

*development – within a separate company, industry, country, or the world production. Increased international competition affects the development of the commodity markets globalization. The driving forces of competition in terms of deepening global processes are: the growth of transnational circuits; globalization of supply and demand; development of information technology; markets deregulation.*

*It is found out that within the process of globalization mineral and raw resources are one of the catalysts to establish a system of global markets. Due to the growing and strengthening economic relationships intertwining of national and regional economic complexes and economic systems deepens at micro, mezo and macro levels.*

*It is determined that at the individual company level, globalization is defined primarily by diversification and expansion of earning sources; scale and proportions of its assets distribution in different countries; intensity of involvement to the export of capital, goods and services and the use of local advantages (access to natural resources and relatively low-priced labor); size of intra firm trade, technology transfers.*

*Globalization on the level of the individual branch is determined by the way in which company's competitiveness within the industry in the country is associated with its competitiveness in the other country. The standard of living, remaining extremely uneven across countries and regions, as a whole tends to increase, that accordingly promotes the growth of energy resources consumption and actualizes the creation of the united energy market.*

**Key words:** *integration, globalization, regionalization, globalized industry, power resources market, countries with energy excess and energy deficit.*

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## **EUROPEAN INTEGRATION AND REGIONAL POLICY**

*In the article the preconditions of the European integration process, internal and external European integration factors are determined. Integration evolution stages of the EU interaction: Free Trade Zone Stage (1958-1966 gg.) Customs Union Stage (1968-1986 gg.), Common Market Stage (1987-1992 gg.), Stage of economic and monetary union (1993.) are analyzed. The features of the EU Regional Policy are highlighted and characterized.*

Development of the worldwide integration processes can be characterized by various degrees of intensity and speed. Integration development of the European Union experienced gradual transition through all the forms of regional integration from a free trade area to an economic and monetary union, practically following the classical scheme offered by B. Balassa [1]. *Free trade area stage* [1958-1966] was characterized by abolition of the customs duties and various quantitative restrictions in the field of intra-regional trade between the EU Member States. At the *customs union stage* [1968-1986] the scope of the integration group was further developed: purposeful agrarian policy was supplemented by unified environmental, research and technological development policies; foundation for monetary and financial integration was formed. At the *common market stage* (1987-1992), Single European Act and the document on the European Internal Market Program signed in 1985 marked elimination of the last barriers to free movement of goods and factors of production. The following *four freedoms* were developed: free movement of goods, services, capital and labor force within the EU. In the same period, EU countries started implementing common policies in specific fields of energy, transport, social and regional development. It should be noted that at this stage the classical scheme of regional economic integration has experienced some adjustments since there are some differences between the categories of the *common market* (classical scheme) and the *single market* (the one

created in the EU). It was the development of the *four freedoms* that actually launched the implementation of the single European market where all barriers to the movement of goods, services, capital and people were eliminated. *The stage of economic and monetary union* (since 1993) is characterized by intensified economic and political integration, development of the single currency market, deepening of intraregional trade and economic ties. Creation of the Economic and Monetary Union was a major institutional economic achievement of the EU which enabled its participants to voluntarily delegate a number of sovereign rights in the field of economic and financial regulation to unified authorities.

Broadening of economic cooperation between the countries of Europe contributed to the development of a coherent territorial and economic complex. Its success is only possible provided each member of the association achieves high level of economic development, which in turn gives practical meaning to complementarity of national economies. Considering dynamic development of the geopolitical situation and enlargement of the EU, the implementation of regional policy is of particular importance for the balanced and harmonious development of the continent. This policy is aimed at putting into effect the concept of "*Europe of Regions*" where region constitutes the most important reserve of internal cohesion of European integration. Achieving regional homogeneity rather than political union is the basis for the development of the EU. Hence, it is important to form a homogeneous space based on equal level of regional development.

Regional differentiation in the EU countries is related to the following factors. First, European regions differ in the level of economic development that generates the corresponding industry structure (proportions of mining, manufacturing, non-material production). Accordingly, this factor influences the level of development of regional infrastructure. Geographic location of the region (its distance from others) is an important parameter that affects the formation of transport and communication costs. In addition, regional differentiation is also caused by their differences in demographic rates (agglomeration, settlement structure, etc.).

The basic principles of regional policy currently being implemented in the EU are as follows: subsidiarity, decentralization, partnership, programming, concentration, additionalism and complementarity. Subsidiarity is a socio-political principle entitling and requiring social unit to solve the problems that cannot be solved by subordinate structures. Decentralization is considered through the prism of redistribution of regional authorities for their effective use and development of local initiatives. Implementation of this principle allows the EU to delimitate powers of different levels of government, to optimize on-spot problem solving, and in combination with subsidiarity to increase the regions' responsibility in intensification of initiatives. The principle of partnership implies that implementation of any practical issues relating to regional development is achieved only when there is a joint cooperation between the units of different levels. Programming as a principle of regional policy provides for development of specific strategies with clearly defined system of goals for which the appropriate strategy is developed. Programs of regional development constitute the basic tool of institutional methods that are financed by special EU funds. It should be emphasized that these resources must necessarily be expanded at the expense of the local funds. Thus, on the one hand the concentration of resources required for specific goals is achieved, and on the other hand additional funding is obtained from local sources (the principle of additionalism) and complements (the principle of complementarity). Implementation of the above principles enables the EU to facilitate balanced regional development (excluding consumerism in the depressed areas) through: promoting the restructuring of the depressed regions; supporting social and economic reforms, as well as agricultural sector, in regions with structural problems; upgrading policies in the field education, vocational training and employment.

Over the recent years regional policy of the EU has passed through a number of stages, each of those having its own system of priorities and, therefore, particular amount of funding. It should be emphasized that funding aimed at regional development has been increasing significantly with every other program, which is vividly demonstrated in Table 2.

EU regional policy stages

Period	Number of priorities	Number of structure funds	Funding amount, billion euros*	Proportion in the EU budget, %
1994-1999	6+1	3	177,0	33,0
2000-2006	3+1	5	234,7	33,0
2007-2013	3	2	347,0	35,7

\*before 2000 billion ECU

The priorities of the EU regional policy for the period of 1994-1999 included the following issues:

- (1) restructuring and developing depressed regions (implementation of this policy accounted for 67.7% of funding);
- (2) funding stagnating industries;
- (3) promoting employment and combating unemployment;
- (4) adapting to the system of changes in regional economic units;
- (5) funding the development of agricultural land (5a) and restructuring agribusiness (5b);
- (6) providing assistance to the sparsely populated Northern territories.

About 177 billion ECU were actually allocated for pursuing the above objectives. This amount was almost equal to a third of the total EU budget. It is the need for structural transformation of depressed and undeveloped regions of the EU that led to the dominance of the first priority, implemented primarily at the level of NUTS II, where GDP per capita is lower than 75% of the average EU rate.

Development and deepening of the European integration has caused regional policies to get more specific during the following period of 2000-2006. Implementation of the following policies required 234 billion euros:

- (1) promoting the restructuring of undeveloped regions (implementation accounts for 74.4% of funding);
- (2) supporting socio-economic reforms in the regions with structural problems (11.5% accordingly);
- (3) upgrading policies in the field of education, vocational training and employment (14.1% of funding).

Starting from 2007 the EU has been going through the largest restructuring of regional policy (programming period 2007-2013.), which is quite logical in terms of the major EU expansions in 2004 and 2007. First and foremost, it can be traced through the change in structural priorities:

- (1) regional cooperation: it is based on the INTERREG program with its main forms of cross-border cooperation, transnational cooperation and interregional cooperation;
- (2) regional competitiveness and employment: it is a vector related to implementation and introduction of innovations and social development aimed at enhancing regional attractiveness of European regions;
- (3) convergence: it is achieved through implementation of projects in regions where GDP per capita is lower than 75% of the average EU rate.

These priorities cover the objectives of regional and social policies which in the EU are not considered in isolation, but in complex. Thus, the main goal associated with creation of a homogeneous space is achieved. It implies simultaneous integration of society through horizontal connections occurring between regions (the main task of regional policy) and through vertical connections occurring between layers of society (the task of social policy).

Implementation of the aforementioned priorities in 2007-2013 cost more than 347 billion euros, including the following expenses:

- implementation of Priority 1 cost 6.4 billion euros to be applied for intensification of cross-border and interregional cooperation, including the development of common infrastructure and networks of small and medium enterprises;
- more than 16% was spent on implementing socio-economic reforms and innovation, as well as developing social sector in order to ensure growth of employment and increase of regional competitiveness (Priority 2);
- financial support of convergence (Priority 3) takes up the bulk of the 2007-2013 programming period funding and equals 82% (281 billion euros).

Geographic distribution of resources meant for implementation of the EU regional policy has undergone a number of changes due to the recent enlargement of the Union. Within the framework of regional development programs Spain, Italy, Portugal, and Greece are permanent recipients. They are the most problematic countries regarding implementation of the Lisbon Strategy tasks. In the current programming period for funding under regional development programs they will receive 10.2%, 8.0%, 6.2% and 5.7% of the total funding respectively. Significant funding in the programming period 2007-2013 is to be provided to the new EU members: Poland 19.4%, Czech Republic 7.7%, and Hungary 7.3% [3].

A significant gap in economic growth between the EU and other leading economic centers of the world served as an important impetus for reviewing the EU development strategy. Sustainable economic development required appropriate state policy in the field of science and technology. Its main strategy had to ensure socio-economic, organizational and legal conditions for the development and effective use of scientific and technological capabilities in order to enter the world markets of goods and services. The increase in the research intensity of production increased the need for development and use of innovative potential. This very aspect set grounds for adopting on the 2000 Summit of the then EU (15) in Lisbon a strategy stipulating the objective to make the EU within 10 years the most competitive and dynamic economy in the world based on the leading knowledge, as well as preserving Western values, ensuring harmonious economic development and increasing social cohesion of society. However, in practice the results obtained turned out to be rather modest. The analysis of the EU economic development over the recent years shows that many of the Lisbon Strategy parameters have not, unfortunately, been achieved.

Deterioration of the global economic activity and macroeconomic environment in the early 21<sup>st</sup> century in general, and the global economic crisis of 2008-2009 resulted in failing to achieve the intended goals. The EU did not manage to significantly increase the rate of economic growth. The difficulties in implementation of the Lisbon strategy were mentioned in the Lisbon review prepared by the World Economic Forum. It estimated the level of competitiveness achieved by the European countries [7].

High competitiveness of the EU is expected to be achieved through high regional competitiveness. Economic regions are quite flexible units determined through trade and migration flows, rather than through administrative restriction. Therefore, regional development policy should be coordinated through administrative regions that cover economic regions [2, p.3]. Competitive region became a point of growth of the overall EU competitiveness, and thus every policy implemented in the European Union acquires a distinct territorial nature. This situation contributes to establishing partnership relations between the EU, its Member States, local authorities, private sector, etc. A partnership of this kind will ensure creating development strategies and solving problems at the level of the whole Union. This involves introduction of the system of trilateral contracts and agreements between the EU, its Member States and regional governments aimed at determining the roles and responsibilities in regional politics of all three administrative levels.

Regional policy is an integral part of the EU unified economic policy. This determines and provides comprehensive solution to the problem of asymmetric regional development. A new approach to examining the processes that occur within the EU makes it possible to speak of a new quality of regional policy. In fact, *cohesion policy* implies interrelation and coordination of

regional and social policies, which ensures higher efficiency of their implementation. Therefore, the strategy of spatial development of the European Union relies on the development of specific areas.

Analysis of the EU regional policy reveals the following important features. First, the policy is based on a solid legal basis, since it involves the choice of the region that is provided with resources for development. Selection criteria that are clearly defined by law ensure consistency and transparency of regional policy. Second, regional policy is spatially-oriented, since budget limitations require clear and reasonable criteria for selecting the region that is to be funded. Third, implementation of the regional policy is a long-term process. Although this policy is considered as a way to solve urgent problems (for instance, unemployment), its main purpose is to address long-term structural issues. One of the fundamental principles of the EU regional policy stipulates that it is better to assist the regions undergoing structural changes rather than subsidize the lagging sectors of economy or production. Therefore, it comes primarily to support of investments rather than long-term subsidies. The fourth aspect is related to the market orientation of regional policy, which is aimed at creation of the environment in which market relations could develop most effectively. Regional policy initiatives are focused on improving the structure of market relations, and thus are not in conflict with them. Finally, regional policy requires a coordinated approach and development of partnerships, since the nature of regional problems requires comprehensive participation of national ministries, various regional organizations and the private sector in their solution.

An important result of the EU regional policy is the change in the approach to the policy itself, and the recognition of the priority of its objectives for the successful integration process on the whole. The change of approaches is seen in a significant increase in funding, diversification of forms and methods of regional policy, and attempts to consider at the earliest stage how decisions affect regional development. The EU Member States while implementing European programs face certain difficulties with Structural Funds. This especially concerns the complexity and bureaucracy while obtaining financial resources. Besides, budget transactions can get more complicated due to variable currency rates. The following new projects were launched in the EU in order to support the development of regions-recipients of financial assistance and to enable a more efficient use of resources allocated by the Structural Funds: Joint Assistance in Supporting Projects in European Regions (JASPERS), Joint European Resources for Micro to medium Enterprises (JEREMIE), Joint European Support for Sustainable Investment in City Areas (JESSICA). Among other things, the projects imply providing technical assistance to grantees in submitting applications, consulting and more. The main aspects in the activities of the Structural Funds include the following:

- the inclusion of macro-level competence in the EU regional development allowed to allocate the costs for mitigation of regional disparities within the whole Union (not within individual countries), which helped to reduce economic and social disparities in the EU;
- an important tool for policy coordination between different levels of management competencies is a system of program approach, which allows different authorities to conduct a coherent policy that meets the priorities of regional development;
- programs designed for several years ensure stability, transparency, flexibility, sufficient influence, and resources at all levels of regional development.

Regional development is becoming a major reserve of internal cohesion of European integration. Therefore, interregional cooperation within the framework of the European integration model tends to strengthen. Cross-border cooperation implemented within the EU regional policy is based on the INTERREG program. The main forms of regional cooperation applied in the EU under this program are *cross-border cooperation*, *transnational cooperation*, and *interregional cooperation*. Particular vectors for implementation and funding of the INTERREG program were determined in accordance with these forms of cooperation (package "Agenda-2000"): Vector A is related to the development of the EU external borders, it covers

various initiatives promoting cross-border cooperation; Vector B covers various forms of transnational cooperation, which tends to strengthen integration; and finally, Vector C provides for expansion of all other forms of regional cooperation.

Considering dynamic development of the geopolitical situation and enlargement of the European Union, the successful implementation of regional policy is of particular importance for the balanced and harmonious development of the continent, where region is seen as the most important reserve of internal cohesion of European integration. Achieving regional homogeneity is one of the basic objectives of the EU. Hence, it is quite important to form a homogeneous space based on equal level of regional development which includes economic, social, environmental, cultural and other components. Regionalism will further strengthen the integration aspirations in the EU, since prosperity of every individual region can be ensured only through close cooperation and cohesion between regions. This also implies intensification of regional and interregional cooperation within the EU. Finally, the restructuring of interregional relations, which will continue due to enlargement of the EU, will lead to changes in the configuration of European regions and sub-regions.

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### ЄВРОПЕЙСЬКА ІНТЕГРАЦІЯ ТА РЕГІОНАЛЬНА ПОЛІТИКА

*У статті визначено передумови розвитку європейських інтеграційних процесів, внутрішні та зовнішні фактори європейської інтеграції. Проаналізовано етапи еволюції інтеграційної взаємодії держав-членів ЄС: етап зони вільної торгівлі (1958-1966 рр.), етап митного союзу (1968-1986 рр.), етап спільного ринку (1987-1992 рр.), етап економічного і валютного союзу (з 1993 р.). Виділено та охарактеризовано особливості реалізації регіональної політики в ЄС як важливої компоненти розвитку європейської інтеграції, визначено основні принципи регіональної політики (субсидіарність, децентралізація, партнерство, програмування, концентрація та адиціоналізм, комплементарність). Проаналізовано етапи реалізації та основні результати реалізації європейської регіональної політики.*