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THE IMPACT OF REGIONALISM ON REGIONAL DEVELOPMENT UNDER THE CONDITIONS OF A GLOBALIZED ECONOMY¹

The aim of this article is to explain the difference between regionalism and regional development concepts that are often used interchangeably, to investigate the fundamental aspects of two phenomena: regionalism in the sense of “new regionalism” and in the sense of “regional development” at the background of the globalized economy; to check a hypothesis that these two phenomena may be linked together and to study the impact of regionalism on regional integration. The article deepens the concept of “regional development.” At the same time, peculiarities of the current stage of the world economy development under the conditions of globalization are considered. The paper is theoretical (verbal) rather than statistical analysis of the nature, diversity and fundamental aspects of regionalism and regional development in general. The article deals with the impact of regionalism on the location of production, and the growth of competition and market expansion systematizes the main effects of regionalism on market expansion and the location of production.

Keywords: globalized economy, regionalism, “new regionalism”, regionalization, regional development, regional integration, “new economic geography”

Introduction

To examine the current world economy we have to approach it as the framework that creates a set of assumptions for the existence of regionalism within the meaning of the “new regionalism” and regionalism in the sense of “regional development” and their further research. This framework is influenced not only by changes in the global situation of the world, which result in changed conditions for the functioning of the global political and economic system. Its development also affects long-term trends, particularly globalization, which entered into its next stage. As a result of globalization, it is also a development of the liberalization and its discourse at the regional level — regionalism, respectively its current phase — the new regionalism. With the origin of regional integration are changing the perception of the region and its development, too.

While regionalism represents a business, respectively economic policy of two or more states, which leads to the liberalization of relations between them and contributes to their closer ties and mutual integration, regional development,

indicates a socio-spatial process of the creation of spatial units (regions) as parts of the spatial structure of the society. While regionalism is thus a process taking place in the sphere of international economic relations, regional development relates with economic and social development within nation states. From this perspective, both phenomena being researched other scientific disciplines — international economics, respectively spatial/regional economics. Both concepts related to regionalization. In the first case the regionalization referred to as a precursor of the institutionalized regional integration, in the second case, the Member States will disappear international element. Regional integration cause the location of production, increased competition and market expansion. The distribution of production affects the reduction of transaction costs (removal of tariff, non-tariff barriers to trade possibly) and the increasing mobility of factors of production (capital movement liberalization or even labor). Regionalism has also a positive impact on competition and market expansion due to the effect of declining costs leading to the existing supply of cheaper goods. The negative impact it can have but any deflection of trade, when originally cheaper foreign imports are replaced by more expensive domestic production.

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Globalized economy: distinguishing peculiarities of the current stage of the world economy development

In the turn of the 1980s and 1990s the world economy entered into a new stage of their development. The phase initiated revolutionary changes of the countries of former world socialist system and as a consequence the global situation in the world changed (14):

- emergence of a bipolar world order;
- shift from confrontation to dialog, revival of pan-European values;
- changes in the political map of the world;
- the transformation of socio-economic systems in Central and Eastern Europe and the related transformation processes;
- reforms affecting the world and the world economy — deregulation, process of democratization in the world but also the increasing terrorist attacks in the world;
- principal changes in the role of resources, technologies, institutions, and economic policies (3).

In parallel, the “external” conditions were changed. It meant a comprehensive social transformation in a large group of countries with implications for the functioning of the entire global political and economic system. At the same time, long-term trends guiding and influencing the functioning of the world economy system started a new phase of their development.

Among other features we can distinguish such as:

- a sharp increase in the intensity of the formation of regional economic groupings since the early 1990s (3);
- dynamics of international relations significantly affects not only technological advances, but also the institutional changes; changes underway in manufacturing are reflected in international trade, affecting its scope, geographical focus and commodity structure, which in turn strengthen the processes of internationalization and globalization of production;
- increasing mutual interconnection of national economies is not realized only in the area of international trade, but also increasingly in imports and exports of factors that lead to the growth of the national product as well as the world product;
- external economic environments tend to create conditions enabling to keep global competitiveness. The concept of global governance is becoming crucial when trying to resolve the questions of the future development of the world economy.

The most important long-term trends in the global economy are followings (3, 16).

1. Internationalization. It is an objective fact of the ongoing overgrowth of the economic life of nation states over their borders. This causes the expansion of international economic relations, which connect the individual national economies. There are a lot of different approaches to internationalization. For example, according to the spatial approach it is “the improvement of territorial structures of enterprises” (30), according to the geoeconomic one it is “the forming of national internationalized economical system” (16) and so on.

2. Globalization. It can be seen as a dual process, involving not only the ever intensifying expansion of economic activities of nation states over their borders, but also the functional integration of geographically dispersed activities of firms. Its main driving forces are mainly new technologies and innovations, strategies of transnational corporations, liberalization of economic policies, and multi-level liberalization of external economic relations, in particular the movement of goods, services, and capital.

3. Transnationalization. Contemporary globalization is closely linked to the changing nature of production processes and their fragmentation. It is the microeconomic aspect, which is also the engine of the space reconfiguration. The new wave of globalization (often called transnationalization) shows the previous stages distinct characteristics:

- crucial role play transnational corporations by reason of the opening up of economies of nation states based on their internal and external liberalization (in the previous stage, the decisive role played national corporations and nation states and their boundaries defined relatively closed economic units);
- it is a process rather international scattering (diffusion) of economic activities with network projections to all territorial levels (previously it attend mostly only to international interference of certain economic activities on the basis of bilateral axial international division of labor);
- in multilateral and networked dispersed economic activities exceeds the importance of foreign investment and international organized production of the importance of trade (before the economic overlap national borders was represented mainly by international trade);
- institutionalized international integration has reached such a level that allows for functional integration of transnational corporations (intra- and inter-firm) which weakens their relationship

to national economies and the world economy leads to the degree of integration linking/merging (earlier institutional integration of national states to international organizations practically nonexistent and functional integration of international business activity was minimal; international activities of companies were tightly bound to the national markets and the integration of world economy does not exceed the level of merger and the ensuing certain degree of interdependence).

4. Homogenization. The ongoing internationalization and the growing (deepening) globalization have resulted in the homogenization of the world economy, which is associated with scientific and technological progress (accelerating innovations due to the international coordination), but especially with the strengthening of market relations in the world economy, which have now essentially become all-encompassing.

5. Differentiation. Homogenization is reflected in the differentiated development of the world since the rise of market relations on an international scale is associated with increasing international competition, which is dealt by individual countries and groups in different ways.

6. Interdependence. Internationalization and globalization have further resulted not only in growing dependence (interdependence) between different entities, and their integration into a single unit (including development of corporate and economic crisis due to spillover effects).

7. Fragmentation. Internationalization and globalization have also led to fragmentation of production, territories of states and global activities (into groups states/regions). The fragmentation of production is related with the fragmentation of the territory of the state in which the activities are undertaken (production process is divided into various activities, which are placed in different places in the world). While, as a result of globalization, the world economy is becoming an interconnected system (more integrated), as a result of regionalism, according to some opinions, the world becomes more fragmented. All these aspects are in detail described in the monograph by E. Cihelková (13).

8. Clustering of economic activities (clustering). The fragmentation of the traditional economic space of the state occurs because of the clustering of economic activities in cities where larger markets are created, there may be a lower cost of production inputs due to increased competition firms and lower transaction costs for their provision (due to the closeness of companies), which may be reflected in the growth of economies of scale. Adding space to technological and

organizational structures is the way how clusters are formed.

9. Liberalization. General development of market relations among actors in the world economy is accompanied by pressure for liberalization. Removing barriers in economic relations among actors in the world economy takes a form of weakening of multilateralism, rapid development of regionalism and under the development of the countries also the expansion of unilateralism. For individual actors to compete successfully in a global competition, they must respond appropriately and increase their flexibility. One of the adequate responses to increasing global competition is liberalization, which in the context of globalization becomes another significant attribute of the global economy. It is represented not only by the multilateral trade negotiations under the WTO but also by unilateralism and regional integration. As globalization is the reason for liberalization, the relationship of globalization and liberalization both processes bilaterally and ultimately lead to further interconnection of the global economy and dependence of their actors (13, p. 77). Multilateralism continues to represent the broadest and potentially most effective way of removal of barriers to international trade, which is necessary to increase the flexibility of the world economy in conditions of globalization. Its width is also his weakness, because by a large number of participants in the multilateral negotiations and consensual decision-making multilateral liberalization always progresses pace of its weakest member. Opening of economies and their increased interest in the liberalization of international trade reflected on one side their growing interest in multilateral trade liberalization, on the other hand, complications of its operation.

10. Regionalisation. At the regional level, liberalization takes the form of regional liberalization the platform of which are relatively homogeneous regions (e.g. the European Union or NAFTA) or trans-regional relations between important trading and political partners (e.g. USA – Australia, China – ASEAN), whose interest in liberalization of mutual relations is greater than under the multilateral negotiations. In both cases we are talking about regional integration groupings.

Thus, the global economy as a new paradigm (framework) for the existence of regionalism creates conditions for closer examination of this phenomena.

More about regionalism will be discussed in the next section (below) but we will start from the concept of region as a key concept in the context of the regionalism (and regional integration at all).

“Region” is a key notion in the concept of regionalism

The fragmentation of the world economy as a result of the new regionalism (and regional integration at all) confirmed that the concept of region belongs among key geographical concepts. Its understanding and definition changed in the course of development of geographical thinking as the view and definition of globalization and regional integration/regionalism changed.

Both in Russian and foreign literature, there is no clear, unambiguous interpretation of this concept. Therefore, there are many concepts in modern regional studies. For example, P. Lame defined a “region” as a “more or less bounded territorial unit, which due to its unity, uniformity and conformity of the characters or a specific organizational principles differs from other territorial units” (Cit. 14). Looking at the region as a socio-spatial unit there is a need to distinguish whether it is local (micro-regions) level, larger area – region or historical lands (semi-regions), states or groups (e.g. the EU), continents or even regions of the global level (macro-regions). The study of the essence of “region” and the search for a new paradigm of regional development are referred to the fundamental works of the famous Russian scientist E. G. Animitsa. As a result of analyzing the huge amount of approaches, he advocates the following principled position to define the concept of “region”: “a holistic spatial formation, often a sizeable ... within which natural, geographical, economic, social, ethno-demographic and other processes interact” (7, p. 25). In this interpretation he focuses on the interactions, relationships resulted in forming a single regional economic space. Significant contribution to the theory of the regional economy has been made by the Russian scientist-regionalists A. I. Tatarkin: the concept of the region as a system, the concept of the self-developing region, the concept of industrial development and others (32). In the Russian science, the term “region” is primarily associated with the new direction in economic science – the regional economy (7, 18, 19, 31). At the same time, scientists, in particular I. A. Rodionov, stresses that “the regional economy operates on three levels: local, regional and interregional-national” (30, p.7). The current perception of the region as a socio-spatial structure has been developed since 1980s, especially in the context of the “new regional geography” concept (see below).

Regionalism in this sense reflects the way “in which society forms the space or how sense it makes” (15). Also P. Chromý points out that “region as such serves as the environment for the ex-

istence of networks of cultural, economic, political and other processes and relationships. Regions are sometimes based on the grounds of collective social classification, but more frequently on numerous activities, through which is generated and gradually institutionalized and reproduced the story of specific regional units and regional identity in the wider environment of a spatial division of labour” (15, p. 4). At the same time this scientist, regarding the definition of the “development of the region”, points out that the traditional regionalism in terms of the development of the region gets in contrast with the “new” European regionalism, which is promoted as a logical response “to a deepening globalization and integration, as a kind of a counter current to the ongoing process of unification and in its own way it expresses the concern about the depletion of cultural diversity, loss of unique or specific material and spiritual values, loss of plurality of identities but on the other hand as an expression of the efforts to weaken the role of nation states and the central governments” (15, p. 4).

The notion and essence of “regionalism” and its modern contents

The concept of regionalism emerged in the 1960s. One begins to talk about regionalism at the moment when regional integration has reached certain intensity and began to assert itself as the dominant tendency in the world economy. The third wave of its development took regional integration in the early 1990s, when it hit the world economy by an unprecedented pace and the expansion of new types of regional agreements and the overall change in approach to regionalism. In 1993 J. Bhagwati (9, p. 22) called this stage a “new regionalism”. Its original features are:

- expansion of international trade and foreign investment,
- boost of numerous regional grouping, which originated in the second stage but was not too successful
- emergence of new regional entities of a modern type.

From this perspective, it is clear that the fragmentation occurs, as mentioned above, not only at the level of global activities of states at the international/supranational level, but also within the traditional economic space of the nation state. This creates a different type of regionalism, which aims to take use of the potential of the inner territories regions within the state for the benefit of its future development.

P. Chromý believes that these “regions are not natural entities for which they are deemed to

Table 1

Types of regionalism

“New regionalism”	Regional development
Regionalism in the meaning of “new regionalism” (as we wrote early (11, p. 808) can be defined as a business or economic policy, respectively, which leads to the liberalization of relations between two or more countries, thus contributing to their closer ties and mutual integration	Regionalism in the sense of “regional development” represents the ideas and movements whose goal is to take use of the internal potential territory for the benefit of its future development
“New regionalism” is the process taking place in the sphere of international economic relations	Regional development is concerned with economic and social development within nation states

Sources (11, 14).

stand for but rather they are political and social creations constructions)” (15). “Thus regionalism cannot be considered as an entirely internal matter of the actors in the area (the product of their activity), but in its manner for an ideology, which is promoted both by actors inside and outside the region. In contrast to a traditional regionalism, which was based on the “bottom-up approach” — from the regions — and was the result of the inner attempt of regional elites and the population of the regions for emancipation (both social and spatial), the contemporary (neo) regionalism is initiated “op-down” (from institutions of the EU) and its aim is primarily the activation of regional communities, stakeholders and actors striving for regional development” (15).

The concepts of regionalism within the meaning of the “new regionalism” and regionalism in the sense of “regional development” (expansion of the geographical area) are often confused due to the ignorance of the nature of the matter. In fact, both types of regionalism differ (table 1).

So we can characterize both phenomena as different.

The model of “new regionalism” requires more detailed analyses with a special focus on its economic dimension. So we will briefly describe specific features of “new regionalism” in Europe and other regions of the global economy.

Regionalism in the sense of “new regionalism”

The current world economy is accompanied by a new regionalism. While the old regionalism (emerging by the end of the 80s) was formed by the bipolar division of the world, the new regionalism grows out of a multipolar world order. It has been not shaped from above, but is a more or less voluntary and spontaneous process in order to share sovereignty, necessary for dealing with global challenges. Process is not internally oriented and covertly protectionist, but a process of open and therefore compatible with the growing interdependence of the world economy. While the

old regionalism was generally motivated to cooperation and integration in the economic, or political and security areas, the new regionalism is a process that usually combines political and economic motives and tools (is a complex and multidimensional phenomenon). The “new regionalism” changes the model earlier close or closer cooperation between a group of mutually adjacent and nearby lands in the model establishing links across the world economy (draws geographically dispersed partners) and not only between countries (participants of regionalism has become a groups of countries, regional groupings, possibly across regions of the world economy) [21, pp. 23–24).

Traditional regionalism was associated with provincialism, uncritical patriotism and by the law of people living in a particular area reflecting the historical roots and their search, while the modern regionalism lies in the assumption that the optimal development cannot be achieved “top-down” or from “outside”, thus thanks to government support of the programs or supranational organizations, but namely due to the activation of the endogenous potential of these areas, the activity of the region (mobilizing of actors and of human and social capital) and via supporting civic initiatives (15, p. 3).

Many prominent economists were dealing with the definition of “new regionalism”. Most accurately defined its essence Jean B. Grugel (20, p. 605), according to whom it is a “project of a global transformation driven by state”. Specifically he explains that it is a state strategy designed to minimize the risks under uncertain conditions of a globalized world economy by promoting activities at the regional level. For some states this means adopting a flexible strategy to improve their global market position (or rather the global market position of companies that are settled in its territory), for the others it means the adoption of defence strategies ensuring the protection of an access to markets and the inflow of investment in the context of increased global competition.

The concepts of regionalization

The case of regional integration	The case of geographic regions
<p>— it is the process taking place in the sphere of international economic relations;</p> <p>— it is discussed in relation to pre-phases of the institutionalized economic integration, which mean more a form of cooperation rather than integration between engaged states; these are so called regional forum and the government driven integration*</p>	<p>is mainly a process towards the definition of (forming) regions and also the product of this process — the image of the region (its structure) (8, p. 7, 25)</p>

Sources (14)

* Regional forum (more on regional forums see E. Cihelkova (14) is a kind of an intergovernmental grouping that works on the basis of non-binding recommendations, open dialogue and consensus decision making.

While the previous stages of regionalism did not relate only with formalized regionalism, “new regionalism” is always a contractual integration. Regional preferential trade agreements policy considerably exceeds the second wave of regionalism, both in terms of the choice of partner countries as in the number, content and nature of the agreements. “New regionalism” is characterized by openness to global capital. For example Björn Hettne emphasizes the deliberate and institutionalized nature of the “new regionalism” when he stresses the difference between regionalism and regionalization (21, p. 545).

The concepts of regionalization

Firstly, regionalization should be considered in two ways: in the case of regional integration and in the case of geographic regions (table 2).

Secondly, when doing regionalization it is possible to follow a “bottom-up” or “top-down” approach:

— the “bottom-up” regionalization stems from the creation of basic units. Two or more units with mutually stronger links between each other than in relation to the surrounding units then form a region. The bottom-up regionalization allows for reducing a level of subjectivity in defining regions.

— the “top-down” regionalization is about defining typical territories of the region. In practice simple descriptions of the various kinds and categories of the region are used micro-, macro- and semi-regions.

Thirdly, in terms of a theoretical discipline there are two types of regionalism:

— the first type of regionalism (new regionalism) is a subject of research of international economics (International economics is a science that deals with economic relations, particularly in terms of international trade and international finance. The new regionalism as a certain “quantity and quality” indicator of regional economic integration is a part of an international economics that via the theory of international trade and the

subsequent integration theory examines the impact of regional trade agreements on participating states);

— the second one is of spatial (regional) economics (spatial economics deals with the spatial arrangement of economic and especially production activities in certain areas and examines the reasons that affect their deployment).

This discipline is related to the regional economics, which explores the economy of regions.

We also study “open regionalism”. We regards the open regionalism as “a form of regional integration, which is based on the individual commitments of integration member to reduce trade barriers against both members and non-members of the regional grouping. So, the country moves identically to all its trading partners; not hold against them differentiated (preferenced) approaches and discriminate against non-members of the grouping. This is actually in accordance with multilateral liberalization and leads indirectly to its support” (13, p. 102].

Regionalism in the terms of “regional development”

Regionalism in terms of regional development was defined as the work of the Finnish geographer A. Paasi. He describes such regionalism as socio-spatial process of the emergence (institutionalization) of the region, “in which there is room unit as part of the spatial structure of the society and becomes visible and clearly identifiable in various spheres of social practice and social awareness. Regionalism in terms of regional development is included in the spatial and regional economics, which studies the effects of deployment of activities to their present and future prosperity (stagnation eventually bankruptcy). International and spatial/regional economics distinguish between each other by different levels of exploration and perception of space that means the assumptions on which the two disciplines are built:

— international economics examines certain phenomena (e.g. regional trade liberalization) occurring at the state level (between states); it did not consider for a long time the space of the nation state;

— spatial/regional economics deals with the effects of the phenomenon (even the same as in the case of international economics) in different regions within the state; it has always taken into account the space.

Methodological and matching methods in both disciplines will vary due to the fact that (14):

— the factors of production are less mobile between countries than between regions within states (this applies mainly to the mobility of the labour force);

— national economies are less open than the regional economies (measured as the share of external trade to GDP of the area);

— the cost of international trade between countries are higher than the transaction costs of the exchange between regions;

— the institutional and legal framework meaning the environment in which the economic actors manoeuvre, varies much more between countries than between regions within the same country.

International economists have long been avoiding the spatial aspects of the economics. They think that it could not be modelled. But we want to remind that in 1933 a Swedish economist Bertil Ohlin in 1933 and than M. Fujita, P. Krugman, T. Venables in 1999 pointed that the “theory of international trade is in fact nothing more than a theory of international localization” (17). We are sure (we wrote about it early (14) they used models greatly simplified compared to the real life, which were based on perfect competition and constant returns and zero transaction costs. This means that in those models the countries were displayed as non-spatial dots among which the goods without additional costs is exchanged and factors of production move — see e.g. Paul R. Krugman (24, p. 36–37). In some years these models were extended by the introduction of transport costs, non-traded goods and by reducing the mobility of production factors. The further development of economic theory and mathematics led to the situation that space began to be considered in the international economics too. At this period models began to work with imperfect competition.

As for the spatial economics it always took into account imperfect competition. Then, when a progress in modelling of imperfect competition was made and the regional integration led to a blurring of the differences between countries and regions, a new discipline emerges which is called “new eco-

nomic geography”. One of the main representatives of these opinions is P. Krugman, author of numerous publications in the field of international economics. In 1991, P. Krugman (24) wrote: “About a year ago I actually suddenly realized that I had spent my entire professional life of the international economist thinking about economic geography, without even realizing it. Taking economic geography I mean the deployment of production in space” (24, p. X). It brings international economy closer to the reality and brings new approaches to the theory of integration.

P. Krugman is not the first (of the scholars) who studied the problem of internal economies of scale in the application (refraction) to the problems of the spatial distribution of production. However, his predecessors reflected only a few moments (elements), but Krugman was able to identify the economic mechanisms and understood their impact on the processes of the spatial mobility of labor and production. He put together a picture of the production location in space. Nevertheless, scientists began to criticize Paul Krugman’s Geographical Economics just after its publication. For example, Ron Martin and Peter Sunley wrote “his work raises some significant issues for regional development theory in general and the new industrial geography in particular. But at the same time his theory also has significant limitations” (29, p. 3), because “Krugman’s ideas are far from static” and “there is a strong distinction between what is theoretically possible and what is empirically and practically important, so that his conclusions have to be read carefully and closely” (29). Later P. Krugman wrote himself that “the «new trade theory» ... now quite often referred to as «the old new trade theory»—also helped build a bridge between the analysis of trade between countries and the location of production within countries” (25) and he actualized his theory of new models of trade. Thanks to the further development (M. Fujita and T. Venables), this approach has become a new area of economics, i. e. “new economic geography (NEG)”¹. NEG has had a fundamental influence on the development of the regional economy.

¹ But at the current moment we have to remember about new stage of theory development, for example the Handbook of Evolutionary Economic Geography (edited by Boschma R., Martin R., Elgar E) (10). It is the first major compilation of the theoretical and empirical research that is forging the new and exciting paradigm of evolutionary economic geography (they use evolutionary framework). They explore the interplay between organizational dynamics, industrial dynamics and space; analyze the nature and spatial evolution of networks; address the evolution of institutions in territorial contexts; and explore the evolution of agglomerations and clusters.

Characteristic of Regional Integration Models (fragment)

Indication	“Traditional” Model	“New Regionalism” Model
Key Factors	Political factors	Economic interests associated with obtaining mutual benefits from the expansion of economic ties
Main schemes of the regional integrative associations	The integration in this model suggests, firstly, the gradual movement of the «ladder of integration» (from the creation of a free trade area and customs union to a common market and economic and monetary union and on (to political), and, secondly, building of the institutionalized association with the transfer of a wide range of authorities to the supranational level	The basic format of integration is a minimum of supranational institutions and authorities and a free trade area (FTA), which in most cases is complemented by the investment liberalization, protection of investors' rights and harmonization of regulatory rules (the so-called format «FTA +»)
Specific Features	<ul style="list-style-type: none"> — Signs of moving up the «ladder of integration» (five-step regionalism) — Association includes countries, close to the level of economic development — “Hard” model of regionalism, which has a tendency to centralize key policy decisions — Gradual transition to a supranational format of control — Supranational format of decision-making — High level of institutionalization 	<ul style="list-style-type: none"> — FTA format but signs of movement up the «ladder of integration» do not appear — Association includes countries differ significantly in terms of economic development — “Soft” regionalism — Not typical hierarchical institutional structures whose decisions would be binding for the member states; the set of institutions varies greatly from group to group — Format of intergovernmental decision-making — Low level of institutionalization
Conditions of the successful integration	<p>Hard conditions:</p> <ul style="list-style-type: none"> — Similarity of the levels of development for member countries (besides, this level should be high enough) — High structural complementarity of the economies — Similar reaction to external macroeconomic shocks — Geographical proximity — Availability of a leader-country, that assumes the role of a «locomotive of integration» — Commonality of preferences of political elites on the priorities of economic cooperation between the member states and with third countries, as well as common security priorities 	<p>Less harder conditions:</p> <ul style="list-style-type: none"> — Presence of complementarity of their economies (which is not necessarily very high; it is enough to have it in separate branches). — Commonality of preferences on the priorities of economic cooperation between the member countries and the lack of security threats on the part of the partner countries

Sources: (1, 2, 3, 4, 5).

It makes possible to examine the effect of regional integration on the spatial organization of the economy, including their eventual impact on regional inequality (compare 12, p. 27–28).

The variety of models of «regionalism» in the research of Russian scientists

Russian scientific school has actively been involved in the formation of the methodological foundations of economic development of space in the context of contemporary regional development. For example, Academician A. G. Granberg's scientific school of spatial economics (18, 19) is called the Russian equivalent of P. Krugman's scientific school of the new economic geography. A large number of Russian scientists conduct re-

search directly in regionalism, regionalization, regional integration, but we clarify the position of the most authoritative of them — S. A. Afontsev (1, 2, 3, 4, 5), A. M. Libman (26, 27, 34, 35, 36), B. Heifetz (28), E. G. Animitsa (7), A. I. Tatarkin (31).

Of the many issues we fix our attention very briefly on the basic terms and a set of the above questions.

1. Regionalization, for example, in Liebman's interpretation is “the integration of markets, the phenomenon of the international political economy ...” (26, p. 20), or “informal interaction between companies, community groups and individuals in different countries and the emergence of trade and investment ties that ... exist without the governmental support” (34). These authors call

Table 4

Two types of forces of agglomeration

Sign	The centripetal forces	The centrifugal forces
trend	It leads to clustering of economic activities in a certain area (positive externalities of agglomeration)	It acts in the direction of a parallel spatial arrangement (negative externalities of agglomeration)
forces of agglomeration	<ul style="list-style-type: none"> — the size of the market — the availability of labour — the deployment of technologies — the presence of sub-contractors 	<ul style="list-style-type: none"> — strong competition in the market of production factors — competition on the product market — manufacturing secrets, innovations — negative aspects of major conurbations such as pollution, overpopulation, criminality and others

Sources: (14).

this type of integration “informal integration”, “corporate integration” or “integration from below”. It is formed by the interaction of non-governmental actors, international production networks, investment and migration (27, p. 102). Ye. G. Animitsa (7, p. 36) emphasizes that it is an external process of regional development.

2. Regionalism, according to the same scientists, is “the creation of a formal network of international agreements and bodies that do not always lead to the integration of markets” (26, p. 20). It is based on intergovernmental relations and leads to the creation of international unions, associations, and possibly supranational institutions. (34). This is the formal governmental integration, or “integration from above”. This type is based on the cooperation of states, intergovernmental agreements and supranational institutions (including cross-border cooperation, interregional projects) (27, p. 102; 36, p. 59-62).

Exploring the challenges of regional integration, Russian scientists consider two of its models, i.e. the “traditional” model and of the “new regionalism” (Table 3). In this S. A. Afontsev emphasizes that the economic-political approach gives economists an opportunity to take a fresh look at the problem of coordination of economic policies on a global scale (1, 2, 3, 4, 5).

The table below shows how strikingly two models of the formation of regional integrative associations are different from each other. Moreover, according to the Russian authors, the gap between them continues to grow.

The impact of regionalism on regional development

We consider the approach of A. J. Venables (1999) as the most structured in the study of the impact on the regional development. As we have noted above, he made a special contribution to the development of NEG and the regional economy. He examines three aspects of relationship between regionalism and regional development —

the impact of regional integration on the: location of production (1), growth of competition (2), market expansion (3) (33).

The first aspect (1) — the impact of regional integration on the location of production. It can be assumed, as A. Tesařová (32) does, that there are two cases of possible distribution of activities in space:

- even distribution (without the existence cities) corresponds to the economy in perfect competition with constant returns and non-existing transport costs;

- uneven distribution corresponds to the layout in imperfect competition, where increasing returns and existence of transport cost are the basic conditions for which geographic location is of importance.

In the case of the uneven distribution the allocation of production space is affected by two types of forces of agglomeration (Table 4).

Whether the centripetal and centrifugal forces outweigh is determined by the amount of the transaction costs and the degree of the mobility of factors of production.

1. The transaction costs. Examining the relationship¹ between the amount of transaction costs and the balance and between centripetal and centrifugal forces we have come to the following conclusions (14):

- regional integration can have a significant impact on the balance of centripetal and centrifugal forces because it contributes to the reduction of transaction costs (removal of tariffs, eventually non-tariff barriers to trade) and increasing mobility of factors of production (capital movement liberalization or even labour movement);

- the integration via relieving trade barriers makes companies to meet the demand from a few places (whether it is a final consumer or customer) and thus the integration can act in the direction of the agglomeration;

¹ It is described in a U-shaped curve.

— since the regional integration acts in the direction of reducing transaction costs, from their original and subsequent level will stem the positive or negative effects of integration;

— sufficient decrease in transaction costs can act in the direction of unwinding regional disparities, through the transfer of economic activities in space, at the expense of traditional clusters, agglomerations, the original centres of development.

2. The degree of the mobility of factors of production. Examining this aspect, we have come to the following conclusions (14):

— the mobility of capital can have the same effects as the existence of e.g. supplier-buyer relationship between firms;

— liberalization of the movement of labour operates clearly in the direction of agglomeration;

— the mobility of factors of production can cause giant changes in the location;

— regional agreements seem to liberalize more capital movements rather than labour (it depends on the form of integration);

— if the regional agreement introduce the liberalization of movement of capital and labour, economic relations between the countries involved thus actually lose control and gain the international regional element, as in international economics factors of production are usually considered to be immobile between countries (at least this is true for the “labour” factor)¹.

The second (2) and third (3) aspects. These aspects are based on the assumption that the country does not change the structure of production and in a given size of the market economies of scale of the firm lead to imperfect competition, which also means less competitive economic environment (firms have monopoly power and production is not perfectly efficient). So regional integration has positive effects as it broadens the market and enables companies to realize economies of scale.

As a result of stronger competition (when opening the market other businesses access) each company will also seek to rationalize their production and increase efficiency. This can have a positive impact on prices. The positive impact of the regional integration on competition and market expansion is referred to as the effect of declining costs. This situation is defined as the

¹ In reality this situation does not occur, since the agreements that would liberalize the movement of labour are scarce, and if there are, in practice do not work much (not only due to the un-economic reasons, but also because of prevailing of non-tariff barriers). On the other hand, the process of production factors cannot last indefinitely; at some point the agglomeration would become untenable and the centrifugal forces would prevail.

price down-sizing of the existing supply of goods. However the negative impact can have a decline from business, in which initially cheaper foreign imports are replaced by more expensive domestic production. According to our opinion the solution is to shift domestic production to cheaper sources of integration within the grouping (compare 12, p. 31-32).

The specific impacts of regionalism on the Member States and the situation within their economies depend on the depth of integration. Deep integration is bringing the effective unification of markets with a consequence of significant decrease in transaction costs and high mobility of production factors. In this case the impacts on the development of the participating countries may be very significant because even in the event of a decrease in transaction costs, not all regions are the same and some will benefit more from the adjustment process than others.

It was our opinion. As for the other scientists, for example, A. J. Venables (1999) conducted a thorough analysis of the relationships between the decrease in transaction costs and localization industry in the situation of fully mobile factors of production. He came to a conclusion that the localization of production is the result of efforts of companies in the same industry taking use of the same advantage to be closest to demand and on the other hand, as far as possible from other companies. Given that the form of specialization in production is very sensitive to the level of transaction costs, the economic integration (it means decrease in transaction costs) can lead to a significant change in the nature of production specialization in each area, with all the consequences and costs of adjustment. With the decline in transaction costs, further exacerbates the production specialization of individual regions, where central (economically most attractive) areas will primarily attract imperfectly competitive or supply industries.

As for the author’s opinion our investigations indicate that “regional integration can have a very significant impact on regional development, which may call for a need to influence such action in a common way by regional policy (managed interventions of some bodies, seeking to change the natural distribution of economic activities and reduce social and economic inequalities between regions)” (11, p. 266; 14).

EU is the best example of Anthony Venables’ concept, i.e. lowering the transaction costs can cause remarkable shifts in regional production specialization. As for the A. Libman’ opinion (35) the relationship between regionalism and region-

Table 5

The number (N) of bilateral agreements on investment defense

Period (year)	1959–1970	1971–1980	1981–1990	1991–2000	2001–2008	2009–2012
N	53	71	243	1549	779	163

Sources: (28, p. 63).

alization is not unique. His research he dedicated to the Eurasian integration. A. M. Libman considers the evolution of the processes of the regional integration in the post-Soviet space and in the broader space of the Eurasian continent. It points out the main directions of the formation of the Eurasian continental integration from the point of view of the intergovernmental interaction, spontaneous economic ties and common infrastructure, as well as discusses the optimal framework of adjustment of regional groupings in the post-Soviet space to the process of Eurasian continental integration, taking into account the specifics of this process among the Western and the Eastern wings of the CIS. His results are (34):

- now it is possible to ascertain the presence of a dynamic process of the Eurasian continental integration, which is primarily associated with the “integration from below”, that is, with increasing trade and investment flows;

- in Central Eurasia more attention is paid to the infrastructure, and in Eastern Europe – to institutions;

- intergovernmental coordination is clearly lagging behind the development of economic relations;

- Eurasian “integration from above” is much weaker but “integration from below” is increasing every year.

If we speak about the world economy as a whole, the most important is the following:

- the emergence in the global economy the new regionalism, the priority of which is primarily common economic interests rather than geographic proximity (28, p. 61).

- in recent years there has been a downward trend in the number of bilateral agreements but the increasing number of multilateral agreements (In Table 5 there is an example on investment cooperation).

Conclusions

The world economy entered into its contemporary stage. As shown by our study, the serious political and other factors led to a change in the nature of the world of the economy as a socio-economic system and its elements, relationships and mechanisms of functioning. According to the impact of globalization, there were developed new organizational structures in the world economy:

position the economy of nation states (traditional elements) is weakening in favor of transnational corporations and regional integration groupings. Trends of transnationalization and regional and global institutionalization of the global economy are accompanied by various types of competition of national economic systems.

1. Liberalization approaches that can be found from 1980s as a part neoconservative economic programs in a number developed countries and from 1990s as a component of transformational programs of the former centrally planned economies (privatization, deregulation, price liberalization, liberalization of external relations) in a given period become a part of the recommendations by international economic organizations for the solution of economic problems in the world. The liberalization of external relations means removing barriers that hamper the natural functioning of market forces in the national economy as well as on regional and global scale. The liberalization of international trade in goods and services involves reducing tariffs and removing non-tariff barriers to trade. Liberalization of capital movements abolishes restrictions on inflows and outflows through various restrictions, such as non-receipt of foreign loans or prohibition of foreign investment in certain sectors. Similarly, liberalization of labor migration and transfer of knowledge and information eliminates barriers to movement of factors of production.

2. Regionalism in this sense is the second best solution. It represents the possibility of nation states to overcome through regional integration groups their relative “smallness” and enter into the world economy. Regional preferential agreements are concluded according to exemptions from WTO rules, and there are also registered there. As regionalism contributes to reducing transaction costs and increasing mobility of production factors, it affects the balance of centripetal and centrifugal forces in the region and thus regional development. This also affects the location of production and an increase in competitiveness and market expansion in the region. In the case of deep integration, the impact on the regions may be very important, and not all of them will deal with that successfully.

The main objective of regionalism (and liberalization as such) is to increase the efficiency

(growth and development) and the competitiveness of the economy by strengthening free competition or allowing entry of foreign competition on the domestic market, respectively.

The concept of region belongs among key geographical concepts. Like states are transient or regional integration groupings, respectively, the regions within states are transient in time, too. The change concerns not only their importance or meaning, nature, function, integrity but also their shape (boundaries) and perception (outside and inside).

At the beginning of this article, we put forward the hypothesis about the impact of regionalism on regional integration. The study showed that regional integration can have a very significant impact on regional development. But the concepts for difference situations are not similar. There are a few models.

For example, the European Union («integration from above») meets the conclusions by

A.J. Venables. With the implementation of the program to complete the internal market in the second half of the 1980s there was a significant decrease in transaction costs, and factors of production are at least theoretically fully mobile. Due to the regional integration the examination of the European economy shifted from the field of international economics in regional economics, because the international element of the relations between the Member States thanks to a deep integration virtually disappeared (e.g. trade between Member States is no longer considered a classic foreign /international trade). The EU is also good evidence of the existence of regional policy as one of the shared policies of the integration. It is even possible to trace a clear link between the deepening of integration and strengthening of the significance of this policy. As for Eurasian integration it is named as an «integration from below,» and «integration from above» here is much weaker but «integration from below.»

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