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FINANCIAL INTEGRATION AS THE WAY OF INTERNAL MARKETS ADAPTATION TO GLOBALIZATION CONDITIONS

In clause the financial integration as a means of adaptation of home markets to conditions of globalization is considered. The author considers that between financial globalization and financial integration there is a qualitative difference. It is marked, that the financial integration is directed on creation of benefits to the countries, which enter in globalization association, while financial globalization is concept, which contain global processes as a whole. During financial integration of the country, which develops, get the extended opportunities, however incur global financial risks. In modern conditions for the countries, which develop very important to find an optimum at attraction of financial resources.
Keywords: financial resources. Financial integration, financial globalization, financial risks, investment appeal.

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ФИНАНСОВАЯ ИНТЕГРАЦИЯ КАК СПОСОБ АДАПТАЦИИ ВНУТРЕННИХ РЫНКОВ К УСЛОВИЯМ ГЛОБАЛИЗАЦИИ

В статье рассмотрена финансовая интеграции как способ адаптации внутренних рынков к условиям глобализации. Автор полагает, что между финансовой глобализацией и финансовой интеграцией существует качественное отличие. Отмечается, что финансовая интеграция направлена на создание выгод странам, которые входят в интеграционное объединение, в то время как финансовая глобализация является понятием, которые характеризует мировые процессы в целом. В процессе финансовой интеграции развивающиеся страны, расширяют свои возможности, однако берут на себя мировые финансовые риски. В современных условиях для развивающихся стран, очень важно найти оптимум при привлечении финансовых ресурсов.
Ключевые слова: финансовые ресурсы. финансовая интеграция, финансовая глобализация, финансовые риски, инвестиционная привлекательность.

В статті розглянуто фінансову інтеграції як засіб адаптації внутрішніх ринків до умов глобалізації Автор вважає, що між фінансовою глобалізацією й фінансовою інтеграцією існує якісна відмінність. Відмічається, що фінансова інтеграція спрямована на створення вигід країнам, що входять в інтеграційне об'єднання, у той час як фінансова глобалізація є поняттям, що вміщає світові процеси в цілому. У процесі фінансової інтеграції країни, що розвиваються, здобувають розширені можливості, однак беруть на себе світові фінансові ризики. У сучасних умовах для країн, що розвиваються дуже важливо знайти оптимум при залученні фінансових ресурсів.
Ключеві слова: фінансові ресурси. фінансова інтеграція, фінансова глобалізація, фінансові ризики, інвестиційна привабливість.

Problem definition. Financial integration is one of the integration processes components. At the present stage because of financial systems role importance in the economy, it acquires special significance. If we pay attention to imbalance between economic and political development of countries we'll see still the issue of financial integration effects for developed countries and developing countries is unrecognized. It's worth to admit whether further financial integration in conditions of globalization will lead to contrast increasing between economic developed countries and developing countries or whether it will conduce economy's economic growth of the last.

Rationale. Because of European integration positioning of Ukraine researching of possibility for combining international integration processes and supplying of new quality of financial relativities obtain special interest, it means research of new functional connections in which subjects of country members of such union are involved. But for receiving better results concerted efforts are needed for state regulatory functions integration exactly in financial sphere.

Analysis of main research and publications. The problem of financial integration was studied by such foreign authors as G. Barnet, B.Ballasi, J. Vansa, F. Wilson, R.V. Inozemtsev, Mandella, J. Fleming, D. Shuman and also national authors V. Baranovskiy, Z. Lutsishin, A. Galchinskiy, V. Geyets, V. Gorbulin, Y.Kish, V. Kopiyka, A. Lavrenchuk, S. Maksimenko, G. Nemriya, O. Chuvardinskiy, S. Pirozhkov, V. Pyatnitskiy, V. Tkachenko, I. Rozputenko, V. Ryzhykh, J. Surmin, and others.

The goal of the article is to study the definition financial integration as of the way of internal markets adaptation to globalization conditions.

Summary of research base material. Financial integration appeared in history rather long time ago as economics had always tendency for unification and for single standards developing. In spite of it phrasing of this definition in the works of different authors distinguish considerably. First off we need to determine the difference of the definitions «financial globalization» and «financial integration». Some researchers in particular V.S. Pankov, «The difference between two definitions rather quantitative then qualitative» [3, 86].

In such case it is provided integration is a determinant of globalization. But, according to our reckoning there are divergences not only quantitative but qualitative. Financial integration it is interpenetration of financial systems of couple or more countries with the goal of mutual beneficial actions. Globalization is the definition relating to the whole world aggregately. In such a way there is exactly qualitative difference between financial globalization and financial integration. It lays in that financial integration directed on creation of countries' benefits which are parts of integrated union or at any rate in intention for obtaining ideal benefit for each. Financial globalization as globalization in general is the process consequences of which in nowadays just start to appear and not studied deeply because period of this event existing sufficient quantity of empiric material could not accumulate which would let to make the reliable conclusions.

On the basis of the mentioned conception financial globalization is determined as objective economic process caused by the convergence of the economies of various countries. It is the reason of the new events falling into line of integrated economies. At the time when financial integration is coming closer together of financial systems of separate countries with the goal of obtaining the most favorable opportunities in the economy's globalization conditions.

Moreover, new global problems appear on the financial market and need to search for financial sources for their solving. Nowadays international financial globalization models the following problems:

– on the one hand existing of international markets' capitals gives the opportunity to get financing by the absence of financial resources inside the country,

– on the other, it is rather hard for the investors to receive reliable information concerning international markets' capitals activity;

As a result financial markets' globalization led to simplification of the procedure start of financial resource circulation. At the same time it is hard to make any forecast or to determine destabilization measures' flows to make correcting strategy. Financial globalization leads to increasing of capitals flows between developed markets and developing markets. With that correlation between separate financial assets: sovereign bonds, highly remunerative corporate bonds and stocks.

Based on the assumption of economy's realities it is worth to assume certainly financial globalization does not lead (at least now) to decreasing of markets' indexes swings. Access to international markets' capitals gives the opportunity in real to smooth swings in incomes consumption from the internal sources but in such conditions these capitals' flows also can be inclined to considerable swings. Financial globalization drags down dependence from internal conditions and can facilitate for strengthening of dependence from world financial environment. To some extent it can be explained by irregularity of financial integration processes. But primarily it is necessary to take into account the possibility of dictate from the side of world financial institutes.

Over the last years developing countries became more stable before external shocks and can get more profit from the financial globalization. To a great extent it can be explained by start of the international market financial services forming process.

Strengthening of relations between financial centers of different countires caused country-wide presence of international financial institutes. It means increase of pressure on governments of certain countries, promoting reduction of state intervention into internal market activity and international financial relations liberalization.

Moreover elimination of barriers is taking place between internal and world financial markets and development of relations between them. Financial capital can without limit move from internal to international financial market and backwards. Financial institutes opening branches in leading financial centers for fulfilling functions of borrowing, crediting, investment and giving other financial services.

At the present time development of international finances is ahead of producing and export growth. Exactly counter flows of direct investments, diversification, widening and integration of international financial markets brought world economy to a totally new level of internationalization – globalization. It shows itself in high mobility which gains immensity, diversification and international financial resources and flows integration.

Clear example of accelerated development of financial globalization is high dynamics and growing volume of currency and Eurocurrency markets, bank deposits, money raised from international financial market, joint resources from institutional investors, and shares of foreign resources in social and economic development of certain countries and so on.

On financial globalization development influences accelerated liberalization of world's economics connections and financial flows within the part of open economy strategy.

Index of finance globalization development can serve capital functioning over the country's borders in the amount of accumulated foreign assets. Foreign assets consist of direct and portfolio investments (debt and equity securities), requirements due to bank's loans, interstate credits and so on. Nowadays capital's amount cycling abroad became equal with global gross product. Financial globalization development is provided by considerable liquid resources willing to get profit. Modern internet technologies development made resources to share freely among resident from different countries through international financial markets.

Financial globalization development is promoted by inequality of economic development and allocation of financial resources, imbalance of the current payment balances, severe shortage in most of the countries own resources for investments providing, coverage of budget gaps, providing of social and economic transformations, conducting of mergers and acquisitions of banks and companies, dept's commitment fulfilling according to internal and external loans and also deploying of electronic technologies allow to make operation in online regime. At the same time finances globalization to a great extent let these problems to become lighter.

Therefore globalization of finances really promotes global problems' solving.

Important moment of financial globalization are direct foreign investments. Direct foreign investments can be rather profitable as for the country seeking them so for investors. Countries with economies in transition success of reforms is the main condition for raising direct foreign investments. Creating of congenial investment climate means not only macroeconomic stability but also successful conducting of reforms at the micro level and institutional reforms. Privatization, restructuration, reforming of law and tax systems.

Countries raising foreign investments can in such a way fill deficit of internal investments and also to get additional benefit that are in, for instance, in using by foreign companies native financial institutes or marketing network, or in establishing of new companies because of investments conducting. Moreover foreign investments as usual are accompanied with getting of know-how especially in the field of administration and organization activity. It is worth to take into account according to UNCTAD – the main part of direct foreign investments falls on developed countries (table 1). They are leaders in both parts – as an importer so an exporter of capital.

Table 1 shows the most important economic indicators do not greatly affect the degree of investment attractiveness. However, there is a threshold of macroeconomic indicators on which investment attractiveness decreases. In general, countries with higher GDP, i.e. developed countries are more attractive for investment.

However, the growth of foreign investment in developing countries is much higher, and the outflow is visible only during major economic shocks.

At this, first of all, there is the capital investment in extractive industries, than in manufacturing industries, further in labour-intensive and technology-intensive. This process goes gradually and ambiguously. However, the general trend observed. That is the logic of movement to profit's maximization makes capital channeled into technology-intensive industry that foster of recipient countries.

Status and markets' development that are being formed, essentially depends on the inflow-outflow of foreign capital from the participation of non-residents in the stock markets and bank credit.

Certain prerequisites are necessary for initiation and development of financial markets in the peripheral countries.

Among the internal factors that contribute to the financial markets, there is a certain level of primary private enterprise and market mechanisms, and the liberalization of foreign economic activity, social-economic, political and legal conditions.

Further markets' development that are being formed depend on the level of monetary and financial infrastructure, credit and banking system, exchange and interbank markets of securities and derivatives that enable speculative trading and hedging.

Table 1. Economic indicators of the first top ten of investment-attractive countries

Countries	Denmark	USA	Canada	Singapore	New Zealand	Great Britain	Sweden	Australia	Hong Kong	Norway
Gross product $ US Dollars	38900	48000	40200	52900	28500	37400	39600	39300	45300	57500
Growth of real gross product %	0,3	1,4	0,7	3,0	0,6	1,1	0,9	2,5	2,8	2,8
Balance of trade % gross product	-0,6	-5,6	1,9	17,2	-1,3	-7,8	5,2	-1,0	8,5	31,6
General government deficit % from gross product	6,7	3,1	0,2	0,6	0,4	-5,9	3,3	0,4	-0,7	32,5

Source: due to Economist Intelligence Unit 2011.

On the other hand, a large-scale capital outflow in short term can wreck previously impeccable financial nationhood with high rates of economic growth.

Since the impossibility of effective global governance is not in doubt, the question arises: what is the role of globalization, that is, to create a crisis, and if financial globalization – is a cause of financial disasters, how to reduce its effects and costs of a particular economy?

Some authors put forward a theory according to which there is a so-called threshold in financial country development, after passing which the threat of negative consequences from opening its economy is greatly reduced.

Thus, the sense of integration into the world financial community is only for those countries that: firstly, are at the average income per capita, and secondly, have a sufficient level of development of the interior financial system for entering the international markets

So Dzh.Bulov and L. Rogoff find that countries that have not reached these figures, of course, can come into the international arena, but not insure from possible adverse effects [1].

It should be noted that the authors do not provide any quantitative parameters concerning the size of «threshold» of economic development.

Although large-scale empirical test of this theory did not give significant results, the theory as a whole can be considered close to the truth. Indeed, countries with medium and high income per capita and with developed financial systems receive the greatest benefits from financial integration and globalization

In contrast, the opening of financial systems by economically and financial undeveloped countries actually means the voluntary recognition of losses in case of sudden changes in the global financial situation.

As an analysis of modern financial statements shows, the participation in the globalization process does not guarantee avoidance of crises.

Financial integration has provided economic unit regions of the world access to a large global fund capital, and at the same time strengthened the chances of international spread of unfavorable changes taking place in the economy of a single country This is because, on the one hand, the international movement of fund depends on the phase of the economic cycle, fluctuations in interest rates, trends in national economic policy, etc., on the other hand – short-term capital transfusion has a speculative character, the dynamics of which is caused by reasons purely conjuncture character. Therefore, even small changes in the interior financial market of particular country can significantly disproportionately influence on highly liquid markets of other countries.

Given that, the country's financial system is stronger, the more positive results it can be obtained from the process of globalization. It is necessary to develop the politics in country that can meet the changes in financial globalization, cab prevent the negative effects from this process on the national level.

First off, a clear system of state's influence on the movement of financial flows in the country and foreign capital inflow is needed in order to maintain stability in the national financial markets.

The process of gglobalization may have a number of dangers such as spreading of global financial crisis, creation of internal financial groups due to the natural migration of short-term foreign capital, «runs» of the national capital abroad, the criminalization of the financial sector, the growth of external debt and breaking up the financial sovereignty of the state.

Process of globalization can have a number of dangers such as spreading from the global financial crisis, appearing of internal financial groups due to natural migration of short-term foreign capitals, «escape» of the national capital abroad, criminalization of the financial sector, growth of external debt and breaking up state financial sovereignty.

The answer by a challenge of financial system globalization is it's integration. So, countries of EU demarcated by single custom tariffs, single agricultural policy, currency and so on. As for developing countries their difficulties in global financial system are stipulated exactly by low level of integration with each other. In general it's worth to determine process of globalization goes faster than integration process.

Inside integration unions global changes are felt less. For developing countries entry to financial market almost only one chance of development acceleration. In such a way a range of Ukrainian authors note «One of the basic components of financial strategy of Ukrainian state has to become it's further integration into international financial space. It will male preconditions for wider using of external resources and will promote transformational processes.» [5, 351]. The question at issue is how to use advantages of global financial system without sharing it's risks. It is worth to remember theory of optimum currency area of R. Mandela [3] Developing countries are weakly integrated and that's why they have to act by themselves. In this regard appears need of financial market balance determine.

As long as total mobility of capital transfer between the countries interrelation among profit percent of different countries is described by equation:

$$rd = rf + E(e), \quad (1)$$

where E(e) – expected percent of change in currency exchange between national currency rate and foreign currencies (e – relative quantity of items in national currency concerning quantity of foreign currency items; if it is expected devaluation of national currency then якщо E(e) is positive, negative meaning E(e) tells about expected price rise of national currency rate).

Current financial market state is far from balance. USA filled the world with dollars and discredit to which grows. Due to this fact it is worth to point a work of D. Parkins «Confession of economy killer». «Eventually, – writes the author, – global empire considerably depends on dollar is functioning as reserve global currency and Washington has a right to print those dollars…» [4, 123].

Summary. Therefore, there is qualitative change between financial globalization and integration. Financial globalization is the definition belonging to the whole world in aggregate dimension. At the same time when financial integration is directed on making profits of the countries which are in the union of

integration or at least have a will to create optimized acceptable conditions for each of countries which is a part of union. Financial integration explains globalization but it can be as a defense from challenges of the first, shown by contradictory tendencies of world global economy. In general financial globalization goes faster than financial integration. It is evocated at a great extent, by exposure of developing countries financial markets.

The biggest profit from globalization get developed countries. The higher level of country development the bigger profit it can get from the process of financial globalization (although it is also a questionable process). In the other hand by financial crisis their losses were much bigger. Together with developed countries have bigger reserve of financial substantiality. Developing countries getting widened possibilities in the process of globalization at the same time take risks related with potential financial systems crisis. That is why the most important goal for developing countries is to find the optimum by mobilization of resources.

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