KEY ASPECTS OF TRANSFORMATION OF THE REGIONAL FOREIGN ECONOMIC POLICY

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1. The Role of a Region in the Global Economy

World globalization processes cause the formation of a globe information, finance, trade, infrastructure space together with a complication of relationship and interdependence between nations. Globalization objectively leads to the depreciation of usual regulatory functions of a national state, which doesn’t protect the domestic economy from adverse external influences as it used to. National and global economic relations are changing roles in a globalized world. In the past, the leading role belonged to the first. In the last decade, the world economy is gradually turning into a single hunting field for big business, where the geography of the location of productive forces, the sectoral structure of investment, production and distribution are determined by taking into account the global situation. National economies are experiencing the increasing pressure from uncontrollable and unpredictable global factors.

The processes of globalization are contradictory. On the one hand, globalization creates incentives for economic growth for majority of countries. At the same time, globalization is accompanied by negative consequences, among them are the following:

1) Increasing of social and economic inequalities between countries and nations due to the collapse of major structures - the colonial empires and multinational states – that caused a global asymmetry, when the major actors (states, multinational corporations, associations, integrations of developed countries) are opposed to poor developing countries. Globalization has transformed from the objective process to the project of domination of the group of countries in the world economy. As a result, the “chronic diseases” of society - terrorism, separatism and extremism – are exacerbated;

2) The deterioration of social security: globalization has led to a redistribution of resources between private and public sectors. Markets succeed in capital making, but they don’t implement social programmes;

3) Strengthening the interdependence of countries on a global level that leads to a potential global instability, to susceptibility of the financial markets to the crisis;

4) The destruction of the environment as a side effect of reckless pursuit of profit;

5) Destruction of national identity: Globalization provides market-driven, ‘branded’ homogenization of the political, economic, social, cultural spheres of people’s life, destroys stable localities, displaces people, obliterates the differences between locality-detained lifestyle.

Global economy crisis 2007-09 demonstrated an intensification of contradictions of globalization. A society in which the global economy is subject to the idea of profit
maximization for limited number of global actors is doomed. Modern society is moving towards a new “post-global” phase of development, whose motto is “think globally, but act locally” (Brower D., et al., 1969). Effective use of regional specificity, which is determined by unique climatic, historical, cultural, social and economic features of a region, becomes a crucial minimizing factor of the negative consequences of integration into the global economy. The phenomenon of global and local combination in modern literature is called “glocalization” (Pollifroni M., 2006). It turns national regions into global actors and key determiners of national competitiveness.

Modern regional policy of developed countries characterized by strengthening of global-local linkages and delegation of a wide range of former state functions to a region, including foreign economic activities.

2. Problems of the Formation of Ukrainian Regions as Members of the Competitive Relations and Objective Conditions for the Transformation of Regional Policy on the Principles of Self-Development

Ukraine is in the stage of rethinking the role of regions in national competitiveness. Problems of the formation of Ukrainian regions as members of the competitive relations are the following:
- the ambiguity of the Ukrainian legislation in this area;
- limitations of conducting regional independent policy;
- high risk of the state disintegration, that led to the stopping of the administrative-territorial reform;
- stereotypes of the centrally planned economy.

Due to the Act of Ukraine “On Foreign Economic Activity” the main actors of foreign economic activity in the country are enterprises and associations of all kinds, as well as organizations and individuals. The state is also determined as a legal entity with broad powers of foreign economic regulation through its bodies (Verkhovna Rada, Cabinet of Ministers, the National Bank, State Custom Committee an others). As for regions, their authorities, in accordance with Article 10 of this Act, acting as agents of foreign economic activities only through commercial organizations with legal identity in Ukraine. Due to the Act of Ukraine “On Local Councils of People’s Deputies and Local and Regional Self-Government”, March 26, 1992, local authorities’ power in the field of foreign economic relations is reduced mainly to coordination of management bodies in this field and issuance of export and import licenses for certain product groups.

The current legislation of Ukraine, in spite of objective laws of development and international experience, limits the functions of regions in foreign economic activities.

At the same time, there are objective conditions for the transformation of regional policy on the principles of self-development, among others there are the following:
1) strengthening the negative effects of globalization;
2) necessity harmonization of local cultures with a global multicultural civilization - the phenomenon of glocalization;
3) formation of a new economy based on knowledge, in which the role of material and energy resources significantly weakened, while information becomes fundamental resource. A powerful source of long-term competitive advantage is the ability to innovate, whose carrier is a society;

4) separation of the local economy from national: some big cities (agglomerations) compete with each other in the international market, relying on their own resources. Moreover, the macroeconomic scheme unsuitable for overcoming the economic crisis at the local level. Key economic stimuli that are currently used by the national government, designed primarily to speed up overall recovery of the national economy, rather than deal with problems in specific segments of the population or localities;

5) emergence of the phenomenon “new regionalism” - the emergence of regions that are not related to the current administrative division of the country and are characterized by high international competitive status;

6) reducing the role of the location of economic activity due to the rapid technological development and modernization of the economic structure.

3. Institutional Support of Region’s Foreign Economic Activities

Region’s foreign economic activities are realized in a particular institutional environment, which is a set of institutions (organizations), organizational and economic instruments of implementation of these activities. Institutional support of region’s foreign economic activities has the following components (Figure 1):

1) actors with powerful competence: a) central government bodies, which regulate foreign economic activity, b) regional and local authorities;

2) legislative support of foreign economic activity: a) at the national level - the legal framework of foreign economic activity and b) at the regional level – regional strategic and program documents, agreements on cross-border and interregional cooperation;

3) direct participants of foreign economic activity: a) native foreign economic operators (enterprises and organizations, clusters of enterprises, joint ventures, virtual corporations, etc.), b) foreign economic activity entities that operate in the region (foreign companies, multinational corporations);

4) business infrastructure in a region: chamber of commerce, customs, regional development agencies, industrial parks, consulting companies, research institutions, educational institutions, information network, specialized banks, specialized insurance companies, stock exchanges, auctions, exhibitions, cross-border institutions, professional, public and international organizations;

5) financial and economic support of foreign economic activity in a region: taxes and fees, grants and subsidies, export credits, tariffs, special economic zones and territories of priority development;

6) skilled labor market.

The basis of the system of institutional support of a region’s foreign economic activity is represented by state and regional authorities, as well as relevant legislation. These two elements define the “rules of the game” for all participants of foreign economic activity of a region. Therefore, the effectiveness of regional economic activity depends, to a large extent, on prudent government actions and policies in this field.
Figure. 1. Model of the institutional support of region’s foreign economic activities
Direct participants of region’s foreign economic activities are domestic and foreign businesses who provide foreign economic activities in a region. They form the core of a region’s foreign economic system, the activities of other elements of the system aims to provide favorable conditions for enterprises engaged in foreign economic activities. The competitiveness of enterprises and their products influence on region’s development and quality of life in a region. Without this core element - business entities - the system of institutional support of region’s foreign economic activities is meaningless.

Activities of economic operators, as well as the interaction between them, are provided by a business infrastructure. The level of development of infrastructure determines the maturity of a region’s foreign economic activity.

One of the most effective instruments of attraction of businesses to a region is a favorable tax environment within a region. Regional authorities use a setting up free economic zones as a lever of influence on a regional economy structure, increasing of the share of innovative enterprises.

A necessary condition for the functioning of foreign economic activities in a region is an availability of skilled labor, which is a “lifeblood” of the system. Educational and scientific institutions, centers of vocational training, language courses, which prepare highly qualified specialists for the field of foreign economic activities, must be present in a region. Equally important is the issue of welfare of young professionals, creation of favorable conditions for them to stay in a region in order to reduce a “brain drain” from a region. Particularly acute this problem is revealed with domestic professionals who work in offices of foreign companies, or affiliates of TNCs, where the best specialists are transferred to headquarters abroad.

Investment climate and image of a region form a carcass of institutional system of a region’s foreign economic activity. On the one hand, the effectiveness of institutional support for economic activity, comfortable environment for business in a region affect the investment climate and image of a region. On the other hand, the image of the region helps or prevents the involvement of business in a region. A characteristic feature of the investment climate and image of a region is that they are influenced not only by economic factors but also by non-economic factors, including political, cultural, social and others. In addition, the image of a region is influenced significantly, positively or negatively, by the investment climate and image of the state as a whole.

Conclusion

Thus, regional authorities have available mainly institutional instruments for regulation of foreign economic activities, among others there are the following: legal, prognosticative and programmatic, financial and economic, organizational and economic, scientific and educational, image tools. The main objective of the regional policy of Ukraine in the field of foreign economic activity is to increase the usage of existing and new world adopted instruments of foreign economic development.
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Abstract

In the article the role of a region in the global economy is investigated, problems of the formation of Ukrainian regions as members of the competitive relations and objective conditions for the transformation of regional policy on the principles of self-development are analyzed, the model of the institutional support of region’s foreign economic activities is proposed.

Key words: region, foreign economic activity, self-development, institutional system.