінний папір, що визначає боргові відносини між власником облігації та емітентом і підтверджує зобов'язання емітента повернути власникові її номінальну вартість в обумовлений термін, а також виплачувати визначений відсоток.</p>	<p>A <i>bond</i> is a debt security based on the debt relations between the bond holder and the emitent and confirming the emitent's obligation to reimburse its nominal value to the holder within the established period, as well as to pay the interest.</p>
<p><b>«Полюси зростання» («полюси розвитку»)</b> теоретична концепція, згідно з якою розвиток виробництва в ринкових умовах не є рівномірним в усіх галузях, а завжди можна виділити такі, що найбільш динамічно розвиваються – пропульсивні галузі, які стимулюють розвиток всієї економіки і являють собою «полюси розвитку», навколо яких виникає виробнича агломерація.</p>	<p><b>“Poles of growth” (“development poles”)</b> is a theoretical concept according to which the production development under market conditions differs throughout various industries, the most dynamically developing fields can be singled out; they are known as propulsive industries which stimulate the development of economy in its entirety and represent "development poles" concentrating industrial agglomerations around them.</p>
<p><b>Портфельні інвестиції</b> – вкладення капіталу в цінні папери з метою отримання доходу (дивідендів). Такі інвестиції не забезпечують реального контролю інвестора над об'єктом інвестування.</p>	<p><i>Portfolio investment</i> refers to investing capital in securities in order to make profit (dividends). The investor does not obtain any control over the investment project due to such investments.</p>
<p><b>Преференційний режим</b> – особливий пільговий режим, що надається однією державою іншій без поширення на треті країни.</p>	<p><i>Preferential treatment</i> is a specific favorable treatment granted by one state to another while any third countries are excluded.</p>
<p><b>Природні ресурси</b> – досліджені, розвідані і добуті природні багатства, які використовуються в господарстві і є засобами існування людського суспільства (земля і її надра, водні, рослинні та фауністичні ресурси, ресурси атмосфери).</p>	<p><i>Natural resources</i> refer to studied, explored and extracted natural riches used in the economy as the means to provide for existence of the human society (land and subsoil resources, water, vegetation and faunistic resources, atmosphere).</p>
<p><b>Природні умови</b> – сукупність природних об'єктів і явищ як компонентів і властивостей географічного середовища, що притаманні на певній території.</p>	<p><i>Natural conditions</i> represent a range of natural features and phenomena as constituents and properties of the geographical environment characteristic of a particular territory.</p>
<p><b>Природно-ресурсний потенціал (ПРП)</b> території або акваторії – це сукупна продуктивність природних ресурсів, виражене через їхню споживчу вартість у грошовому вимірі.</p>	<p><i>The natural resource potential (NRP)</i> of a land (water) area is the aggregate productivity of natural resources in terms of their monetary value.</p>

<p><b>Промисловий вузол</b> – зосередження на обмеженій території (у межах одного або кількох сусідніх населених пунктів) підприємств, що об’єднані між собою тісними виробничо-технологічними зв’язками, спільною системою допоміжних виробництв та виробничою інфраструктурою.</p>	<p><b>Industrial hub</b> refers to concentration of enterprises interconnected through close industrial and technological ties, a shared system of auxiliary industries and industrial infrastructure within a certain area (in one or more neighboring communities).</p>
<p><b>Пропульсивна галузь</b> – передова галузь господарства для «довгого» циклу економічної кон’юнктури, що найбільш динамічно розвивається й здатна змінити економіку району, інколи навіть докорінно, надавши йому нову господарську функцію.</p>	<p><b>Propulsive industry</b> is an advanced sphere of economy with the longest economic cycle; being the most dynamic in terms of its development, this area has the potential to change the regional economy; sometimes such changes can become rather drastic in nature which leads to creation of new economic functions.</p>
<p><b>Просторова економіка</b> – одне з основоположних напрямків сучасної зарубіжної економічної науки, який знаходиться на стику економічної географії, регіональної економіки, економічної теорії, математичної економіки, екістики, соціології та демографії. Об’єкт дослідження – просторові утворення у вигляді територіальних соціально-економічних систем різного масштабу, ієрархічного рівня і ступеня інституціоналізації.</p>	<p><b>Spatial economy</b> is one of the principal directions within modern international studies of economy, which is functioning at the crossroads of economic geography, regional economics, economic theory, mathematical economics, ekistics, sociology and demography. The study is focused on spatial units in the form of social and economic territorial systems varying in scale, hierarchical level and degree of institutionalization.</p>
<p><b>Протекціоністська політика</b> – захист внутрішнього ринку від іноземної конкуренції за допомогою тарифних і нетарифних інструментів торгової політики.</p>	<p><b>Protectionist policy</b> refers to protection of the domestic market from foreign competition through tariff and non-tariff instruments of trade policy.</p>
<p><b>Прямі інвестиції</b> – вкладення капіталу з метою одержання підприємницького прибутку (доходу) та вкладення, які зумовлені довгостроковим економічним інтересом і забезпечують контроль інвестора над об’єктом інвестування.</p>	<p><b>Direct investments</b> are investments aimed at making entrepreneurial profit (income) and injections of capital caused by long-term economic interest which give the investors control over the investment project.</p>
<p><b>Район</b> – територія (акваторія), яка за сукупністю явищ або ознак відрізняється від інших територій (акваторій) і характеризується єдністю, взаємозв’язком складових елементів та цілісністю, що є закономірним результатом розвитку даної території (акваторії).</p>	<p><b>District</b> is a land (water) area different from other land (water) areas due to a number of characteristic phenomena or features and is established on the basis of its unified nature, interconnection of constituents and integrity, which results from the development of the land (water) area.</p>
<p><b>Регіон</b> (лат. regio (regionis) – область, округ) – це частина території країни (або сукупності географічно пов’язаних країн) із специфічними природно-кліматичними і економічними умовами та характерною спрямованістю розвитку продуктивних сил з урахуванням демографічних, історичних, соціальних особливостей, розвиток якого здійснюється на основі законів національної і регіональної</p>	<p><b>Region</b> (lat. regio (regionis) – an area, district) is a part of the territory of a country (or several closely located countries) singled out due to specific natural, climatic and economic conditions and specific targeting of productive forces on the basis of demographic, historical, social characteristics; its development is unfolding due to the laws of national and regional economy leading to the establishment</p>

<p>економіки, у результаті чого формуються регіональні економічні відносини.</p> <p>Регіони, як адміністративно-територіальні одиниці держави, в економічному відношенні є територіальними частинами її народногосподарського комплексу і відіграють значну роль у економічному житті країн. Такої роль регіону здійснюється через державний бюджет.</p>	<p>of regional economic relations.</p> <p>As administrative territories of a state, regions form part of the national economy and play a significant role in the national economic development, the role fulfilled through the state budget.</p>
<p><b>Регіоналізація</b> – поглиблення міжнародних зв'язків на компактному просторі, що зветься регіоном.</p>	<p><b>Regionalization</b> refers to deepening of international relations within a restricted area – the region.</p>
<p><b>Рейнжиніринг</b> (англ. re-engineering) – інженерно-консультативні послуги з перебудови систем організації і управління виробничо-торговим і інвестиційним процесами господарюючого суб'єкта з метою підвищення його конкурентоспроможності і фінансової стійкості.</p>	<p><b>Re-engineering</b> covers engineering and consulting services rendered in order to restructure organization and management of industrial, trade and investment processes of an economic entity in order to increase competitiveness and financial stability.</p>
<p><b>Роялті</b> – періодичні процентні відрахування, які встановлюються у вигляді фіксованих ставок на підставі розрахунку фактичного економічного результату використання придбаної науково-технічної продукції та виплачуються ліцензіатом через визначені узгоджені у договорі проміжки часу.</p>	<p><b>Royalty</b> constitutes periodic interest payment set as fixed rates on the basis of the calculated actual economic performance in the use of purchased scientific and technological products and is payable by the licensee at the intervals stipulated by the contract.</p>
<p><b>Світова валютна система (СВС)</b> – форма організації міжнародних грошових відносин, що історично склалася та закріплена міждержавними домовленостями.</p>	<p><b>The World Monetary System (WMS)</b> is a form of international monetary relations established in the course of history and embedded in the interstate agreements.</p>
<p><b>Світове господарство</b> – глобальний економічний організм, що представляє собою сукупність національних господарств, пов'язаних один з одним системою міжнародного географічного розподілу праці, а також економічними та політичними відносинами, котрі підпорядковуються об'єктивним законам ринкової економіки.</p>	<p><b>The world economy</b> is a global economic organism represented by a range of national economies interconnected through international geographical labor division, as well as economic and political relations governed by the objective laws of market economy.</p>
<p><b>Світовий ринок праці</b> – сфера обміну, купівлі-продажу робочої сили, характер якої значною мірою визначається інтересами світового господарства.</p>	<p><b>Global labor market</b> is a platform for exchange, purchase and sale of labor proceeding from the interests of the world economy agents.</p>
<p><b>Світовий ринок технологій</b> – сукупність міжнародних економічних відносин з приводу прибуткового використання прав власності на його об'єкти: технології продуктів, процесів та управління.</p>	<p><b>Global technology market</b> is a complex of international economic relations aimed at profiting from the property rights: product technologies, processes and management.</p>

<p><b>Світ-система</b>, за І. Валлестайном – суспільна система, яка має кордони, структуру, угруповання учасників, правила легітимзації та взаємодії. Вона має ознаки організму з життєвим інтервалом, на протязі якого деякі її властивості змінюються, а деякі залишаються незмінними. У структурному відношенні сучасна світ-система складається з «Центру», «Периферії» та «Напівпериферії».</p>	<p>According to I. Wallerstein, <i>the world-system</i> is a social system with its borders, structure, groups of agents, rules of legitimization and interaction. It is perceived as a living organism with a life cycle in the course of which some of its properties change while others remain stable. From the structural point of view, the modern world-system consists of “center”, “periphery” and “semi-periphery”.</p>
<p><b>Спільний ринок</b> – форма економічної інтеграції, яка передбачає «чотири свободи», тобто вільний рух товарів, робочої сили, капіталу, а також вільне створення центрів підприємницької діяльності.</p>	<p><i>The common market</i> is a manifestation of economic integration underlying “four freedoms”, i.e. free movement of goods, labor, capital, as well as free establishment of business centers.</p>
<p><b>Субсидія</b> – грошова виплата, направлена на підтримку національних виробників і непряму дискримінацію імпорту.</p>	<p><i>Subsidy</i> is a monetary payment aimed at supporting domestic producers and indirect import discrimination.</p>
<p><b>Територіальна структура світової економіки</b> – характеризує концентрацію і дисперсію світової економіки через призму соціально-економічного розвитку країн і регіонів світу.</p>	<p><i>Territorial structure of the world economy</i> describes concentration and dispersion of the world economy from the perspective of social and economic development of countries and regions around the world.</p>
<p><b>Технопарк (технологічний парк)</b> – територія, на якій об'єднані наукові, конструкторські та виробничі підрозділи з наявністю добре оснащеної інформаційної та експериментальної бази і високою концентрацією кваліфікованих кадрів.</p>	<p><i>Tech-park (technological park)</i> is a territory where scientific, design and production units are combined along with a well-equipped informational and experimental base and high concentration of qualified staff.</p>
<p><b>Технополіс</b> – зона економічної активності, яка складається з університетів, дослідних центрів, технопарку, інкубатора бізнесу, промислових і інших підприємств, які здійснюють діяльність, спираючись на результати наукових і технологічних досліджень.</p>	<p><i>Technopolis</i> is an area of economic activity represented by universities, research centers, tech-parks, business incubators, industrial and other enterprises whose activity is based on scientific and technological research findings.</p>
<p><b>Товарні кредити</b> – міжнародні кредити, що надаються експортерами своїм покупцям у товарній формі з умовою майбутнього покриття платежем у грошовій чи іншій товарній формі.</p>	<p><i>Suppliers' credits</i> are international loans provided by exporters to their buyers in the form of commodities which are to be paid off in cash or with other commodities.</p>
<p><b>Торги</b> – один з найпоширеніших видів сучасної торгівлі, їх сутність полягає в укладанні договорів купівлі-продажу (або підяду) через проведення конкурсу серед продавців певного товару.</p>	<p><i>Bidding</i> is one of the most common forms of modern trade which consists in the conclusion of contracts of sale (or work and labor contracts) after a tender among sellers of a certain product.</p>
<p><b>Торговельний баланс</b> – частина платіжного балансу, яка відображує співвідношення вартості між експортом і імпортом країни за певний період часу (звичайно за рік).</p>	<p><i>Trade balance</i> is part of the balance of payments which reflects the ratio of the exports and imports value of a country for a certain period of time (usually a year).</p>
<p><b>Транснаціоналізація</b> – одна з форм процесу інтернаціоналізації, яка здійснюється на основі зростаючої експансії транснаціональних</p>	<p><i>Transnationalization</i> is one of the forms of internationalization based on a greater expansion of transnational corporations.</p>

корпорацій.	
<b>Транснаціоналізація виробництва</b> – система стійких взаємозв'язків між підприємствами, які працюють на території різних держав з метою виробництва товарів та отримання доходу на основі збереження національного контролю над капіталом.	<b>Transnationalization of production</b> is a system of stable relations between enterprises operating in different countries for the purpose of producing goods and making profit on the basis of national control over the capital.
<b>Транснаціональні корпорації</b> – особливого виду компанії, виробнича і торгова діяльність яких винесена за межі національної держави.	<b>Transnational corporations</b> are companies whose manufacturing and trading activities are carried out beyond the state borders.
<b>Трудові ресурси</b> – частина населення, що має фізичний розвиток, розумові здібності і знання, які необхідні для роботи в народному господарстві.	<b>Labor resources</b> refer to the part of population that possesses physical, mental abilities and knowledge necessary for them to work in the national economy.
<b>Ф'ючерсні контракти</b> – угоди про покупку чи продаж визначеної кількості товару (активу) на визначену дату в майбутньому за ціною, встановленою в момент укладання угоди.	<b>Futures contracts</b> are agreements on the purchase or sale of a fixed quantity of a product (asset) at a specified date in the future at a price set as of the date when the agreement is concluded.
<b>Факторинг</b> – придбання банком або спеціалізованою факторинговою компанією права вимоги щодо виплат за фінансовими зобов'язаннями здебільшого у формі дебіторських рахунків за поставлені товари чи послуги.	<b>Factoring</b> refers to the right of claim under financial liabilities, mostly in the form of accounts receivable for supplied goods or services, acquired by a bank or a specialized factoring company.
<b>Франчайзинг</b> – форма співпраці між юридично та фінансово незалежними сторонами (компаніями та/або фізичними особами), в рамках якої одна сторона ( <b>франчайзер</b> ), що володіє успішним бізнесом, відомою <u>торговою маркою</u> , <u>ноу-хау</u> , комерційними таємницями, репутацією та іншими нематеріальними активами, дозволяє іншій стороні ( <b>франчайзі</b> ) користуватися цією системою на певних умовах.	<b>Franchising</b> refers to cooperation between legally and financially independent parties (companies and/or individuals), where one party (franchisor) which runs a successful business, owns a well-known trademark, know-how, trade secrets, goodwill and other intangible assets, grants the other party (franchisee) the right to use the system under certain conditions.
<b>Хеджування</b> – операція по страхуванню від ризику зміни вартості цінних паперів шляхом складання угоди учасником ринку двох протилежних угод, в одній з яких він виграє від зміни їх вартості, в іншій – програє, зводячи у такий спосіб фінансові ризики до мінімуму за рахунок взаємного погашення виграшу та програшу.	<b>Hedging</b> is insurance against the risk of changes in the value of securities which requires a market agent to conclude two contrary agreements, under one of them the agent benefits from the change in value, under the other he/she loses which minimizes financial risks through offset of the profit and loss.
<b>Якість життя</b> – показник задоволення матеріальних і культурних потреб людей. Оцінюється за методикою ООН індексом розвитку людського потенціалу (ІРЛП).	<b>Quality of life</b> is a parameter which determines the degree of satisfaction of material and cultural needs. It is estimated according to the UN Human Development Index (HDI).
<b>Ярмарок</b> – одна з форм міжнародної торгівлі, що є торгівлею за зразками, описами, каталогами (товар, як правило, відсутній).	<b>Fair</b> is one of the forms of foreign trade which deals with samples, descriptions, catalogs (mostly not goods).