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INTERNATIONAL ECONOMIC RELATIONS

Study guide

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The study guide corresponds to the educational and professional program "International Economic Relations". The study guide considers the current content, structure, specifics and trends in international economic relations in a logical sequence. Particular attention is paid to the analysis of forms of international economic relations, international trade, the international movement of factors of production, economic integration and the problems of scientific and technical exchange and international business in general. It is offered for students of higher education institutions.

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Contents

	P.
INTRODUCTION.....	6
Chapter 1. INTERNATIONAL ECONOMIC RELATIONS AS A DISCIPLINE	8
1.1 Establishment and Forms of Promotion of International Economic Relations.....	8
1.2 Subjects of International Economic Relations.....	11
1.3 Principles of International Economic Relations.....	15
1.4 The Environment for the Development of International Economic Relations	16
Chapter 2. INTERNATIONALIZATION OF ECONOMIC LIFE AND INTERNATIONAL DIVISION OF LABOR	24
2.1 International Division of Labor as the Basis of the World Economy: Forms and Current Trends.....	24
2.2 International Economic Activity.....	29
2.3. International Producer Infrastructure and its Subsidiaries.....	36
Chapter 3. INTERNATIONAL TRADE AS THE LEADING FORM INTERNATIONAL ECONOMIC RELATIONS.....	40
3.1 The Concept, Essence of International Trade.....	40
3.2 Evolution of Theories of International Trade.....	45
3.3Tools of International Trade Analysis.....	50
3.4Types and Forms of International Trade.....	52
Chapter 4. WORLD MARKET OF GOODS AND SERVICES.....	60
4.1 Establishment, Stages of the Formation of the World Market of Goods and Services.....	60
4.2 Modern Structure of the World Market of Goods and Services: Geographical and Commodity Structure of the World Market	62
4.3 Methods of International Trade	70
Chapter 5. INTERNATIONAL TRADE POLICY.....	77

5.1 The Essence and Levels of Regulation of International Trade.....	77
5.2 National System of Foreign Trade Regulation.....	81
5.3 Tariff Regulation of International Trade.....	84
5.4 Non-tariff Regulation of International Trade.....	93
5.5 The Role of the WTO in Regulating International Trade.....	98
Chapter 6. THE INTERNATIONAL LABOR MIGRATION.....	102
6.1. World Labor Market: Specifics, Trends, Segmentation.....	102
6.2. International Labor Migration: Main Types, Centers, Consequences and Regulation.....	104
Chapter 7. INTERNATIONAL CREDIT RELATIONS.....	111
7.1. The Essence and Content of International Credit.....	111
7.2 The main Forms of International Credit.....	112
7.3 The Essence, Structure of External Debt and Ways to Solve External debt Problems.....	114
Chapter 8. INTERNATIONAL CAPITAL MOVEMENTS.....	119
8.1 Investments in the System of International Capital Movements....	119
8.2 Methods of Foreign Investment.....	124
8.3 State and International Regulation of Investment Activities.....	126
Chapter 9. INTERNATIONAL SCIENTIFIC AND TECHNOLOGICAL EXCHANGE.....	130
9.1 The Essence and Forms of International Technological Exchange..	130
9.2 International Licensed Trade.....	133
9.3 International Trade in Engineering Services.....	137
9.4. Regulation of Relations in the Field of International Scientific and Technological Exchange.....	139
Chapter 10. INTERNATIONAL MONETARY AND FINANCIAL RELATIONS.....	144
10.1 The Concept of the Currency System and its Structure.....	144
10.2 Stages of Evolution of the World Monetary System.....	147
10.3 European Monetary System.....	152
10.4 International Monetary and Financial Institutions.....	157
10.5 Foreign Exchange Market and Foreign Exchange Transactions....	160
CHAPTER 11. INTERNATIONAL CALCULATIONS AND THE	167

BALANCE OF PAYMENTS.....	
11.1 International Settlements and their Organizational Principles.....	167
11.2 Economic Content of the Balance of Payments and Methodology of Compilation.....	170
11.3 Methods of Balancing the Balance of Payments.....	177
CHAPTER 12. INTEGRATION PROCESSES AND GLOBALIZATION.....	181
12.1 Economic Integration of the Countries.....	181
12.2 The Essence and Main Features of the Process of Globalization of the Modern World Economy.....	186
12.3 Regulation of Modern International Economic Relations.....	191
References.....	199
Glossary.....	204

INTRODUCTION

Deep integration processes in Ukraine and international economic cooperation provide the growing role of international economic relations and their improvement in terms of national economic development. As a member of the world community, Ukraine must actively search for forms, methods and tools of international economic relations, attract as many specialists in various fields and forms of employment as possible. The study of international economic relations is a complex and important area of scientific efforts mobilization, which requires a combination of fundamental theoretical and methodological provisions, modern scientific experience, and scientific knowledge methods.

The study guide presents the authors' vision of international economic relations as a component of the modern world economy, forming fundamentally new forms and methods in the world economic relations system.

According to the curriculum, the discipline "International Economic Relations" is included in the curriculum for students who will get higher education in Bachelor's Degree in major 292 "International Economic Relations".

The purpose of the study guide "International Economic Relations" is to form a particular system of knowledge on the development and current state of international economic relations for primary, special financial education and for practical activities in the national and world economy; to master theoretical principles and to acquire skills of process and trend analysis in the interstate communications.

The subject of the course includes the multilevel complex economic relations between economic entities of different countries in the organization and regulation of international economic activity.

The study guide contains the most important theoretical

aspects of the discipline. It simplifies the task of choosing the necessary material in preparation for students' practical classes. The authors try to enrich the international economic relations theory with relevant statistics and factual materials obtained from such databases as the World Bank, the International Monetary Fund, the United Nations, the World Trade Organization, etc.

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The author's team is open to the readers' comments and wishes on the content and form of the presented educational material and will consider them in future publications.

CHAPTER 1. INTERNATIONAL ECONOMIC RELATIONS AS A DISCIPLINE

1.1 ESTABLISHMENT AND FORMS OF PROMOTION OF INTERNATIONAL ECONOMIC RELATIONS

The discipline "International Economic Relations" is an integral part of the preparation of international economists. The study of the discipline "International Economic Relations" is linked to the formation, development and functioning of world economic relations as a special, holistic, organic system. The formation of this system is caused by the evolution of the international division of labor, the processes of internationalization of economic life of the world community, integration of groups into regional economic complexes (unions) with interstate and supranational regulation of socio-economic processes, transnationalization of production, international monetary and financial sphere as an independent phenomenon not directly related to foreign trade and international movement of factors of production.

International economic relations are a system of relations that arise between actors from different countries in relation to the production, distribution, exchange and consumption of goods, services, capital, ideas in the conditions of limited resources and the international division of labor within the global economy.

Modern international economic relations are a system of economic ties that are characterized by:

- going beyond national economies;
- the interaction of individuals and legal entities, states and international organizations;
- certainty of forms;

- different levels of depth of existence, functioning, implementation.

Levels of international economic relations [1]:

1) International economic contacts are the simplest, single, random economic ties that are of an occasional nature and are regulated mainly by one-time agreements. Links of this level are more common to legal and natural persons.

2) International economic cooperation has established stable economic relations between the entities of the international economic relations, which are based on international economic agreements and contracts engaging for a fairly long period of time.

3) International economic cooperation has strong and long-lasting ties of a cooperative nature, which are based on common, pre-developed and agreed intentions, set out in long-term economic treaties and agreements. This level is characterized by a partnership of international economic relations subjects.

4) International economic integration - the highest level of development of international economic relations, characterized by the interconnection of economies of different countries, the implementation of a coherent government policy both in mutual economic relations and in relations with third countries.

The objects of the international economic relations are, above all, goods and services that are in circulation on the international market.

The specific object of the international economic relations is a workforce.

The subjects of the international economic relations are participants in international economic phenomena and processes that are capable of acting independently and actively for the purpose of realizing their economic interests [2].

Options for state participation in the international economic relations are as follows:

- direct operations by central ministries and departments;

- participation of regional and municipal governments, including targeted sales and purchases of goods on the foreign market;
- Granting authority to individual firms to carry out operations on the foreign market;
- guarantee of export-import operations.

Forms of International economic relations [1, 2]:

1) International trade system of international commodity-money relations, consisting of foreign trade of all countries of the world;

2) International capital movement transfer of capital abroad is a process characterized by the withdrawal of capital from the national circulation of one country and its placement in various forms in the form of money or goods in the production process or circulation of another host country in order to obtain the income of its owner;

3) International labor migration migrating an able-bodied population across the state borders to enter labor relations with employers in another country;

4) International technology transfer - inter-country movement of scientific and technical achievements on a commercial or non-profit basis;

5) International monetary and financial relations - economic relations, which are connected with the operation of money and servicing economic relations between countries;

6) International credit relations;

7) International economic integration - is the interaction and mutual penetration of national economies of different countries, leading to their gradual economic merger, through the coherence of intergovernmental economic policies and the formation of deep relationships and division of labor between national economies [2].

8) International efforts to address global economic problems.

The environment of international economic relations is a combination of conditions and factors (external macroelements), taking into account and within which the international economic relations are formed and functioning.

1.2 SUBJECTS OF INTERNATIONAL ECONOMIC RELATIONS

At the beginning of the third millennium, a new model of the world economy is formed – a system of multidimensional economic interdependencies and interactions based on a complex combination of competition, cooperation and partnership at the macro and micro levels. The world economic community is becoming a holistic multifaceted system of national and transnational structures, where national societies are constituent elements of a single global economic organism. Under these conditions, the **institutional structure** of the world economy has become significantly more complicated. A distinctive feature of this structure is the plurality of components of its economic entities.

Subjects of international economic relations are participants in international economic events and processes that are able to act independently and actively in order to realize their economic interests. Subjects of international economic relations are classified on various grounds:

1. At the level of development of relations:

- a) micro level - enterprises, firms, farms, individuals;
- b) meso-level - regions, sectors of the economy;
- c) macro level - states, groups of states, international organizations.

2. **According to the organizational and legal status**, they are divided into two main groups:

The first group – interacting business structures (economic entities) – specific economic operators (firms) that directly carry out business activities;

The second group is a set of institutions that regulate the activities of economic entities and relations between them and implement economic policy at the sectoral, regional, national, interstate and supranational levels.

In turn, interacting business structures are distinguished by legal criteria:

a) individuals – eligible persons who, in international relations, act on their own behalf and do not represent any companies (sole proprietors, employees (migrant workers), tourists);

b) legal entities are organizations, firms, corporations engaged in foreign economic activity and meet the following characteristics: their own property is separated from the property of its members; availability of the right to buy, own, use and dispose of property; the right to be a plaintiff and defendant in court and arbitration on its own behalf; independent material liability.

Legal entities are also divided according to organizational and legal criteria:

- unlimited liability companies;
- limited liability companies ;.
- corporations;
- limited partnerships;
- sole proprietorships.

Thus, the subject of the world economy can be both an individual and a legal entity. The first case refers to an individual entrepreneur, the second – commercial organizations of various forms of ownership: companies, including joint stock, production cooperatives, state and municipal unitary enterprises, companies with mixed capital, as well as non-profit

organizations – consumer cooperatives and funds. Joint-stock companies (corporations) dominate the economy.

The key economic entities in the world economy that shape international business include:

1. **Transnational corporations (TNCs)** - usually large economic complexes with an international sphere of activity. There are TNCs with national capital and capital owned by individuals from different countries. TNCs are economically unified systems, vertically integrated structures with a hierarchical management structure. This system includes a parent company, branches, subsidiaries. The system is controlled and managed from one center.

2. **Long-term strategic alliances of TNCs** – a form of international inter-firm cooperation, which has become widespread since the 90s of XX century. There are alliances without joint ownership (contracts with risk-sharing), alliances with participation in capital (acquisition of shares, joint ventures), mainly technological alliances (R&D, technology transfer, innovation), mainly market alliances (marketing, market share protection, access to cheap resources).

3. **Transnational banks (TNBs)** – large international credit and financial associations of a predominantly universal type, with an extensive network of branches abroad, which carry out banking operations in many countries and convertible currencies.

4. **Transnational institutional investors** – insurance companies, private pension funds, collective investment institutions (investment funds, investment companies). In the stock market, they act as investors under the guidance of professional managers, mainly banks and specialized companies.

5. **Transnational financial-industrial groups (FIGs)** – integration of TNCs and TNBs. Among the various forms of FIGs are traditional concerns led by a large industrial

corporation and diversified financial groups formed around the bank.

6. **World financial centers** – places of concentration of large international capital and large-scale conduct of various international financial transactions. Their feature is a great variety of used financial instruments. The main operators of business financial centers are in London, Tokyo, New York, Paris, Zurich, Frankfurt am Main, Singapore, Hong Kong.

7. **The largest exchanges** are institutions and at the same time organizers of trade of securities (stock exchanges), goods (commodity exchanges) and currency (currency exchanges). The largest stock exchanges: in the United States – New York, in the UK – London, in Japan – Tokyo. International commodity exchanges are: in the United States – all exchanges located in Chicago and New York, in the UK – London Futures and Options Exchange, in Japan – all exchanges with transactions in goods that traded on the world market.

The second group of world economic entities includes:

1. **Nation-states** – the activities of the authorities of different countries to ensure the functioning of the economy and foreign economic relations. The state is a special subject of international economic relations. Namely, states create the field of activity for the subjects of meso- and macro-level, negotiating agreements on bilateral and multilateral cooperation.

2. **Different territories**, which, not being sovereign states, are considered by international organizations as separate entities (Hong Kong, etc.).

3. **Sub-sovereign organizational structures** – regional and local authorities entering the world market, mobilizing funds in international capital markets.

4. **Entrepreneurs' unions** are associations for the purpose of representing their interests in governmental bodies and assisting them in organizing international activities.

5. **Chambers of Commerce** – private associations of entrepreneurs with a goal of promoting trade and marketing.

6. **Trade unions** – workers' organizations that protect the socio-economic rights and interests of their members in relations with employers and the government.

7. **International organizations** established to coordinate the activities of countries in various spheres of the world economy.

8. **Regional integration associations**, the largest of which are the European Union (EU), United States–Mexico–Canada Agreement (USMCA), the Association of Southeast Asian Nations (ASEAN), and the Latin American Subregional Trade and Economic Union (MERCOSUR).

9. **Sectoral organizations of commodity-producing countries**: Organization of Petroleum Exporting Countries (OPEC), Alliance of Cocoa-Producing Countries, Intergovernmental Council of Copper-Exporting Countries, Association of Rubber-Producing Countries, etc.

Qualitative changes are observed in the nature of relations between economic entities in production and in the market. New mechanisms of interaction were formed: the state - business - society.

1.3 PRINCIPLES OF INTERNATIONAL ECONOMIC RELATIONS

Principles of organization of international economic relations (IER) – a set of international rules of conduct for IER participants.

The Charter of Economic Rights and Duties of States, adopted by the Fourth Special Session of the UN General Assembly in 1974, declares the following principles of the IER:

- sovereignty;
- territorial integrity and political independence of states;

- sovereign equality of all states;
- non-aggression and non-interference, peaceful coexistence;
- mutual and fair benefit;
- equality and self-determination of peoples;
- peaceful settlement of disputes;
- elimination of injustices caused by the use of force;
- conscientious fulfillment of international obligations;
- respect for human rights and fundamental freedoms;
- lack of desire for hegemony and spheres of influence;
- promotion of international social justice;
- international cooperation in development;
- free access to and from the sea for non-maritime countries.

As for Ukrainian subjects of foreign economic activity, they, according to the Law of Ukraine "On Foreign Economic Activity", in its implementation are guided by the following **principles** (which include the activities of foreign economic entities in Ukraine) [3]:

- sovereignty of the people of Ukraine;
- freedom of foreign economic activity of subjects;
- legal equality and non-discrimination;
- rule of law;
- equal protection of the interests of Ukrainian and foreign entities;
- equivalence of exchange, inadmissibility of dumping.

Adherence to the principles of foreign economic activity creates more favorable conditions for the effective entry of Ukrainian enterprises into foreign markets, allows public authorities to make effective management decisions and make forecasts in the foreign economic sphere.

1.4 THE ENVIRONMENT FOR THE DEVELOPMENT OF INTERNATIONAL ECONOMIC RELATIONS

The environment for the development of international economic relations can be defined as a system of conditions and factors of the existence of international economic relations. Thus, the environment can be divided into internal and external.

The internal environment of international economic relations is the internal structure of the system of international economic relations, which together with its laws of functioning and development can be represented as a set of the following elements:

- foreign economic activity of countries and their subjects;
- management of international economic processes, regulation of international economic cooperation;
- forms and levels of international economic relations;
- domestic laws of development of the international economy, ie those phenomena and processes that occur in the world economy and have a clear causal nature.

The external environment of international economic relations is a system of external conditions in which international economic relations develop, and a system of factors that shape the micro- and macromotivation of the behavior of world economic agents and determine the effectiveness of their participation in the international division of labor. The external environment has a certain structure. By nature, it is divided into:

- conditions and factors of direct action;
- conditions and factors of indirect action.

Factors of direct action are characterized by the fact that international economic relations cannot function without them (international organizations, trade missions, international legal norms). Factors of indirect action are characterized by the fact that their changes do not directly and immediately affect the

development of international economic relations (development of new mineral deposits, political misunderstandings, etc.).

In terms of spheres of influence, the external environment of international economic relations is divided into:

- natural and geographical;
- political and legal;
- economic;
- socio-cultural
- infrastructural.

Further we will consider each of them in more detail.

Geographical environment of international economic relations. The group of natural and geographical factors and conditions include:

- 1) the difference in the size of the territory of the cooperating countries;
- 2) the difference in population;
- 3) geographical location;
- 4) uneven climatic conditions;
- 5) the presence or absence of certain natural resources;
- 6) access to a sea;
- 7) the presence of navigable rivers.

The main conditions and factors influencing the development of international economic relations are related to the uneven location of natural resources, with their presence or absence in different countries. Factors such as the size of the country's territory and population play a significant role. The smaller the country, the greater the need for its specialization. Large countries, as a rule, are rich in natural resources and have a wide range of climatic conditions, which eliminates the problem of resources.

No less important is the country's location relative to other countries and world trade routes. Countries at their intersection tend to specialize in providing financial, commercial and transport intermediation services.

Political and legal environment of international economic relations.

The set of political and legal factors that affect the functioning and effectiveness of the participation of the country as a whole and individual business entities in the international division of labor can be classified into the following areas:

- 1) political - legal environment of their country;
- 2) the political and legal environment of the partner country;
- 3) legislative regulation adopted in the world community.

The political and legal environment of any country is analyzed through the lenses of its legislation, which operates within the country, but indirectly affects the effectiveness of foreign economic transactions and analysis of foreign policy.

The political and legal environment of a foreign country is analyzed in detail also by taking into account possible risks in international markets and supplemented by additional areas of research:

- a) the ratio of political forces in the country;
- b) the nature and degree of influence of state institutions on economic processes;
- c) the degree of development of state sovereignty;
- d) the country's international position in the UN and on the world stage as a whole.

The third area of analysis is the international political and legal environment. It consists of the following elements:

a) international policy – a set of methods and tools aimed at achieving goals and objectives arising from the interests of all actors in international relations. Note that international policy has a greater impact on the development of international economic relations than domestic policy on the development of the national economy, as a national economic system in most countries has developed over a long period of time and has acquired signs of self-sufficiency. Therefore, a sudden change

in domestic economic policy can not immediately significantly change a direction of its development;

b) international legal institutions – a set of international legal bodies: conferences, congresses, meetings, committees, commissions, organizations. The set of international institutions is the management system that regulates international relations;

c) international legal norms, which are developed by international institutions and provide for the regulation of international relations at various levels (norms of international, private, civil and patent law);

d) membership of countries in international (regional) associations.

Economic environment of international economic relations. It includes the following factors:

1) the predominant property relations in the country;

2) the mechanism of organization of national economies, ie a set of forms in which specific regulation of the daily economic process occurs;

3) production and foreign economic traditions of the country;

4) the economic potential of the country. And not only the availability of resources is taken into account, but also the possibility of their efficient use, the optimal development of economic structures and export potentials;

5) the quality level and diversification of the development of research and development work;

6) the level of development of means of production, machinery and technology, which is characterized by:

- accelerating the rate of depreciation of equipment and facilities;

- technological diversification;

- compatibility of technologies;

7) international specialization of economic activity of countries;

8) the level of infrastructure development;

9) kinship of economic structures of countries;

10) demographic situation, which is characterized by the total volume, structure, prospects for population growth of individual countries;

11) the level of consumption of the population, which is determined by income, prices, savings, availability of loans.

Socio-cultural environment of international economic relations. Each country has its own traditions, norms and prohibitions. The influence of the socio-cultural environment on the dynamics of world economic relations is carried out in the form of perception by foreign consumers of goods or services, the specifics of consumer behavior in the market, the possibility of influencing it. In addition, the cultural environment forms a kind of norms of behavior in business. Socio-cultural environment is analyzed, as a rule, in the following areas:

- language;
- religion;
- ideology;
- features of historical development;
- national traditions, other cultural values;
- norms of behavior in business, business ethics and management;
- social institutions.

Linguists estimate the total number of languages in the world at five thousand. The most common of these are (the approximate number of people who speak this language in millions of people, 2019): English (1,268), Mandarin Chinese (1,120), Hindi and related Urdu (808), Spanish (537.9), Russian (258), Bengali (265), Indonesian (199) and Arabic (274), Portuguese (252.2), Japanese (126.4), German and French (276.6). Almost two thirds of all mankind speak these 12 languages.

Economic necessity pushed the subjects of international economic relations to choose the only language of international

business – English, but to attract foreign consumers to their products, ie to conquer foreign markets, is possible only if in marketing strategy (labels, packaging, technical documentation, pricelists, catalogs, advertising) the languages of potential foreign buyers are used.

The religious factor also affects the commodity structure of foreign trade. For example, in Israel, a necessary condition for the import of food is the permission of a special religious committee, which checks them for kosher.

National traditions and cultural values are a source of pride in many countries. Now that the world is becoming more homogeneous, this factor of international economic relations is gaining even more weight than before, as information about foreign countries has become available and ignorance of these issues is unacceptable.

Different national traditions, differences in upbringing, culture determine a certain specificity of business etiquette in different countries. Actions conducted with ignorance to the peculiarities of national business etiquette can negatively affect the outcome of business interaction.

Therefore, a variety of factors, ranging from the rules of international law, the peculiarities of national legislation to the specifics of business communication with representatives of other countries, must be taken into account and used for the successful implementation of an international economic project.

Control questions and tasks:

1. What are the goals and objectives of the discipline "International Economic Relations"?
2. What is the international economic system, what are its structural elements?
3. Name and describe the main agents of international economic activity and the principles of their interaction.
4. Define the MED environment.

5. How manifests itself the impact of the political and legal environment on the IER?

6. Name the main elements of the socio-cultural environment of IER.

7. Name the classification of factors of the economic environment of international economic relations.

8. Explain the role of infrastructure in the development of international economic cooperation.

9. Explain the principles of international economic activity.

CHAPTER 2. INTERNATIONALIZATION OF ECONOMIC LIFE AND INTERNATIONAL DIVISION OF LABOR

2.1 INTERNATIONAL DIVISION OF LABOR AS THE BASIS OF THE WORLD ECONOMY: FORMS AND CURRENT TRENDS

The formation of the world economy is based on the process of internationalization. A characteristic feature of the development of IER is the internationalization of economic life, ie the objective process of convergence of national economies, which is manifested in the growth of industrial interdependence of economic entities from different countries, international trade, capital movements and labor. The internationalization of economic life thus implies an increase in the international mobility of finished products and factors of production.

There are such directions of economic life internationalization as [4]:

- Internationalization of production power or creation of material elements of international economic objects all over the world.
- Internationalization of production complexes that is reflected in development of common enterprise and involving partners from all over the world.
- Internationalization of accounting that is reflected in the process of international trade relations development.
- Internationalization of transport that is reflected in creating of international transport systems, for instance pipelines.
- Internationalization of information systems that expects combining of material and financial resources for optimal using of information within the international economic, for instance Internet.

The material basis of the world economy and the basis of internationalization of economic life is the international division of labor (IDL), the essence of which is manifested in the unity of two processes: the separation of production processes (international specialization) and its association (international cooperation of production).

The development of international economic relations is determined with the difference in enduing countries' producing factors (economic resources). On the one hand, it leads to international division of labour, on the other hand, to transfer these factors between the countries [4, 5].

The notion "international division of labour" represents effects and processes of division of labour amongst the subjects of different countries and on the supragovernment level.

International division of labour is the process of individualization of different labour activities on the international level, which cooperate and complement each other, forming objective international exchange base of goods, services and results of others activities.

International economic activity organizes the economic relations system amongst national economic of the countries, corresponding subjects of management. It is based on the international production specialization und internationalization of economic life.

International production specialization is the form of labour international division in which concentration of similar manufacture in the world occurs on the basis of progressive differentiation of manufacturing processes amongst different countries and their subjects. In other words, some countries is occurred concentration on the manufacture of some production (or in some sort of companies), countries is consider the manufacture of different types of production (or in different companies).

There are two historical forms of international specialization.

These are inter-industrial and intra-branch specializations [2].

The main types of international specialization are:

- 1) presentive (production of finished products);
- 2) detailed (production of parts of product components);
- 3) technological or stage specialization (ie the implementation of individual technological processes).

International production cooperation is the form to organize the common and mutually agreed production, in which two or more countries participate. It has the greatest success in machine manufacturing, electronics, chemical and some others branches of industry, primarily in producing the highly-technological production.

International production cooperation combines the resources of manufacture in the unitary organizational-technological process.

Internationalization means the process of national boards overgrowing by the common production.

Thus, IDL is the most important material prerequisite for the establishment of fruitful economic cooperation between states on the planet. The broad interpretation of IDL as a separate complex of human activities does not necessarily imply its subsequent cooperation and exchange of productive products. At the same time, international labor cooperation is entirely based on the international division of labor and cannot exist independently. Just as social labor cooperation is the reverse side of the social division of labor, international labor cooperation is the reverse side of the international division of labor.

One of the leading trends in world economic development in recent decades is the gradual transition of many countries from closed national economies to an open economy type focused on foreign markets.

The main factors influencing the degree of openness of the economy, the scale and intensity of economic ties of national economies are:

- natural and geographical conditions of countries: climate, natural resources, size of the territory, population, geographical location;

- socio-economic conditions: the number of labor force participants, its qualification characteristics, the achieved level of economic and scientific and technical potential, the scale of production, the state of production and social infrastructure;

- R&D factors: diversification of production, level and volume of R&D, opportunities for large-scale and mass production;

- type of regulatory system of foreign economic relations;

- development of regional economic integration processes, etc.

In outlining the functioning of open economic systems, we must take into account that in an open economy, the relationship between the main macroeconomic variables that characterize the internal state of the economy is significantly complicated, as they are mediated by processes occurring in the outside world. At the same time, economic variables, which are indicators of the state of the foreign economic sector, are influenced by internal variables.

Open economy can be called the national economic complex, which is involved in the international division of labour and mediates international cooperation during a significant part of the total product, besides that macroeconomic equilibrium of the complex is provided with the active role of the international sector.

Openness of the economy is a system of economic life that ensures the involvement of the national economy in cooperation with the world community.

The current state of international economic relations allows us to distinguish two levels of openness:

1. The level of involvement of countries in the international circulation of goods and factors of their production, as well as in international production and investment activities;

2. The level of interaction between national economies and the world economy as a whole in the context of globalization of financial markets [6].

At the first level, "openness" is usually understood as the development of three key channels that connect national economic systems, determine the degree and forms of involvement of countries in the international movement of goods, capital and labor.

The indicator of openness at the first level is the share of exports (export quota) and imports (import quota) in gross domestic product (GDP):

The export quota – a restriction imposed by a government on the amount or number of goods or services that may be exported within a given period, usually with the intent of keeping prices of those goods or services low for domestic users

$$E_q = \frac{E}{GDP} * 100\% \quad (1.1)$$

where E – exports, GDP – gross domestic product.

Import quota – an import quota is a limit on the quantity of a good that can be produced abroad and sold domestically

$$I_q = \frac{I}{GDP} * 100\% \quad (1.2)$$

where I – imports, GDP – gross domestic product.

Foreign trade quota – which is defined as the sum of imports and exports as a percentage of GDP, and is used as a measurement of a country's openness to international trade

$$FT_q = \frac{(E + I)}{GDP} * 100\% \quad (1.3)$$

At the second level, the "openness" of the economy is determined mainly by the degree of independence of the international monetary and financial system, which is carried out through the functioning of international financial markets. The leading indicator of the functioning of a market economy as an international economy is the effectiveness of monitoring and regulation of the national economy and the world economy as a whole.

2.2 INTERNATIONAL ECONOMIC ACTIVITY

The core of modern IER is the international economic activity of economic entities, primarily enterprises. The activities of the latter are aimed at obtaining certain economic results, especially profits.

There are companies whose activities are mainly focused on the national market. Foreign economic relations are of secondary importance for such enterprises in their system of priorities. Other enterprises consider foreign economic activity as a necessary factor for their normal functioning. Some of them consider the orientation to the world market as the preliminary principle of their activity. Finally, there are companies that "work" exclusively on the foreign market.

The main criterion of international economic activity efficiency from the macroeconomic point of view is its effect on the dynamics of real GDP growth in both the short and long term. This impact is made through a comprehensive and dynamic evaluation of all components of this activity, which in terms of official statistics serve as components and factors of payments balance articles.

From the national monetary system and generalizing

financial reporting point of view balance of payments reflects the financial side of all international economic activity in its broadest sense and it is the sum of operations that generate the supply and demand for foreign currency. It covers all the revenues that citizens of the state are got from natural and legal persons from other countries, and all the benefits that the residents of a state make outside.

The corresponding subjects take part in the international economic activity. A state as a carrier of the power, owner and manager of the property and large funds is a common and distinct "social" entrepreneur. At the same time, it affects the national economy through the budget, credit, monetary, exchange rate policies. Alongside with the short-term control, long-term key-factors are used, science and technology, innovation, structural policy is held, overcoming of regional distinctions is stimulated, the national entities competitiveness increases.

Multinational corporations tend to have complete or almost complete autonomy in decisions and actions in order to increase the mass of profit expansion at the global market, and extension of national activity, increasing competition. In modern conditions multinational corporations plan their activity worldwide. Global marketing, based on this approach, leads to the growth of international interweaving of economic, social and political structures. These processes significantly alter the conditions of the international activities of its participants deform the relevant market. Thus, a significant part of world trade is intra-supply of intra corporations, transfer prices.

Entrepreneurial organizations is involved in the international business on a private basis.

Classification of international economic activity forms [2].

International economic activity is mediated with numerous cooperation forms of different countries, industrial, commercial trade contacts that go beyond individual countries and means to

regulate these contacts from national and international institutions. These forms conform to disposition of traditional specialization, which is associated with the achieved level of economic development and the deployment of the factors of production, natural resources and specialization, which is formed by the appropriate areas perceptions of labour effort concentration for producers and countries in general.

The international trade of goods and services was historically the first form of international cooperation that dominated for a long time by the volume of transactions. In terms of a separate national state such trade means exports of goods and services, and their imports. This economic activity can occur with the participation of both private entities and state directly. In this case one can distinguish two interrelated models of international economic activity, which are subsystems of a single mechanism for national participation in international cooperation. The first model of cooperation is cooperation on the private level. The second one is cooperation with state institutions (as one of the parties or only with the participation of institutions) - in modern terms is auxiliary by its nature.

From some country's point of view the *migration of capital* is implemented in the form of capital export (in this case, the country is a donor, exporter of capital) and the importation of the capital to the country (in this case the recipient country is importer of capital).

There are other means to attract financial resources that a state has in its disposal. It occurs by means of financial loans in other countries, international financial institutions and private agents, in other words - through the use of international credit instruments.

The main loges of monetary policy in terms of the debtor is to mobilize financial resources. It is necessary either in cases of acute shortages (eg in the case of urgent social needs or the technical goal to create a fund to support the national currency)

or in the calculation of the final economic impact.

Previously International monetary and financial relations performed mostly subsidiary functions and now they became independent features. Thus, if the initial international monetary and financial relations mainly was a supporting settlement system whose main purpose was to export and import, and later making credit and safety operations, but now they are personified into separate sphere of business, as well as the powerful tool of macroeconomic policy state.

International economic activity is the integral system of economic relations amongst national economies of different countries and subjects of economic life that are related to them or were created by them. It also includes international organizations, which have typical correlations, regularities for them and they realize these specific interests, which linked with using the benefits of international collaboration, division of labour and factorial disposition [2].

Perspectives and opportunities of the international economic activity and its basic forms are determined in extending the international division of labour and transformation it to others forms. General international division of labour determines exchanging of goods in extracting and manufacturing branches of countries. Peculiar division of labour leads to the development of international trade and prevalence of final products in it. Solitary international division of labour is specialization on separate grades of production (production of knots, parts, half-finished products etc) and stages of technological process and also scientific, design and technological developments and investment process.

International economic activity depends on the existing (natural, geographic, demographic, etc.) and acquired (industrial, technological) factors as well as social, national, ethnic, political, ethical and legal conditions. The above-mentioned factors of the international economic activity

determine its main forms.

International cooperation are to increase its volumes and to deepen largely influences on the nature and prospects of national economic systems. And one can say about the transition of the quantitative changes into a new quality of cooperation, at certain stages economies of integration there is the phenomenon of openness (or open) economies [5].

International production is production of goods and services with the assistance of foreign enterprising capital in the form of direct and portfolio investments, based on of international specialization and co-production, joint investment activity and enterprise.

Distributed where five main types of international production are distinguished [1]:

- resource – production is ground on the resource base and common use of capital, technology, additional assets;
- market – production is based on the common use of capital, technology, information, application of modern management and organizational experience;
- specialization – production is based on rational specialization of products or processes, providing access to markets, economies of scale and geographic diversification;
- trade and distribution – the production is associated with the trade and distribution of products at local markets;
- mixed production, which are different combinations of the above-mentioned four types and use the benefits of market and portfolio investments.

The development of international production is linked with direct investments, license agreements that enable multinational corporations to interfere the activities of foreign companies and profits and charges for the use of the patent, management agreement under which TNCs organize the management and maintenance of foreign companies in exchange for a fee and a share in the capital, international subcontracting in which TNCs

conclude subcontracts with foreign companies to perform specific work or the supply of certain products.

The activities of enterprises on the international market are carried out in the following forms:

1. Export and import of goods and services. This is often the first foreign trade operation of the firm. This operation usually involves minimal liabilities, carries the least risk to the firm's production resources and requires relatively small costs. For example, firms can increase exports by loading their excess capacity, which minimizes the need for additional investment.

2. Contract, cooperation agreements (licensing, franchising). When licensing, the firm (licensor) enters into a relationship with a foreign firm (licensee), offering the right to use the production process, trademark, patent, know-how in exchange for a license fee. Franchising is one of the ways of cooperation (primarily international) in the sale of goods and services of a well-known firm (franchisor) through a specially created sales organization (franchisee) with the right to use the trademark and know-how of the franchisor.

Thus, the well-known manufacturer of copiers Xerox, having a solid reputation, creates a network of sales companies in different countries to jointly promote various services for copying printed materials. Xerox requires national partners to strictly implement technology delivery services; finances the purchase or lease of premises by partners; trains local staff; controls the proper use of the brand name by partners.

Franchising of goods and services is also used by well-known companies: McDonald's, Singer, Coca-Cola, Hilton. The franchise has the greatest application in the field of services: tourism, home appliances service, fast food system, car repair.

Often companies buy foreign licenses and turn to franchising after they have succeeded in exporting their products to foreign markets.

3. Economic activity abroad (research, banking, insurance, contract manufacturing, leasing). Contract manufacturing involves the conclusion by the firm of a contract with a foreign manufacturer that can manufacture goods, the sale of which may be conducted by the same firm. The lease arranges the provision by the lessor for temporary use to the lessee of the property for an agreed rent for a certain period in order to obtain commercial benefits.

The range of goods for rent is quite wide: cars and trucks, planes, tankers, containers, computers, communications equipment, standard industrial equipment, warehouses, ie movable and immovable property that belongs to fixed assets.

In international practice, there are three types of lease depending on its duration:

- short-term lease – renting, the duration of which can range from several hours to one year;
- medium-term lease – hiring, which provides for the lease of property for a period of 1 to 3 years;
- long-term lease – for a period of more than three years.

4. Foreign direct and portfolio investment. Foreign investment activity may be associated with the establishment of the company's own production branch abroad; investing in shares of an existing foreign firm; investing in real estate, government securities.

The above classification of forms of international business is quite conditional. For example, economic activity abroad is almost always accompanied by the flow of investments there.

At various stages of IER development, one of the forms of international economic activity predominates. At the present stage the leading form for many developed countries is transnational production, which is based on foreign investment activities.

International Business is business in the international economy. The international business segments are: global

business, common business, business abroad, foreign business.

Business Objects are intellectual, financial, monetary, financial and other assets, credit and banking instruments.

The main subjects of international business are the natural and legal persons, their institutional and voluntary associations, states and international organizations [7].

There are two types of international business based on differentiation of subjects and forms of ownership: private and public. Private business is realized by physical and private entities. State business is realized by the state and its representatives.

According to branch-technological and functional features there are the following kinds of international business: industrial, agricultural, construction, trade, transport, communication, and financial. Industrial, trade and financial are developed the quickest, however during the economic crisis, they reduce their activity and pursuing a policy of "collapse" activities abroad.

2.3. INTERNATIONAL PRODUCER INFRASTRUCTURE AND ITS SUBSIDIARIES

Infrastructure is a complex of branches of the economy, which provide the general conditions of production and life of people.

The environment of international economic relations as a system of factors directly influencing the existence and development of the world economy is called **the infrastructure of international economic relations**.

International infrastructure is a set of structural elements of national economies and world institutions, through which the implementation, operation and development of various forms of international cooperation takes place.

The classification of elements of international infrastructure

is based on two features [2]:

- the degree of participation in the implementation of forms of international cooperation;
- the place of elements of international infrastructure in the reproduction process, in particular in the production, exchange and realization of consumer interests.

Social infrastructure is health care; provision of consumer services to people (trade, public catering, health care, all types of passenger transport and communications, hotel industry)

The production infrastructure is divided into infrastructure of production and consumption.

Market infrastructure is a system of interconnected specialized organizations designed to promote the functioning of individual markets (state credit system, banking system, insurance system, exchanges, advertising agencies, trade enterprises, marketing services, computer firms).

The availability of facilities and facilities for production infrastructure largely determine the efficiency of production of the country as a whole.

Development of production infrastructure is a necessary prerequisite for the intensification of production, the solution of social problems associated with meeting the growing material and spiritual needs of society and the activation of the human factor. As a result of the deepening of the international division of labor and the development of international economic integration, the coordinated development and improvement of the interdependent elements of the infrastructure of the national economic complexes of individual countries, the development of the international industrial infrastructure becomes more and more important.

International industrial infrastructure is a set of national elements of transport systems, information and communication systems serving foreign economic activity and international communication.

The structure of industrial infrastructure includes: transport and transport, communications, energy, water supply, logistics.

In intracontinental transport systems, the carriage of goods is provided by road, rail and inland water transport.

In intercontinental connections the main role in the transportation of goods and passengers belongs to the sea and air transport.

It is accepted to allocate territorial transport systems: North America, overseas Europe, Latin America, CIS countries, countries of South and South-West Asia.

The economically developed countries of the world account for 78% of the total length of the world transport network and 74% of world freight turnover.

The global transportation system covers all the world's routes and all vehicles. The communication infrastructure consists of various technical means for receiving and processing information that goes to communication institutions, communication channels for its transmission, communication systems, equipment for its delivery to the addressee [2, 8].

Water supply – a set of water sources (including reservoirs), pipeline communications and special facilities for water production.

Power supply includes a set of power grids (transmission lines, power substations, service units) that provide electricity to consumers.

Distinguish energy networks:

1) at rated current (high voltage, low voltage, direct current and alternating current);

2) on a territorial basis (enterprise, regional, etc.).

The transport system develops in the following directions:

- increase of traffic capacity;
- improve traffic safety;
- the emergence of fundamentally new vehicles;
- increase in the carrying capacity of vehicles;

- increase speed of movement.

The energy situation has a major impact on the world transportation system.

Reduction of energy intensity can be solved in the following directions [8]:

1) *technological* (improvement of engines, weight reduction of the container, etc.);

2) *operational* (increase of loading and utilization of transport capacities - reduction of empty flights, reduction of downtime, improvement of utilization of capacity and increase of capacity together with decrease of speed of movement;

3) *structural* (change of structure of transportation of cargoes by modes of transport due to increase of use of more energy efficient types – marine and pipeline).

Consequently, transport is generally adapting to the latest trends in the world economy.

Control questions and tasks:

1. Define the concept of "international economic activity", "foreign economic activity".

2. What are the forms of international economic activity and what is their interaction?

3. Explain the role of infrastructure in the development of international economic cooperation.

4. Explain the principles of international economic activity.

5. What is meant by internationalization?

6. Define the term "international division of labor". Name its types and forms.

7. Formulate the concept of factor of production. What factors of production do you know?

CHAPTER 3. INTERNATIONAL TRADE AS THE LEADING FORM INTERNATIONAL ECONOMIC RELATIONS

3.1 THE CONCEPT, ESSENCE OF INTERNATIONAL TRADE

International trade occupies a special place in the complex system of world economic relations. As historically the first and foremost form of international economic relations, it has contributed to the emergence and development of its other forms, including capital outflows and the activities of multinational corporations, international currency and credit transactions, patents, licenses and technology transfers, international transportation and insurance, manufacturing and R&D cooperation. At the present stage, it is difficult to imagine the development and even the existence of any country without foreign trade and its participation to one degree or another in the international division of labor.

International trade accounts for almost 80% of all international relations.

International trade is a sphere of international commodity-money relations, a specific form of exchange of labor products (goods and services) between sellers and buyers from different countries. For an individual country, participation in international trade takes the form of foreign trade.

Foreign trade (FT) is trade of one country with others, which consists of paid export and import of goods and services.

The act of selling goods or services to a foreign country is called exporting.

The act of buying goods or services from a foreign country is called importing.

Together exporting and importing are collectively called international trade.

Collectively, the foreign trade of different countries forms international trade, which is also a complex socio-economic category. It can be considered from two positions – operational and political (Fig. 3.1).

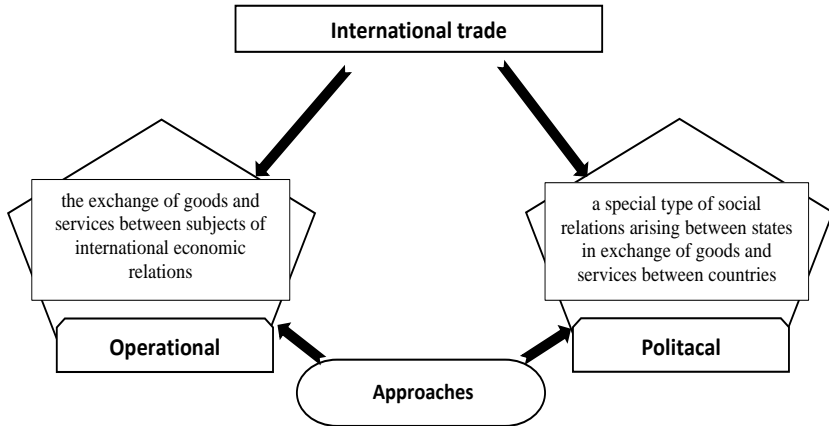


Figure 3.1 – Approaches to understanding the essence of international trade [9]

From an operational point of view, international trade is the process of direct exchange of goods and services between economic entities of different states, states and international organizations. That is, we are talking about the movement of goods (including services, licenses, know-how, engineering, etc.), tools and mechanisms of trade expansion, improvement of the structure of exports and imports, forecasting and evaluation of world commodity markets, planning export opportunities and import needs, contract work organization, control over deliveries and shipments, currency and financial transactions, etc. In this case, the subject of international trade as a field of knowledge is the organization of export-import operations, and the object, respectively, any export or import operation.

From the state and political point of view, international trade can be seen as a special type of social relations that arise in the world economy in the process of exchange of goods and services between states that have their own foreign policies and foreign trade policies. Such relations are regulated by special international regulations: treaties, agreements, acts and other norms of international law. However, since social relations cannot be independent from the foreign and domestic policies of countries, the relations of exchange on the world market are largely regulated by acts and actions of a political nature. Thereby, US congressmen use trade sanctions very often to punish other countries in the name of national or political interests.

Table 3.1 – Comparative characteristics of approaches to understanding the essence of international trade [9].

Criterion	Approaches	
	Operational	State and political
Subjects	All subjects of IER: individuals and legal entities, states, international organizations	States and international organizations
Object	Operations of export or import	Trade exchange
Purposes	Satisfaction of needs in goods and resources – at import; realization of commercial interests – at export	Achieving economic and political interests of states; harmonization of world trade on a non-discriminatory basis
Tools	Contracts and agreements	Foreign economic and foreign trade policies of states and their integration groups; norms of international trade law; agreements, arrangements
The subject of international trade as a field of knowledge	Organization of export-import operations	Organization of trade exchange

The place of international trade in the system of international economic relations is determined by the fact that, first, it realizes the results of all forms of world economic relations – the export of capital, industrial cooperation, scientific and technical cooperation. Second, the development of international trade in goods determines the dynamics of international trade in services. Third, the growth and deepening of interregional and interstate relations are an important prerequisite for international economic integration. Fourth, international trade contributes to further deepening of the international division of labor and the internationalization of economic relations.

The importance of international trade in the system of international economy is due to the fact that it is based on important factors and the feasibility of international exchange of goods and services.

Factors that determine the need for international trade include:

- the emergence of the world market;
- uneven development of individual industries in different countries. The products of the most developed industries, which cannot be fully sold on the domestic market, are exported abroad. In other words, there is a need to sell products in foreign markets and the need to obtain certain goods from outside;
- the tendency to expand the size of production. As the capacity of the domestic market is limited by the effective demand of the population, production transcends the boundaries of the domestic market, and entrepreneurs in each country are fighting for foreign markets;
- the desire to make higher profits from the use of cheap labor and raw materials from developing countries.

International trade is expedient when it brings some gain. It can be obtained at the level of the country, consumers, international firm, domestic import-competing firm.

Benefits of international trade for the country:

- the ability to export those goods in the production of which more resources are consumed, those resources that are in abundance in the country;
- the ability to import such goods, the production of which would require a lot of relatively limited resources;
- the effect of savings on a large scale of production, while specializing in a narrower set of goods.

Consumers interested in international trade to:

- import consumer goods at a cheaper price compared to domestic or which in certain parameters differ in a better way;
- to import raw materials and export industrial goods, which reduces the internal costs of production, makes it possible to abandon the production of products, the manufacture of which depends solely on foreign suppliers;
- to export domestic goods and use the proceeds for imports,

Thus, consumers benefit from an increase in the quantity and variety of goods, lower prices, and thus increase their level of well-being.

The benefits of international trade for domestic international firms are manifested in:

- exports of goods and services, which provides domestic producers with a profit and, as a rule, increase the scale of production at lower cost. In addition, exports and imports can reduce fluctuations in demand, supply and prices of individual goods;
- unexpected changes in access to domestic sources of raw materials can be offset by opposite changes in imports of raw materials;
- producers with significant volumes of foreign sales are less dependent on domestic economic conditions;
- by becoming a participant in the world market, the firm can find more ways to increase its competitiveness;
- knowledge and experience gained by firms in the process of international trade, increase the efficiency of their activities

in conducting marketing operations in the domestic market [10, p. 25–26].

Thus, the international trader when exporting goods and services can increase sales and profits, and when importing helps to avoid restrictions on the domestic market, reducing production costs or improving product quality.

3.2 EVOLUTION OF THEORIES OF INTERNATIONAL TRADE

The basis of foreign trade policies of states have always been the concepts of international trade as an attempt to theoretically understand and explain the causes of international trade, its dynamics, structure, efficiency and prospects for development. Today we can distinguish five groups of concepts for the development of international trade:

- mercantilism (early and late);
- of benefits (absolute and relative);
- of factors of production;
- neotechnological;
- of competitiveness [2, 11]:

1. The first attempt to theoretically substantiate the causes, directions, effectiveness of international trade and the development of recommendations for foreign trade policy was the concept of *mercantilism* (from the Italian mercante - trade). Early mercantilism, whose ideologues were W. Stafford (England), G. Scaruffi (Italy), emerged in the late fifteenth century, and was based on the doctrine of "money balance" – the accumulation of money as a result of the export of goods with a ban (or subjective restriction) on the export of money. Proponents of this concept held the view that the state should sell as much of any good on the foreign market and buy as little as possible. At the same time, the country should accumulate

gold, which at that time was equated with the wealth of the nation.

The theory of late mercantilism (T. Mun (England), A. Serra (Italy), A. de Montchrestien (France)) was developed in the second half of the sixteenth century. The main content of this area is the doctrine of "active trade balance":

- maintain a positive balance of payments, that is, export more goods than import;
- regulate foreign trade to increase exports and reduce imports;
- prohibit or strictly restrict the export of raw materials and allow duty-free import of raw materials;
- to ban any trade in colonies with countries other than the metropolis.

They first described what in the modern economy is called the balance of payments.

2. *The theory of absolute advantage (Adam Smith)*

Countries exporting goods that they produce at a lower cost of production (production in which they have absolute advantage) and import those goods that other countries produce at a lower cost. A. Smith held the view that the wealth of the nation depends not so much on their accumulated reserves of precious metals (gold), as on the ability of the economy to produce final goods and services. Therefore, the most important task of the government is not the accumulation of gold and silver, but the implementation of measures for the development of production on the basis of cooperation and division of labor.

A. Smith's foreign trade theory is based on the following conditions:

- Labor is the only factor in production.
- There is full employment, ie all available labor resources are used in the production of goods.
- Only two countries are involved in international trade, which only trade with two products.

- Production costs remain constant and their decline increases demand for goods.

- The price of one product is expressed in the amount of labor spent on the production of another.

- The cost of transporting goods from one country to another is zero.

- Foreign trade is free from restrictions and regulations.

Absolute preference theory means that countries are exporting. The theory of absolute advantages shows the advantages of the division of labor not only at the national but also at the international level.

However, this theory does not consider a situation where a country would have an absolute advantage over all goods or would not have it for any product.

3. *The theory of comparative advantage (Ricardo).*

D. Ricardo created a model of international trade, which showed that non-compliance with the principle of A. Smith is not an obstacle to mutual benefit: the theory of comparative advantage states that countries export those goods in the production of which they have a comparative advantage and importing those products in the production of which other countries have a comparative advantage.

Comparative advantage means that the relative opportunity cost of production of certain commodity in the country is lower than in another. In other words: the basis for the emergence and development of international trade can only be the difference in the relative costs of production of these goods, regardless of the absolute value of these costs. The gain from trade arises from the fact that a country is able to receive for its goods more foreign goods from abroad than at home.

4. *The theory of factors of production* and its testing. The theory was described in the 30s of the XIX century by Jean-Baptiste Say, and included such factors as labor, capital and land, which together determine the cost of production. Swedish

economists Eli Heckscher and Bertil Ohlin in the 1920s and 1930s applied this theory to explain the causes of international trade. The main provisions of their concept can be presented as follows: the most important condition for the rational exchange of goods between countries is the difference in the ratio of factors of production (the presence of larger and more productive land resources, significant or cheaper labor resources, relatively larger and more productive structural capital).

The Heckscher-Ohlin model focuses on differences in factor endowments. A country will export those commodities, production of which use relatively more abundant factors of production. Heckscher-Olin's theorem recognizes that trade is based on comparative advantages and shows that the reason for comparative advantages is the difference in the endowment of countries with factors of production.

The difference in the endowment of countries with factors of production explains the difference in relative prices for goods in different countries and trade between them.

Alternative theories of international trade

1) *The theory of the product life cycle* (mid-1960s by American economist Raymond Vernon) in which an explanation of the development of world trade in goods is given based on the stages of their life, that is, the period of time during which the product has a viability on the market and ensures the achievement of the goals of the seller.

According to this theory, each product goes through four stages: market entry, development, maturity, decay.

2) Theories of the economies of scale

Economies of scale - the development of production, in which the growth of the cost of factors by one leads to an increase in production by more than one.

- Production, giving an economic effect with increasing scale of production, should be located in countries with a large

domestic market.

- A country with a small domestic market will concentrate on the production of unique goods for which there is a steady high demand in world markets, despite the high price

3) *The theory of competitive advantages (M. Porter)*

This theory offers a fundamentally new approach to the problems of international trade, which is based on the assertion that on the international market firms compete, not countries. Therefore, according to M. Porter, it is necessary to understand how a firm creates and maintains a competitive advantage in order to find out the role of the country in this process.

Argues that the competitive advantages that make it possible for a firm to succeed on the world market depend, on the one hand, on the right choice of competitive strategy, and on the other, on the ratio of factors that determine these competitive advantages.

The components of M. Porter's theory are the determinants of the country's competitive advantages, within which four parameters of the country are presented, which form a competitive environment for local firms and affect its success in international activities:

- parameters of factors of production (presence of factors, hierarchy of factors and mechanisms and dynamics of their creation);

- the level of demand in the domestic market of the firm, the high parameters of which act as a supporting and insurance factor in the case of conducting operations on foreign markets;

- the presence in the home country of supplier industries or other industries that are competitive on the world market;

- proximity of national models of strategy and structure of the firm to global parameters;

- the level of internal competition, which affects the company's activities on foreign markets.

4) The technological gap model

Binds trade between countries with the existence of differences in the levels of their technological development. According to this theory, it is precisely progressive technologies that give the country advantages in the struggle for export markets.

According to the technology gap model proposed in 1961 by the American economist Michael Posner in *International Trade and Technical Change*, the availability of new technology gives the country a temporary monopoly in the production and export of goods based on this technology. As a result, the country gains a relative advantage in such a factor of production as technology (knowledge). Without a strong scientific and technical base, underdeveloped countries cannot bridge the technological gap between them and developed countries which can spend heavily on R&D. The emergence of innovative technologies in the world contributes to the formation of such a phenomenon as the "technological gap" between the countries that created these technologies and countries that do not have these technologies. However, the gradual diffusion of these innovations is curtailed by copying them.

3.3 TOOLS OF INTERNATIONAL TRADE ANALYSIS

Among the performance indicators, the index "conditions of trade" of individual countries and regions of the world deserves review because it is a generalizing indicator that allows to analyze trends in the dynamics of prices for export and import products due to the product range. In addition, this indicator characterizes the change in the country's position in world trade. The ratio of export and import prices is called the terms of trade. The gain from international trade depends on changes in export and import prices. Terms of trade, called commodity terms of trade, can be expressed through the ratio of export and import prices for a particular product or through the ratio of the export

price index and the import price index as a whole, if foreign trade in all goods is studied. In the latter case, the following formula is used.

The terms of trade index is calculated as the ratio of two indices [12]:

$$I_{ct} = \frac{P_x}{P_m} \quad (3.2)$$

where P_x index of export prices; P_m index of import prices

$I_{ct} = 1$ – the terms of trade remained unchanged; $I_{ct} > 1$ – terms of trade have improved compared to the base period; $I_{ct} < 1$ terms of trade deteriorated compared to the base period.

Index of import prices[12]:

$$P_m = \sum_{i=1}^n M_i P_i \quad (3.1)$$

where P_m – index of import prices; M_i – the share of each every product i in the total import value in the base year; P_i – the ratio of the current import price of this product to its price in the base year.

In addition to commodity terms of trade, there are also income and factor terms of trade. Income terms of trade are an index that shows a country's potential ability to import goods from the proceeds from exports as a whole. The growth of the indicator indicates that due to the growing export revenues, the import potential is increasing.

Factoral terms of trade is an index that links import prices with the productivity (efficiency) of one or more factors of production. It shows how many imports can be obtained per unit of productivity growth in export sectors.

3.4 TYPES AND FORMS OF INTERNATIONAL TRADE

Purchase and sale of goods and services on the world market has its own characteristics depending on the existing mechanism for regulating trade between countries or their groups, the specifics of interaction between trade entities – buyers and sellers – and the objective characteristics of a particular commodity market, that define the mechanisms of agreements, trade traditions, etc. Modern international trade is characterized by a variety of types, but the most common is **the classification by specificity of the object**, which distinguishes:

- trade in goods (raw materials, semi-finished products, finished industrial products, etc.);
- trade in services (production, transport, forwarding, consulting, consignment, brokerage, tourism, etc.);
- trade in intellectual property products (trade in licenses, trademarks, industrial designs, scientific and technical services, etc.).

Forms of international trade are the differentiation of types of international trade according to different classification features (Fig. 3.2).

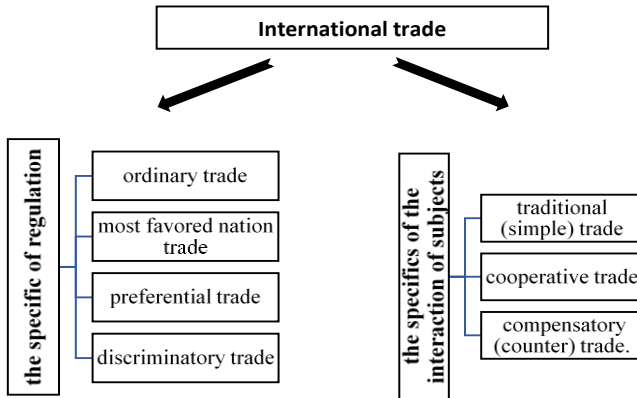


Figure 3.2 – Forms of international trade [9]

1. According to the specifics of the interaction of subjects there are:

- traditional (simple) trade,
- cooperative trade,
- compensatory (counter) trade.

Traditional (simple) trade is the unimpeded export and import of goods and services, which is not conditioned by coordination and is governed by the UN Convention on Contracts for the International Sale of Goods (Vienna Convention of 1980) [13]. In traditional trade, the responsibilities of the seller (exporter) include: delivering the goods, transferring documents related to the goods and transferring ownership of the goods in accordance with the requirements of the contract and the current Convention (Article 30). The duties of the buyer (importer) – pay the price for the goods and accept the delivery of the goods in accordance with

the requirements of the contract and the current Convention (Article 53).

Cooperative trade is characterized by long-term coherence of direct production links. The main features of international production cooperation are:

- preliminary agreement by the parties on a contractual basis on the terms of joint activities;
- the presence of direct subjects of production cooperation of industrial enterprises from different countries;
- coordination of economic activity of partner enterprises from different countries in a defined, mutually agreed field of activity as the main method of cooperation;
- fixing main objects of cooperation in a contract (finished products, components, semi-finished products, technologies, etc.);
- distribution of tasks between the partners within the agreed program, assigning to them production specialization, taking into account the main objectives of the cooperation agreement;
- mutual or unilateral deliveries of goods according to the agreed schedule of production programs within the framework of the cooperation agreement;
- long-term and stable relations, which increases the interest of partners in this type of relationship, which leads to the establishment of industrial and technological ties between subcontractors, close cooperation and interdependence.

There is a significant number of classification features of international cooperation. A common feature of all types of international cooperation is the prior coordination of actions and the interest of the parties in the effectiveness of joint activities.

The main content of international scientific and technical cooperation can be basic and applied research, technical development (research and development, technological, design, organizational) and research production, development and dissemination of innovations. Scientific and technical

cooperation is completed, as a rule, with the creation of a prototype product and its experimental production. Sales cooperation as cooperation in the sale of products on the market is a process of coordinating the actions of legally independent producers to conduct joint actions (measures) for the sale (sale) of products. It can be the creation of joint ventures, the use of existing distribution channels in different countries, and so on. A type of sales co-operation is trade in consortia, ie the creation of temporary associations of independent companies to obtain orders through direct negotiations with potential customers or participation in international tenders. Marketing cooperation in the international market is usually combined with sales and is reflected in joint advertising campaigns, sales promotions, exchange of commercial information, coordination of product and pricing policies and more.

In rental trade, the specificity of the relationship between exporter and importer is that the sale of goods (mainly machinery and equipment) from the act of sale turns into a process of purchase and sale, which can last several years and which does not always result in transfer of ownership. The basis of this form of trade is the lease. In world practice, there are three types of lease depending on the term of the agreement:

- renting - short-term lease for a period of several days to several months (vehicles, goods for tourism and recreation);
- hiring - medium-term lease for a period of several months to a year (vehicles, road construction equipment, agricultural machinery, assembly equipment, etc.);
- leasing - long-term lease for a period of more than one year (a wide range of equipment, real estate).

In compensatory (counter) trade, the specificity of the relationship between the exporter and the importer is that the sale of goods (services) is associated with the purchase or, conversely, the purchase of goods (services) is conditioned by the sale. In this case, payment is provided in the form of the

supply of goods and / or services in addition to or instead of a financial settlement, and the agreement may be executed as one or more related contracts.

According to the terminology used by experts of the United Nations Economic Commission for Europe (UNECE), all types of goods exchange and counter-agreements are united by the concept of "international compensation agreements", according to which firms of different countries agree that specific actions (supply of goods and services or technology) by one of the parties will be compensated in a manner clearly defined in the relevant contractual documents and in the prescribed amounts by other specific actions (supply of goods, services, technology) of the other party. In this case, the concept of "counter trade" does not include barter (barter) transactions. Thus, the commission's document states that, "unlike barter, counter-trade involves the use of money."

Barter trade is a currency-free, but valued and balanced exchange of goods under a single contract; goods exchange transactions without monetary equivalent and without mandatory consideration of commodity prices. The difference between counter trade and barter is that:

- money is used as a means of determining prices for goods;
- the money is used to finance one or both parties during the period of the agreement;
- money is used to directly pay the active balance of exchange of export and import goods.

Product repurchase agreements are most often entered into in connection with the sale of an enterprise, equipment or technology; in this case, the exporter undertakes to purchase part or all of the products that will be produced on the supplied equipment.

Under the *compensating agreement*, the exporter undertakes to purchase (or secure the purchase by a third party) a certain amount of the importer's goods within the agreed period. A

compensation agreement is usually concluded for a smaller amount than a repurchase agreement. The same applies to the term of the contract, which is concluded for a period of one to three years. In fact, compensation agreements stipulate that the exporter of goods agrees that the importer pays in full or in part for his supplies of goods, and the purchase agreement and the sale agreement are combined in one contract.

Industrial compensating agreements – an agreement under which the firm supplies other goods, services or technologies used to create production facilities, and subsequently the company receives the goods produced by them.

Counter-procurement involves the existence of two agreements: a contract of sale and a contract of purchase. Counter-purchasing agreements can take two forms, a parallel purchase form in which sales and purchases take place simultaneously, and a pre-purchase form in which the exporter first fulfills its import obligations in order to be able to fulfill its export contract.

The impact of scientific and technological progress on international trade causes a change in the structure of world trade and changes in the ways of conducting foreign trade.

E-commerce is one of the newest forms in the world economy: the first acts of online sales (which now account for more than 90% of transactions in the field of e-commerce) took place in 1996. Due to its advantages over traditional forms of exchange, e-commerce has been experiencing rapid growth since its inception and has already taken a leading place in the system of world economic relations, contributing to the globalization of the economy, improving the efficiency of national economies and better meeting consumer needs. Authoritative domestic and foreign experts almost unanimously recognize the great prospects for further development.

2. According to **the specifics of regulation** there are:

- ordinary trade;

- most favored nation trade;
- preferential trade;
- discriminatory trade.

Ordinary trade and the corresponding trade regime arise in the absence of trade and economic agreements and arrangements between countries. In addition to the increased rate of customs taxation in trade relations under these conditions, stricter tools are used to regulate trade flows – quantitative restrictions, administrative formalities, the usual (non-preferential) system of taxation of imported goods and more.

Most-favored-nation trade implies that contracting states grant each other privileges in terms of duty rates, as well as other rules and mechanisms for foreign trade. The most-favored-nation treatment is one of the main principles of GATT / WTO accession.

Preferential trade involves granting trade privileges by one state to another, either mutually or unilaterally. Such preferences are granted unilaterally by the most developed countries, but decisions on their application are developed on a multilateral basis. Thus, in the EU there is a general system of preferences as a set of customs and tariff benefits provided by EU countries to developing countries (these benefits apply mainly to finished products and semi-finished products). A type of preferential trade is cross-border trade as a type of international trade between enterprises and organizations located in the border areas of neighboring states, and the conditions of such trade are governed by relevant agreements and treaties between states.

Discriminatory trade arises as a result of the application of severe restrictive measures (embargo, trade boycott, trade blockade) in trade and economic relations or other instruments that discriminate against the rights of a trading partner.

Control questions and tasks:

1. Explain the essence of the operational approach to the rationale for international trade.

2. Name the main theories of international trade.

3. Highlight the main prerequisites, theoretical positions and meanings of the theory of mercantilism.

4. Consider the main provisions, assumptions and meanings of the theory of absolute advantages.

5. Analyze the background, basic provisions, limitations and significance of the theory of comparative advantage.

6. Name the main provisions of the theory of the ratio of factors of production of Heckscher-Olin.

7. What is the main content of the theory of intra-industry international trade?

8. Comment on the theory of the international life cycle of the product.

9. Analyze the theoretical foundations of the theory of competitive advantage.

10. Formulate the main provisions of the theory of technological gap.

11. Name the tools of analysis of international trade.

12. Analyze the forms of trade depending on: the specifics of regulation, the relationship between counterparties, the characteristics of the subject of trade.

CHAPTER 4. WORLD MARKET OF GOODS AND SERVICES

4.1 ESTABLISHMENT, STAGES OF THE FORMATION OF THE WORLD MARKET OF GOODS AND SERVICES

Modern world market for goods and services - the field of stable commodity-money relations between countries, based on the international division of labor.

Domestic market – a form of business communication, in which everything intended for sale is sold by the manufacturer himself inside the country.

National market – an internal market, the share of which is oriented to foreign buyers.

International market – part of national markets, which is directly related to the markets of other countries.

Commodity good – an item that satisfies any social need and is made for exchange, that is, possesses value, which is established in the process of its exchange for other goods.

Traded Goods – goods that can be traded between different countries (agriculture, hunting, forestry and fishing, the mining industry, manufacturing industry).

Nontradable goods – goods that are consumed in the same country, where they are produced, and not moved between countries (public utilities and construction, wholesale and retail trade, restaurants and hotels, transportation, storage, communications and financial intermediation, defense and compulsory social services, education, health care and public works, other communal, social and personal services).

Individual consumer goods are consumer goods and services purchased to meet personal needs.

Products of production purpose – means of production intended for use in the manufacture of other goods and services.

In turn, consumer goods and products of production can be divided into separate groups [1, 6, 8]:

- long-term goods – used for a long period of time (automobiles, electronics, machines, refrigerators, etc.);
- goods of short-term use – consumed immediately or in several methods (toothpaste, drinks, bread, soap);
- services – any actions that ensure the satisfaction of specific personal needs.

Monopolization of the industry is situation in which:

- the share of one manufacturer is 50% and more, two – 75% and more; penetration into the industry of new producers is complicated;
- there is a sharp increase in prices for products of a certain manufacturer;
- is a decrease in the cost price;
- the rate of profit exceeds the average level in the industry.

The main forms of competition: price, non-price and free competition [1, 6, 8]:

Price competition is used mainly in rivalry between firm monopolies and outsiders.

Open price competition implies a reduction in prices as a method of competition.

Hidden price competition is carried out in different ways: providing discounts on prices and better selling conditions.

Non-price allows the largest firms to conduct a more flexible policy on the market. views:

legal means of competition:

- competition for the product;
- competition in the provision of services;

semi-legal methods of combating rivals:

- economic espionage;
- bribery of officials in the state apparatus and in competing firms;
- practice of entering into illegal contracts.

Free competition - a state of the market environment in which individual subjects of economic relations cannot have a decisive influence on the establishment of the market price or on sales or production

World price is the price at which large commercial separate export–import operations with payment in freely convertible currency are carried out.

In the direction of commodity flows:

- *export price* – the price at which the product is sold to a foreign counterparty;
- *import price* – the price at which the goods are purchased by a foreign counterparty.

Under terms of payment:

- the price of commercial transactions;
- price of clearing settlements
- transfer price

4.2 MODERN STRUCTURE OF THE WORLD MARKET OF GOODS AND SERVICES: GEOGRAPHICAL AND COMMODITY STRUCTURE OF THE WORLD MARKET

International trade in the second half of XX century became an effective tool for allocating resources and ensuring economic growth in many countries and regions. The degree and forms of participation of each country in this distribution are determined by the level of its development, sectoral and reproductive structure of the economy, as well as the foreign economic policy of the state.

Current trends in international trade are developing against the background of increasing globalization of the world economy, which affects all areas of economic agents and all sectors of the economy. Unlike the previous stages of development of the world economy and trade, globalization

provides qualitatively new opportunities for economic (including trade) activities through the development of communications and information technology. At the same time, the factors of the geographical location of the agents of such activities, as well as the resources for its implementation lose their dominant importance. Due to the development of globalization, national economic borders are further disappearing, the flow of resources (factors of production) is becoming increasingly liberalized, and their use is assessed by global efficiency criteria.

Under the influence of liberalization is the formation of a global system of regulation of major economic processes with the assignment of relevant functions to leading international organizations (WTO, IMF, World Bank, OECD, World Intellectual Property Organization, etc.), the need to improve their activities and create new institutions of global governance and elaboration of international regulatory norms.

In the second half of XX century international trade has grown rapidly due to lower production costs as a consequence of the transition to mass production of industrial products in developed countries. Gradually, there was a clear trend of quantitative changes in international trade in a new qualitative state and the formation of international markets through the integration of disparate commodity markets. The further development of this trend is connected with the functioning of international markets as components of the world market.

In our opinion, the change in the structure of the world market should be considered as a trend, which is due to both the different level of development of the countries – market participants, and the different characteristics of the products offered for international exchange.

The world commodity market at the beginning of the XXI century formed as a system that has an appropriate internal

structure, dynamics, its own patterns of development. Some economists distinguish three levels in this system:

- upper – the market of high-tech products, where there is fierce competition between developed post-industrial countries for the sale of these products;

- medium – the market of medium- and low-tech products and semi-finished products, the production of which is characterized by high labor costs are countries that are on the path of industrialization. Their number is increasing at the expense of post-socialist countries, competition is growing, but it is not as fierce as at the top level. The basis of competition at the upper and middle levels is product quality and its consumer properties;

- lower – the market of agricultural products and products of extractive industries, represented by developing countries. Goods at this level have approximately the same quality indicators, so the main form of struggle is price competition.

Different dynamics of market development at these levels led to an increase in the share of middle and upper levels to almost 72% compared to 41% in 1955. In their industry structure, engineering is growing particularly fast, the share of which reaches almost 39% of world exports (in 1955 – 21%).

Structural changes in world trade are due to its constant assortment improvement, the emergence of new needs of the world community, the emergence of new methods of competition, new legal and organizational forms of its regulation.

One of the trends in the development of international trade at the present stage is the dynamic development during the last decades of trade in intermediate goods (semi-finished products and components). Significant reductions in transportation costs, the rapid development of telecommunications, the liberalization of trade regimes, on the one hand, and technical progress, on the other, have made it possible to divide many production

processes into separate operations in different countries and even on different continents. On this basis, international production cooperation and relevant international trade flows are formed.

Growing volumes of intra-industry trade are gradually displacing traditional inter-industry trade. In an effort to identify the reasons for the intensive development of intra-industry trade, Calvin Lancaster in 1975, A. Dixit and J. Stiglitz in 1977 pointed out that imperfect (monopolistic) competition creates the preconditions for the emergence of a range of homogeneous products and, consequently, for development of intra-industry trade in varieties of the same goods. In turn, Paul Krugman, Elhanan Helpman, James Brander and others emphasized that specialization in the production of a specific unique product in demand, allows you to benefit from the scale of production and sales and brings high incomes.

In recent decades, there has been a large-scale transnationalization of the economy. Today, TNCs control about half of world industrial production, 70% of world trade, 80% of patents and licenses. The core of the world economic system is formed by 500 TNCs.

An important trend in the development of world trade at the present stage is the interaction of trading partner countries within various integration associations. Economic integration of countries on a regional basis is due to the fact that the growing volume of multi-item production of many countries is becoming too large for their domestic markets, so the creation of a broader single economic space is a favorable factor for development and competitiveness. On the territory of the countries that are members of the relevant regional association, internal barriers to the movement of goods are eliminated, a common customs policy is implemented for all countries, fiscal, monetary policy, problems of servicing trade flows, etc. are coordinated, and

territories of regional associations with preferential treatment for economic entities that are members of this association.

An important characteristic of international trade is its structure.

The geographical structure of international trade is the distribution of trade flows between individual countries and their groups, created on a territorial or organizational basis, formed under the influence of the world economic division of labor, ie the deepened international division of labor and the development of scientific and technological revolution.

The commodity structure of international trade is the share of certain goods in world trade.

The structure of world exports has always been an excellent indicator of transformation in the global economy. Over the past 10 years, it has changed significantly, influenced by scientific and technological progress and transformation in the structure of production of developed and developing countries.

The analysis of the information given in Table 1 shows that the share of developed countries in total world exports tends to decrease. In particular, the US share in world exports in 2010 was 12.1%, and in 2019 – only 7.3%. During this period, the share of exports of such countries as Japan, France, Great Britain, Canada decreased significantly (Table 4.1; 4.2).

Table 4.1 – The share of countries in world exports of goods, %

Країна	2010	2016	2017	2019
USA	12,1	9,3	7,9	7,3
Germany	8,5	8,6	8,9	9,1
Japan	7,4	4,1	3,8	4,2
France	5,1	3,1	3,0	2,8
Great Britain	4,4	2,6	2,5	2,6
Canada	4,3	3,1	2,4	2,0
Italy	3,7	2,9	2,8	2,3

Netherlands	3,6	3,6	2,9	2,7
Belgium	2,9	2,9	1,7	2,1
China	3,9	13,4	12,1	9,9
Korean Republic	2,7	3,3	3,1	3,2
Ukraine	0,2	0,4
Other	41,4	43,1	48,7	51,2

If 20-30 years ago a significant share of exports in these countries were goods, today the main income share they receive from the export of services and technologies that have high added value. This trend contributes to the reduction of the share of developed countries in the structure of world merchandise exports, which in 2017 was less than 40%.

Table 4.2 – The share of countries in world imports of goods, %

Країна	2010	2016	2017	2018	2019
USA	12,99	14,30	13,72	13,66	16,72
Germany	7,04	6,74	6,66	6,76	8,07
Japan	4,58	3,86	3,89	3,91	4,69
France	3,95	3,56	3,49	3,45	4,24
Great Britain	4,14	4,04	3,65	3,51	3,51
Canada	2,58	2,56	2,47	2,40	2,95
Italy	3,21	2,57	2,58	2,63	3,08
Netherlands	2,90	2,53	2,63	2,61	3,35
Belgium	2,58	2,37	2,33	2,37	2,77
China	9,21	10,10	10,51	11,17	14,2
Korean Republic	2,80	2,58	2,72	2,80	3,27
Ukraine	0,40	0,24	0,28	0,29	0,29
Other	43,62	44,55	45,07	44,44	32,86

In world commodity markets, this niche is being conquered by developing countries. They are the key exporters of goods and finished products, including agricultural. It should be noted that despite the unconditionally high level of agricultural development in Europe, in the structure of GDP of EU countries

it is not more than 1-3%, while in developing countries, the share of agriculture in GDP varies at 7-15% (Table 4.3).

Table 4.3 – Commodity structure of world exports in 1980–2018

Product	Amount billion dollars	Share in the stru cture of world exports , %	Average annual percentage changes . %						
			1980- 1985	1985- 1990	1990- 1995	1995- 2000	2000- 2005	2005- 2011	2011- 2018
<i>Farm govern mental pr oducts</i>	1660	P, 3	-2	9	7	-7	9	72	70
<i>Fuel and energy pro ducts</i>	4008	22.5	-5	3	2	10	16	14	16
Fuel	3171	17.8	-5	0	1	12	17	14	15
<i>Industrial products</i>	11511	64.6	2	75	9	5	9	8	9
Iron and steel	527	3	-2	9	8	-2	17	9	11
Chemical Industry product	1997	11.2	1	14	10	4	14	10	8
Office and telecommu nication eq uipment	1680	9.4	9	18	15	10	6	5	4
Cars	1287	7.2	5	14	8	5	10	6	8
Product textile industry	294	1.6	-1	15	8	0	6	6	8
Clothes	412	2.3	4	18	8	5	7	7	8

Source: Author's calculations using International Trade Statistics // WTO. - Access: http://www.wto.org/english/res_e/statis_e/its2012_e/its2012_e.pdf,
https://www.wto.org/english/res_e/statis_e/statis_e.htm

Regarding the participation of integration groups in world trade (Table 4.4), it should be noted that given the current economic dynamics and estimated growth prospects, ASEAN countries will play an increasing role in the world economy. Thus, in particular, it is projected that the GDP of ASEAN in 2020 will exceed the GDP of the United Kingdom, and in 2025 will overtake Japan.

Table 4.4 – The place of economic groups in world trade, % of world trade

	2013	2020 (π)
Asean	6,7	7,0
Eurozone	24,0	21,8
NAFTA	14,9	13,6

This means that competitiveness will increase due to the expansion of integration between the countries of the Asian region, which will be dominated by China, Japan, South Korea and ASEAN countries. And the economic success of any country in the next two decades will largely depend on the extent to which the country manages to join regional or global chains or expand economic contacts within existing or new integration entities.

The Index of Involvement of Countries in International Trade shows the extent to which government institutions, policies and infrastructure promote the free movement of goods across borders to destinations. Factors influencing trade engagement are grouped into four categories: market access, administrative infrastructure at the border, transport and communication infrastructure, and business climate. The index of trade involvement is compiled on the basis of open source statistics, as well as the results of a survey of company executives, which is conducted annually by WEF in conjunction with a network of

partner organizations in all countries included in the report (Executive Opinion Survey) (Table 4.5).

Table 4.5 – Ranking of countries by level of involvement in international trade 2012- 2016

Ranking	Country	2012	2014	2016
1	Singapore	6,14	5.80	6,0
2	Hong Kong	5,67	5.47	5,7
3	Denmark	5,41	5.24	5,4
4	Sweden	5,39	5.50	5,6
5	New Zealand	5,34	5.25	5,3
6	Finland	5,34	5.54	5,6
7	Netherlands	5,32	5.65	5,7
8	Switzerland	5,29	5.35	5,4
9	Canada	5,22	5.16	5,2
10	Luxemburg	5,20	5.57	5,6

The leaders of the rating, as in 2012 and 2016, were Singapore, Hong Kong, Denmark, Sweden - "small open economies, where foreign trade complements the domestic market, which is relatively small." High scores on most indicators confirm that countries consider openness to international trade and investment to be an important component of the success of an economic development strategy.

4.3 METHODS OF INTERNATIONAL TRADE

Methods of international trade in the modern world market:

1) Direct sale of sale contract is carried out directly between the producer and the consumer.

2) Indirect conclusion of sales contracts is carried out through an intermediary.

When trading directly, there is a certain financial benefit, as it reduces the cost of the commission to the intermediary, reduces the risk and dependence of the result of commercial

activities on possible negligence or insufficient competence of the intermediary organization.

At the same time, it is often appropriate, and sometimes simply necessary, to use intermediaries to conduct international trade transactions.

Mediators are individuals and firms that promote the circulation of goods and services in the domestic and foreign markets [8,9,14,15].

The main types of intermediaries include:

- simple intermediaries – individuals and legal entities of private law, which facilitate the search for partners and the conclusion of international trade contracts, but do not participate in their execution;
- trusted intermediaries – individuals and legal entities that conduct agreements on behalf and at the expense of the principals who have signed the contract;
- commissioners – individuals and legal entities that conclude international economic contracts on their own behalf, but at the expense of the clients (sellers and buyers) who bear the commercial risk;
- consignors – natural and legal persons who accept goods into their warehouse (consignment), sell it, and unrealized return it to the owner;
- Agents – natural and legal persons who carry out transactions on behalf and at the expense of their clients but do not sign international business contracts;
- resellers – individuals and legal entities that resell a product on their own behalf, provide customers with services of a service nature, promote products, as well as resellers, who are called distributors;
- dealers – independent natural and legal persons who carry out resale of the goods of the principals on their own behalf and at their own expense;
- organizational forms of intermediaries: international

commodity exchanges and international auctions, fairs, exhibitions, etc. Let's take a closer look at them.

A common means of trading for a number of commodities are international commodity exchanges, which are a permanent wholesale market of several countries, where agreements are concluded for the sale of a wide range of raw materials and food products that meet a unified system of standard requirements for goods.

International Commodity Exchanges (MTBs) are those trading establishments where one commodity is sold in large lots.

Depending on the range of goods sold on international commodity exchanges, they are classified as:

- universal or general type, where agreements are concluded on a wide range of exchange goods;
- specialized exchanges, where agreements are concluded on certain types of goods, ie have a commodity specialization and are therefore classified as broad-based exchanges and highly specialized.

Table 4.6 – Types and purposes of exchange transactions

1. Transactions with real goods	1.1. Transactions with immediate delivery (for available goods: cash, spot)	The goods sold on the exchange are in one of its warehouses and are transferred to the buyer immediately (up to 15 days) after the conclusion of transactions.
	1.2. Agreements on goods with delivery in the future (agreement for the term "FORWARD")	Delivery by the seller of real goods at the price fixed in the contract at the time of its signing and in the term stipulated in the contract

2. Futures	Do not involve commitments of parties to put or take real goods within the period stipulated in the contract. Provide for the purchase and sale of the right to the goods.	
3. Speculative transactions	3.1. Betting of rising prices in the future	3.1.1. Operations with real goods
		3.2.1. Real futures contracts
	3.2. Betting on the difference in prices for certain types of goods	
	3.3. Real futures contracts	3.3.1. For the same product with short and long deadlines
		3.3.2. For the same product in different markets
3.3.3. For a variety of interchangeable products		
3.3.4. On the product and its derivatives		
4. Hedging operations	Insurance against possible costs in case of changes in market prices when concluding transactions for real goods	

Other means of international trade are auctions, specializing in the sale of real goods with strictly individual properties.

An international goods auction is a specially organized, periodically operating in certain places markets, where through public bidding at a pre-arranged time and in a specially designated place the sale of previously inspected goods occurs, which become the property of the buyer who offered the highest price.

In international trade there is a very limited range of goods sold at auctions (for example, fur, tea, sheep wool, flowers, rubber, leather, antiques). About half of the world's sheep wool production is sold through auctions. The most important are the Australian and New Zealand auctions, especially the auction in Sydney.

Types of auctions:

1. Simple auction (English);
2. Dutch auction – the initial price of the seller is the maximum;
3. Auction in absentia (or "dark") - all buyers offer their bids at the same time. The product will be purchased by the one who made the highest offer;
4. Sequential auction. It presupposes the existence of competition between sellers and buyers at the same time;
5. Double auction is an increase in the offer of buyers while reducing the offer of sellers. A kind of double auction is a continuous auction (such as "crowd" or "shouts").

The term “tender” means an official offer, a contract order and to tender – to submit an order (application) to participate in the tender. The intermediary between the buyer and the seller in this method of trade is the tender committee, which is formed by the importer. Its main function is to organize the receipt of orders for participation in tenders and work with them.

The most common objects of tenders in international trade are:

- contracts for the construction of enterprises, buildings and structures of industrial and non-industrial purposes, including those that are built "turnkey";
- execution of complexes of construction and installation works and their separate types;
- performance of a complex of commissioning works;
- supply of complete equipment;
- concessions for the development of minerals;
- import purchases;
- projects based on enterprises with foreign investment;
- provision of state loans;
- development of projects and implementation of works in the field of environmental protection;
- involvement of experts and consultants;

- deliveries, contracts, purchases for creation of objects of national economy.

Given the above, tenders today are very common in world trade practice, especially in the markets of machinery and equipment (according to experts, the cost of orders for the supply of equipment and capital construction, received through bidding, is about 1/3 total value of exports of machinery and equipment from industrialized countries).

In world practice, tools such as exhibitions and fairs are used by almost all companies involved in international activities or those that plan to enter the world market.

An exhibition is a display, whatever its name may be, the purpose of which is to acquaint the public by demonstrating the means available to humanity to meet its needs, as well as to promote progress in one or more areas of activity or future prospects. .

The fair is an international economic exhibition of samples, which, regardless of its name in accordance with the traditions of the country in which it is held, is a large market of consumer goods and / or equipment, operates for a limited period of time in the same city. On the exhibition, exhibitors are allowed to present samples of their products with the aim of concluding trade agreements on a national and international scale.

Control questions and tasks:

1. Define the terms "international trade", "foreign trade".
2. Name the tools of analysis of international trade.
3. Analyze the forms of trade depending on: the specifics of regulation, the relationship between counterparties, the characteristics of the subject of trade.
4. Describe the differences between direct and indirect methods of international trade.
5. Investigate the commodity structure of the world market.
6. Investigate the geographical structure of world trade.

7. Investigate current trends in international trade.
8. Name the world's leading trading nations in international trade.
9. Define the product in the international economy. What is the duality of the product?
10. What are the main differences between tradeable and non-tradeable goods?

CHAPTER 5. INTERNATIONAL TRADE POLICY

5.1. THE ESSENCE AND LEVELS OF REGULATION OF INTERNATIONAL TRADE

The development of the world economy in recent decades is characterized by deepening internationalization of economic relations, which is manifested in strengthening the relationship and interdependence of national economies, qualitative changes in trade and economic relations, the emergence of new forms of international trade and methods of regulation.

Regulation of international trade is a set of methods, tools and means aimed at achieving the goals and objectives arising from the interests of the subjects of international trade relations.

In the modern system of regulation of international trade, it is possible to identify certain levels, which are characterized by certain mechanisms and tools of influence on the pace, proportions and structure of world trade (Fig. 5.1).

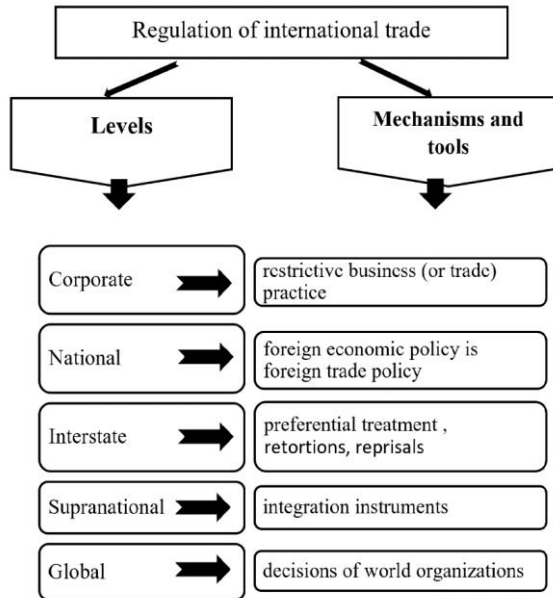


Figure 5.1 – Regulation system of international trade

At the corporate level (mainly for transnational corporations), the regulation of international trade is called restrictive business (or trade) practice. Restrictive Business Practices (RBPs) are acts or actions of firms that, by abusing their dominant position or force in the market, restrict access to markets or otherwise restrict competition, cause or risk harm to international trade, especially trade and the economic situation of developing countries, as well as the actions of firms that, through formal and informal written and oral agreements and agreements between firms, lead to the same consequences. It can be carried out in the following forms:

- group (operational or organizational);
- individual (operational).

Group restrictive business practices involve firms taking collective concerted action to restrict competition, thereby harming other market participants.

Restrictive business practices, which are used in the case of the creation of monopolistic associations such as cartels, syndicates, etc. in order to influence the competitive environment in the market, are considered organizational.

Operational restrictive business practices involve a wide range of both group and individual actions taken to achieve an exceptional market position.

Individual restrictive business practice (or individual anti-competitive policy) is carried out by one firm in relation to other participants in market relations to achieve a primary position on the market, gain a dominant position as a supplier of raw materials, set monopoly prices.

The most common methods and tools of restrictive business practices include:

- conducting open price competition;
- concluding secret agreements;
- agreements on the division of markets or buyers;
- allocation of quotas for sales and production.

The national level of regulation of international trade refers to the foreign trade of individual national economies of countries whose governments direct their activities to achieve national interests – political, ideological, economic, military, social, religious, etc. The system of interests determines the essence and specific content of government policy, both internal and external.

A component of foreign economic policy is foreign trade policy. It can be interpreted as a definition of strategy and a set of various forms and means of state activity aimed at developing and regulating trade relations with other countries through taxation, subsidies, direct and indirect restrictions on imports and exports.

Interstate regulation consists of agreements worked out by governments of different countries on the basis of compromises in the field of economic policy, and aimed at creating favorable conditions for the further development of world economic relations.

The main task of interstate regulation of international trade is to develop conditions for international cooperation, legal norms on the basis of which countries build their relations and provide each other with certain benefits in the field of economic cooperation.

Interstate regulation of international trade is carried out within the framework of various international agreements (bilateral, multilateral, international), conferences, unions, associations, negotiations, meetings at the governmental level, forums and diplomacy. The instruments of interstate regulation of international trade are: trade agreements, agreements on economic and technical cooperation, agreements on financial assistance, conventions, resolutions, guidelines and model contracts.

At the supranational (international) level, international trade is regulated within integration groups. Barriers to the movement of goods and services between the countries of the integration group are mostly removed and decisions on trade with third countries, ie with countries that are not members of the integration association, are made collectively.

General regulation of international trade at the global level is carried out by international organizations and includes a wide range of principles, rules, international treaties and agreements developed by international organizations whose field of activity is to promote the development and regulation of international trade and economic relations.

Central to these organizations is the World Trade Organization (WTO). In addition to the WTO, the system of international organizations for regulating and promoting the

development of international trade and economic relations includes such organizations as UNCTAD, UNCITRAL, and the International Trade Center, International Chamber of Commerce, as well as regional and sectoral organizations, etc.

5.2 NATIONAL SYSTEM OF FOREIGN TRADE REGULATION

The system of foreign trade regulation is a set of methods, tools and means aimed at the realization of national interests in the field of foreign trade. Legal regulation of foreign trade is carried out on the basis of both national and international legal framework.

To ensure the national economic interests of the country in the foreign trade sphere is to implement a set of measures of state foreign economic policy aimed at creating favorable conditions for active foreign trade, increasing competitiveness in foreign markets, primarily through structural renewal of exports, optimization of imports.

There are two main directions of foreign trade policy:

1. Free trade policy.
2. Protectionism.

Free trade policy (free trade, liberalization) is the absence of artificial (government-imposed) barriers to trade between individuals and firms in different countries.

Many foreign and domestic economists rightly believe that liberal trade promotes competition in the domestic market, forces companies to apply new technologies, expands the product range and offers a wide choice for consumers, ie allows to realize comparative advantages.

Protectionism is a state policy aimed at protecting domestic producers from foreign competitors through trade barriers, the establishment of strict systems of customs taxation, control and registration. The existence of opposing states puts before

national governments the task of ensuring national interests, including through protectionist measures. Virtually every country applies trade restrictions.

However, protectionism is a barrier to free trade. These barriers can be divided into two major groups – tariff barriers, which are a system of import and (to a lesser extent) export duties, and non-tariff barriers, which include restrictive administrative measures.

Certain trade policy instruments are more often used when necessary, either to limit imports or to boost exports.

The main task of the state in the field of international trade is to help exporters export as much of their products as possible, making their goods more competitive in the international market, and to limit imports, making foreign goods less competitive in the domestic market. Therefore, part of the methods of state regulation is aimed at protecting the domestic market from foreign competition and therefore relates primarily to imports. The other part of the methods has the task of forcing exports.

There are two groups of methods of protectionist policy: tariff and non-tariff. **Tariff methods** establish a customs tariff (duty). **Non-tariff methods** are all other instruments of trade policy used by states in regulating international trade.

According to the object of protection, protectionism is divided into:

- *selective (protective) protectionism* – the object of state protection are certain (selective) sectors of the national economy that need protection. These traditionally in the world economy include agriculture (there is even a special term – agrarian protectionism), services, young sectors of the national economy;
- *offensive (or aggressive) protectionism* protects not the least developed and vulnerable industries, but, conversely, those sectors of the economy that under protectionist measures are

able today or in the near future to attack the relevant world commodity markets;

- *collective protectionism* – introduced by the countries of the integration bloc against countries that are not members of the group;

- *total (continuous) protectionism* is a combination of selective and offensive, when all sectors of the national economy are almost equally protected.

The following types of protectionism are distinguished by the number and level of restrictions:

- *autarky* – the policy of separation of the country from the economy of other countries in order to create a closed national economy, characterized by self-sufficiency;

- *state monopoly on foreign trade* – the exclusive right of the state to carry out foreign economic relations through socially authorized bodies;

- *justified protectionism* – the optimal number of trade restrictions in combination with their acceptable level.

The influence of the choice of liberalization or protectionism policy on the economy of individual countries is different and depends on the economic weight of the country in the international economy. Protectionism can have a negative impact on prosperity (slowing or reducing growth) by reducing foreign trade and, as a result, reducing international trade and generally have a negative impact on the world economy. Protectionist measures have a negative impact on employment, can lead to a deterioration of the balance of payments, the emergence of trade wars.

At the same time, there are arguments in favor of protectionist measures, which are more diverse, and the set of these measures for each country is very specific, given the uniqueness of not only trade but also economic policy in general. This includes protection and stimulation of domestic

production, protection of young industries, increase of state budget revenues, etc.

5.3. TARIFF REGULATION OF INTERNATIONAL TRADE

Tariff regulation is a set of measures aimed at ensuring the economic sovereignty of the country, protection of state borders, implementation of foreign economic strategy through the sphere of customs relations.

A custom tariff is a systematized list of customs rates established at the legislative level, depending on the type of goods that is handled when goods cross the country's customs border in both directions.

Customs duty is an indirect tax on goods and objects moving across the country's customs border.

Duties can be classified according to the following parameters (Table 5.1) [6, 17, 18]:

Table 5.1 – Classification of duties

Classification parameters	Type of duty	Characteristic
By period of application	Permanent (constant tax rates)	Set in accordance with legislation on a regular basis and recorded in the customs tariff
	Seasonal tariff	Set on certain products (first of all agri-food) for a period of not more than several months
Under the influence	Nominal (nominal tax rate)	Specified in the customs tariff ; gives only a general idea of the level of customs taxation
	Real (effective tax rate)	Calculated , taking into account the level of customs taxation of imported components and end products

For commodity circulation	Import (import tax)	The duty , which is charged with importing goods to the customs territory of the country
	Expor (export) (export tax)	Customs duties , which are subject to export products when leaving customs territory of the country.
	Transit (transit duty)	The duty , which is levied on goods , which cross the national territory in transit.
On the basis of accrual	Ad valorem	Charged as a percentage of the customs value of taxable goods: $S_{M_a} = \frac{V * M}{100},$ where S_{M_a} - the amount of duty at the ad valorem rate ; V – customs value of goods (UAH); M – the rate of duty set as a percentage of the customs value of the goods
	Specific (specific tariff)	Charged in the prescribed amount per unit of taxable goods: $SM_c = H * M * Ke ,$ where Cm_s - the amount of duty at a specific rate ; H - quantitative or physical characteristics of the goods in physical terms ; M - the rate of duty in euros per unit of goods; Ke - the euro exchange rate set by the NBU on the day of the adoption of the Customs Declaration
	Composite (compound tariff)	Combines both types of taxation . To determine the amount, which is subject to payment, greater value is used
By origin	Standalone (autonomous tariff)	The duty , which is set on the basis of unilateral decisions of bodies of state power of the country.

	Contract (conventional tariff)	The duty, which is set on the basis of bilateral or multilateral trade agreements.
	Preferential duty	Preferential duty, which is introduced into the lower dimensions to encourage imports of certain goods from certain countries
By the nature of application	Special (special duty)	The duty, which is applied, firstly as a protective agent, if the goods are imported to the customs territory of the country in the number and the conditions, which cause or may cause damage to domestic producers of similar or competing products. Secondly, as a response to discrimination and other actions, which harm the interests of the country, from other countries
	Compensation (countervailing duty)	The duty, which is paid at importation of goods, the production of which used subsidies, if their imports has damage to domestic producers of similar goods or prevent the organization or expand their production
	Anti-dumping duty	The duty, which is set for alignment of prices on imported goods, which sold for dumping prices, to level recognized as normal

In the world trade practice, three types of duty rates are used on the basis of accrual – ad valorem, specific and combined. The most common in international trade are duty rates, which are set as a percentage of the value of the goods (ad valorem duty). Ad valorem duty is most acceptable for application to finished products.

The specific duty is set in monetary terms relative to the physical volume or weight of a unit of goods. It is more in line with mass homogeneous goods and is widely used in relation to raw materials. The combined duty provides for the simultaneous use of ad valorem and specific duties.

The essence of the customs tariff, its role and importance in the economy is manifested through its functions:

- protectionist function – the duty causes the price of imported goods to rise, and thus makes it less competitive compared to similar or interchangeable products of domestic producers;

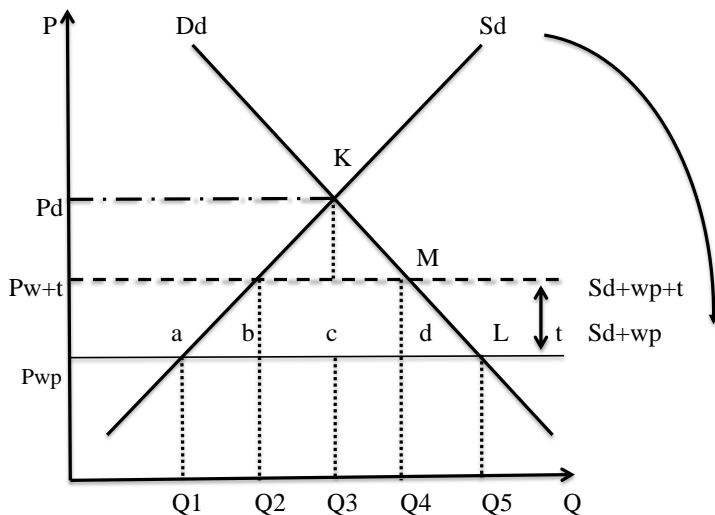
- the fiscal function of the customs tariff in the form of receipts from its payment; serves as a source of budget revenues. The importance of this function of the customs tariff decreased with the liberalization of customs policy. In the United States, this source generated about 50% of all budget revenues 100 years ago. Currently, the share of duties in US budget revenues does not exceed 1.5%, in other developed countries, the duty forms from 8 to 15% of budget revenues.

- balancing function – the customs tariff is a tool for balancing the trade and balance of payments of the country, improving the financial condition of the country, ensuring a positive foreign trade balance.

The performance of most of these functions by the customs tariff has ambiguous consequences and depends on the tariff rate and the ratio between national and world prices for a particular product.

The economic role of tariffs

The impact of the tariff on the economy of a small country, on the balance of a small economic system is shown in Fig. 5.2.



P – the price of the goods; Q – quantity of goods; D_d – demand in the domestic market;
 S_d – supply in the domestic market;
 S_{d+pw} – supply in the domestic market in an open economy;
 S_{d+wp+t} – offer subject to the introduction of duties; t – tariff; P_d – the price of goods in a closed economy; P_{wp} – the price of the goods in the presence of the tariff; P_{wp} – price in an open economy; a – redistribution effect; b – protection effect; c – income effect; d – consumption effect

Figure 5.2 –The impact of the tariff on the economy of a small country

Prior to trade, a small country has a closed economy, produces and consumes goods at point K in the amount of Q_3 at a price of P_j . Under conditions of free trade, the domestic price P_d for goods will fall to the level of world prices for supply $S_d + v_p$ the equilibrium of demand and supply will be set at L , the volume of demand will increase to Q_5 , and domestic production will fall to Q_j . Thus, the volume of imports will be equal to the segment Q_1Q_5 .

Suppose that the government imposes a duty t . As this is a small country, the fact that it imposes an import duty will not

affect the level of world prices, which remains the same. This means that the terms of trade of the country do not change, and only the domestic price of imported goods increases by the amount of duty. That is, after the introduction of the tariff, the internal price of the goods is $P_w + t$, for which the consumer will pay. The introduction of the tariff causes the shift of the world supply schedule upwards by the value of $S_d + w + z$, which is equal to the amount of the imposed duty. At the new level of supply, the equality of domestic demand and aggregate (domestic and foreign) supply is achieved at point M, where under the protection of the import tariff, domestic production increases to Q_2 , and domestic consumption decreases to Q_4 . accordingly, the volume of imports will be Q_2Q_4 .

Thus, due to the introduction of the duty, the price of "protected" products increases and is accompanied by the following consequences (effects):

1. The effect of revenues (c) – the amount of increase in budget revenues under the introduction of customs duty T. It is calculated as the volume of imports after the introduction of customs duties, multiplied by the amount of customs duties and is a loss for consumers.

2. The effect of redistribution (a) – the redistribution of income from consumers to producers of products that compete with imports. As a result of the introduction of duties, consumers of imported goods suffer in the first place. After all, the very fact of importing a certain amount of goods from abroad indicates that the consumer prefers it. As a result of imposing an import duty on this product, the consumer will be forced to either spend a large amount of money on its purchase, or buy it in smaller quantities, or both at the same time. Thus, the customs tariff, limiting imports, leads to a deterioration of consumer opportunities.

3. The effect of protection (b) – the economic losses of the country, which arise as a result of the need for domestic

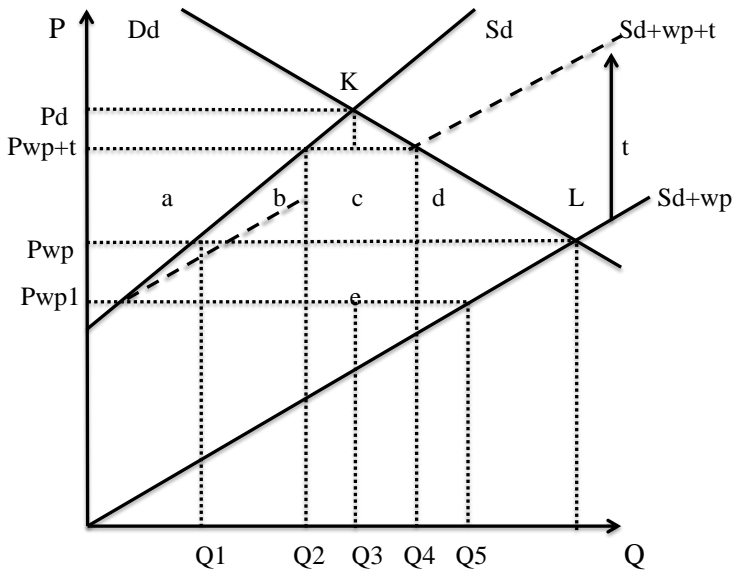
production under the protection of the tariff of additional quantities of goods at higher costs.

4. The effect of consumption (d) is a reduction in the consumption of goods on the national market due to an increase in price.

The losses of buyers, which represent a reduction in consumer surplus, can be calculated by summing the areas of figures a, b, c, d. Part of these losses will be redistributed in favor of other categories of the population. In particular, the additional surplus of producers will correspond to the area of figure a, and the income from the introduction of the tariff, as mentioned above, will correspond to the area of figure c and will be available to the government of the country. As a result, the net losses of both buyers and producers of the country due to the introduction of the duty will correspond to the sum of the areas of the figures abcd.

Thus, the customs tariff in a small economy does not have positive consequences in general.

A large country, in contrast to a small one, by varying the volume of its imports, can have some influence on the level of world prices (in order to improve its terms of trade). In particular, an economically significant country, by introducing an appropriate tariff on imported products, can reduce imports and, consequently, aggregate demand for these goods, resulting in lower world prices for these products (Fig. 5.3).



P – the price of the goods; Q – quantity of goods; D_d – demand in the domestic market, S_d – supply in the domestic market; S_{d+wp} – supply in the domestic market in an open economy; S_{d+wp+t} – supply subject to customs duties; t – tariff; P_d – the price of goods in a closed economy; P_{wp+t} – the price of the goods under the conditions of the tariff; P_{wp} – price in an open economy; a – redistribution effect; b – protection effect; c – income effect; d – consumption effect; e – the effect of trade conditions.

Figure 5.3 – The impact of the tariff on the economy of a large country

If the prices for products exported by a large country remain unchanged, it will be able to improve the conditions of its foreign trade.

If the large economy is closed, then domestic supply (S_d) and demand (D_d) are balanced at point K , produced and consumed Q_3 units of goods at a price P_d .

If the economy opens, the supply curve changes so that the level of national production is Q_1 , while the level of consumption is Q_5 . In this case, insufficient quantity of goods Q_1Q_5 are imported at world prices at the level of P_{wp} , which are lower than the domestic price of P_d within the country.

If a country imposes a duty, the supply curve rises to $S_d + w_p + t$, which is parallel to $S_d + w_p$, the level of national production increases to Q_2 , and the level of consumption decreases to Q_4 . That is, there is a reduction in consumption and imports when the price increases to $P_w + t$ and therefore foreign companies wishing to remain at the national level reduce their export price to P_{wp} .

Analyzing this model, we see that its main difference from the corresponding model of a small country is in income estimation, one part of which is redistributed income in favor of the state and is formed by the surplus of domestic consumers, the so-called domestic income (segment c). The second part of the revenues to the state budget of a large country is formed at the expense of foreign suppliers, who are forced to reduce the price of their products when faced with an import tariff in a large country. Segment e, thus, illustrates the redistribution of income from foreign producers (exporters) of products to the state budget of a large country as a result of improved conditions of its trade, due to the introduction of the tariff.

If $e > (b + d)$, a large country receives a net benefit from the imposition of import duties (at the expense of countries exporting the relevant products).

If $e < (d + b)$, then the effect of improving trade conditions is less than the sum of the losses caused by the introduction of the tariff, a large country incurs net losses.

The tariff that provides the maximum difference $(e - b + d)$ is called the optimal tariff.

The optimal tariff is the level of the tariff that ensures the maximization of the level of national economic well-being. That

is, duties and other obligatory payments should be, on the one hand, sufficient to ensure the proper functioning of the economy and state institutions, and on the other – not to be excessive, so as not to hinder a particular type of economic activity.

5.4 NON-TARIFF REGULATION OF INTERNATIONAL TRADE

Non-tariff regulation of international trade covers several hundred names of non-tariff measures and is included in the database of many international organizations, including the WTO. It should be noted that, despite the large number of classifications of non-tariff barriers, there is still no consensus on these classification schemes. Consider the most common, which divides non-tariff barriers into four groups:

1) administrative measures or quantitative restrictions – measures aimed at directly restricting imports in order to protect certain sectors of national production: quotas (contingents), licenses, special protective measures, anti-dumping and countervailing duties, etc .;

2) covert methods that are not directly aimed at restricting foreign trade, but lead to a similar result: customs formalities, technical and sanitary standards and norms, the requirement for packaging and labeling, etc .;

3) financial measures that provide special rules for foreign exchange transactions to regulate foreign trade;

4) other non-economic measures that are not directly aimed at restricting foreign trade, but the enactment of which often leads to this result.

Table 5.2 – Methods of non-tariff regulation

Direct restrictions on imports (exports)	Hidden methods	Financial methods	Other non-economic measures
Quotas, Licensing, "Voluntary" export restrictions, Compensatory duty, Anti-dumping duty	Technical barriers (sanitary norms, environmental requirements, requirements for packaging and labeling , etc.), Government Procurement Requirements for the content of local components	Subsidies, Tax benefits, Export credit, Dumping, Currency restrictions	Share of national participation of national production

In recent decades, non-tariff measures are actively used by most countries around the world, including those with different levels of economic development. According to the GATT, non-tariff barriers covered about 18% of world trade during the 1990s. Developed countries used non-tariff restrictions for 17% of imports, including 44% of agricultural imports, 50% of ferrous metals, 25% of textiles, and 30% of vehicles. non-tariff restrictions were used even more intensively in developing countries. Non-tariff instruments accounted for more than 40% of their imports, including imports of food products - 50%, finished industrial goods – about 37%.

Such large-scale use of non-tariff restrictions is explained by the fact that non-tariff regulation instruments, in contrast to tariff methods, allow the state to directly intervene in the process of foreign trade. In addition, even a high level of import duty does not guarantee the high quality of imported products, so countries are trying to apply non-tariff methods more widely to regulate foreign trade.

This group includes non-tariff measures directly applicable to imports in order to reduce the import, sale and consumption in the domestic market of goods of foreign origin: quantitative restrictions on imports, border and domestic taxes, which increase the price of foreign goods; measures that discriminate against the transportation of foreign goods and foreign carriers, as well as subsidies to domestic firms that produce import-substituting products.

Quotas are restrictions on the value or quantity imposed on the import or export of certain goods for a certain period. For example, the import quota for Japanese cars in the United States – 2.3 million units per year. In addition, the United States has import quotas for meat and dairy products, tobacco.

In world trade, there is a ban on quotas on industrial goods. Quotas are allowed for agricultural products and certain types of manufactured goods if free imports threaten to harm the national economy. Quotas account for 2/3 of all non-tariff trade restrictions.

"Voluntary" export restriction is a quantitative restriction on exports based on the obligation of one of the trading partners to voluntarily limit or not increase the volume of exports of goods, adopted under a formal intergovernmental or informal agreement on the establishment of quotas for exports of goods.

Licensing – the regulation of foreign trade by granting licenses to export or import goods in a certain amount for a certain period of time.

Types of licenses:

- *general* – permanent export / import permit without restrictions on quantity and time;
- *individual* – a single permit for one trade transaction (export / import) with a specific type of goods. It is a very strict form of foreign trade regulation;
- *open individual* – permission without restriction of the quantity of goods;

- *automatic* – issued immediately, in a simplified form that allows the state to control trade in certain types of goods and quickly impose restrictive measures if necessary.

In addition to quotas and licenses, special barriers are now widely used: strict requirements for the technical safety of goods, sanitary and environmental standards, requirements for packaging.

Hidden non-tariff measures include **indirect restrictions (technical barriers)** – these are requirements for compliance with the standards of the importing country, its tax system, certification, import quality control, closure of certain ports, the requirement to use a certain share of national raw materials, etc. Such prohibitions either completely block access to the domestic market of a product, or significantly raise its price through refinement and processing. Thus, in the United States alone, 20,000 industry standards are applied, about the same number in Europe, as a result of which up to 1/3 of goods are affected by these barriers. Internal taxes and fees are also used as a means to increase the price of imported goods and make them uncompetitive[6, 18]:.

In addition to protecting the domestic market from foreign imports, quantitative non-tariff methods in the practice of international trade are also widely used methods that can be conditionally generalized to the financial group. These, in the first place, should include: subsidies and dumping.

A special place in the system of protectionist measures is occupied by export promotion. This is due to the growing dependence of the country's economic growth on participation in international trade.

Subsidies are cash payments aimed at supporting national producers, exporters / importers of products.

Types of subsidies:

1. Direct – in the amount of the difference between the costs of the exporter and the income received by him. WTO strictly prohibits them.

2. Indirect (hidden) – benefits to exporters in taxation, refund of duties, preferential insurance, etc.

In addition to subsidies, the methods of foreign trade policy include dumping.

Dumping – the promotion and sale of goods in a foreign market at intentionally reduced prices (below cost or below prices on the domestic market of the Importer). This is international price discrimination.

Dumping can be carried out both at the expense of resources of individual firms seeking to capture the foreign market of their products, and at the expense of government subsidies to exporters. In commercial practice, dumping can take one of the following forms:

- *sporadic dumping* – occasional sale of surplus stocks of goods on the foreign market at discounted prices. Occurs when the internal volume of production exceeds the capacity of the domestic market and the company faces a dilemma – either not to use part of the production capacity and not to produce goods, or to produce goods and sell for lower than domestic prices on foreign markets;

- *intentional dumping* – a temporary intentional reduction of export prices in order to oust competitors from the market and the subsequent establishment of monopoly prices. In practice, this may mean exporting goods at prices below their domestic market prices or even below production costs;

- *constant dumping* – constant export of goods at prices below fair price;

- *reverse dumping* – overstatement of export prices compared to the selling prices of the same goods on the domestic market. It is extremely rare, usually as a result of unforeseen sharp fluctuations in exchange rates;

- *mutual dumping* – counter trade of two countries with the same product at reduced prices. It is also rare in conditions of high monopolization of the domestic market of a particular product in each country.

Dumping is prohibited both by international rules within the WTO and by the national anti-dumping laws of many countries, which allow the application of an anti-dumping duty in the event of finding of dumping.

5.5. THE ROLE OF THE WTO IN REGULATING INTERNATIONAL TRADE

Today, there are about 300 international organizations in the world involved in regulating trade. However, the main role in the formation of trade flows belongs to a relatively small number of trade and economic organizations, in particular, the WTO.

The World Trade Organization is an international organization established to liberalize international trade and regulate trade and political relations between member states. The WTO is the successor to the General Agreement on Tariffs and Trade (GATT), which has been in force since 1947. Formed on January 1, 1995 on the basis of a system of mutual agreements (the so-called Uruguay Round) between GATT member countries. The organization is headquartered in Geneva.

The goal of the WTO is to strengthen the international economy, expand world trade, increase investment, raise living standards and real incomes around the world, increase employment, develop production, and make optimal use of the world's natural resources.

Achieving this multifaceted goal of the WTO is envisaged by fulfilling its main task, namely to promote the liberalization of

world trade by reducing import duties and eliminating various non-tariff barriers.

The main functions of the WTO are

- performance of administrative work related to the conduct of multilateral negotiations and implementation of agreements;
- monitoring the state of world trade and advising on governance in international trade;
- providing a mechanism for settling trade disputes;
- cooperation with other international organizations influencing the formation of global trade policy, in particular the IMF and the World Bank;
- a periodic review of the trade policies of the Member States.

The principles on which the activities of the WTO are based are disclosed in Art. 1-3, 9-11 GATT / WTO and together constitute its legal basis. These include, first and foremost, most-favored-nation and national regimes, as well as transparency and transparency of trade policy, stability, restrictions on government intervention in world trade, and free transit.

At the present stage, processes are taking place within the WTO that cause changes in the methods of foreign trade regulation, namely:

- Tariffing: all non-tariff trade restrictions should be abolished and converted into tariff equivalents (ordinary duties) taking into account the difference between average domestic and representative world prices. According to the WTO, tariffs should ensure the transparency of trade and determine the current level of protectionism;
- Tariff binding: WTO member countries are obliged to tie tariff levels, ie to fix the maximum allowable rates of import duties in the list of obligations from the moment of accession to the WTO. The country cannot set customs tariffs that exceed the level of binding. Under such conditions, compensation should be provided to the affected countries;

- reduction of the level of binding: after accession to the WTO, the average maximum allowable customs rate should be reduced by 36% within six years (for developed countries). Reduction should be carried out annually in equal parts.

At the same time, the use of non-tariff (administrative) methods of foreign trade regulation intensified, which is due to the loss of protectionist significance by duty.

As of July 2020, 164 countries are members of the WTO.

The highest governing body of the WTO is the Conference of Ministers. It is convened at least once every two years, usually at the level of ministers of trade or foreign affairs. The conference elects the head of the WTO.

The current management of the organization and monitoring of the implementation of the adopted agreements is carried out by the General Council. Its functions also include resolving trade disputes between WTO member countries and monitoring their trade policies. The General Council oversees the activities of the Council for Trade in Goods, the Council for Trade in Services, and the Council for Intellectual Property.

The members of the General Council are ambassadors or heads of missions of WTO member countries.

The executive body of the organization is the WTO Secretariat. The WTO includes working and expert groups and specialized committees, whose functions include establishing and monitoring compliance with competition rules, monitoring the operation of regional trade agreements and the investment climate in member countries, and admitting new members.

Control questions and tasks:

1. What are the tools at the corporate level of international trade regulation?
2. Reasons, goals and features of foreign trade regulation.
3. The main methods of regulating foreign trade.

4. Describe the methods, socio-economic consequences and effects of non-tariff trade regulation.

5. What non-tariff regulation tools are usually used to protect the markets of economically developed countries?

6. What measures are taken by countries with economies in transition to protect the domestic market from foreign competitors in the global financial crisis?

CHAPTER 6. THE INTERNATIONAL LABOR MIGRATION

6.1 WORLD LABOR MARKET: SPECIFICS, TRENDS, SEGMENTATION

Global labour market is a system of relations that arise about the coordination of supply and demand global workforce, conditions of labour formation, wages and social protection that are the result of uneven quantity and quality accommodation workforce in the world and differences in national approaches to play it.

The main trends of the global labour market is its globalization, the increased migration, the increased usage of the international labour standards, etc.

The globalization of the labour market is the formation of a unified coordination mechanism labour of demand and supply, regardless of the country, where the person lives and develops against the background of economic globalization.

The reasons for the revival of this process are [2]:

- restructuring of the labour international division system;
- the development of global infrastructure;
- international migration;
- rapid growth of world trade and flows of the foreign investment;
- rapid technological change.

The emergence and development of the global labour market is a result of the increasing international mobility of two main factors of production – capital and labour. The international mobility growth of the capital in social terms means that it presents not only the demand for labour in the country of deployment now , but also for foreign labour, which often has certain advantages over national (more disciplined, less demanding on wages and t. e.). Demand for foreign workers

began to increase markedly when there was a massive export of private productive capital and began the creation of enterprises in all countries with usage of local labour.

The structure of the international labour market includes two most significant segments. The first segment covers the work force, which is characterized by relatively constant employment, stability of skills, high level of skills and wages, as well as quite a clear hierarchy of qualifications. The second – is the usage of highly qualified experts (scientists, engineers, systems analysts, and others.) and also specialists in informatics, managers.

The peculiarity of the modern global labour market is the gaining flexibility through the new forms of employment, called flexibilization of labour market (from eng. flexibility). The flexible forms of employment play an important role to solve the problem of unemployment. From the demand for labour, flexible forms of employment help companies manipulate the quantity and quality of labour used in enterprises, based on the needs of production and the current economic conditions [3].

According to statistics of Western countries, currently about 25–30% of employees are working on non-standard modes of the working time. They include: employment on temporary contracts, seasonal employment, underemployment, employment for part-time (forced or voluntary). Various models introduce part-time work, shorter working week, job sharing, alternative work week, compressed work week. Gaining regime of the flexible working time at which a worker can choose the start and end of work, and the length and the time for lunch break. Among flexible forms of employment there is a dissemination home-based work, especially skilled workers in remote mode of employment [1].

6.2 INTERNATIONAL LABOR MIGRATION: MAIN TYPES, CENTERS, CONSEQUENCES AND REGULATION

Labour force migration is moving of the working population from one country to another within the international labour market for more than year, due to the nature of the productive forces and production relations, the influence of economic laws.

Labour force migration is one of the objective reasons to become integrated world economic system. However, the problem of the free migration is the most dangerous for governments both in the political and social aspect. Ethnic, religious prejudices and direct threat to the economic interests of particular groups, who fear competition from immigrants, have this problem too acute.

The types of labour force migration [1, 2, 8]:

1. Depending on the spatial horizon movement there are the following types of international migration:

- *external migration* – when people move outside of a country;
- *inland migration* – when people transfer between countries within the same continent;
- *intercontinental migration* – when people move between different continents.

2. Depending on the term – the global labour migration is divided into the following types:

- *permanent migration* is a departure (entrance) of population to another country for permanent residence;
- *temporary migration* is a work abroad for a certain limited period of time and then return home or move to another country;
- *-seasonal migration* is an annual migration during a certain season (usually for harvesting crops) and then return home;

- *commuting* is a constant work in one country and living in another, usually neighboring countries for the necessary international agreements between countries.

3. According to the legal principles there are:

- *organized migration* – when population is displaced under the national law (eg the visa regime);

- *illegal immigration* is an unauthorized movement of population on the borders of the country contrary to the law.

4. In accordance with the professional staff there are the following types of migration:

- the migration of workers (eg oil industry worker);
- migration of specialists (eg programmers);
- migration of the representatives from humanitarian occupations (eg, singers, authors).

5. According to the qualitative level there are:

- the migration of low-skilled labour;
- the migration of skilled labour;
- the migration of scientists ("brain drain").

Abstracting from the regional dimension of the international labour market and to examine the international labour migration in terms of its areas between groups of countries, we can point out five major flows of international labour migration [8]:

- migration from the developing countries to the developed countries;

- migration within the industrialized countries;
- labour migration within the developing countries;
- the labour migration from former socialist countries to the developed countries;

- the migration of highly skilled scientists and experts from industrialized countries to the developing countries.

The global labour migration in modern terms has become a global process. Most of the world is covered by migration. At the end of the XX century the number of countries, involved in the international migration process, is increasing significantly,

primarily due to Central and Eastern Europe and the CIS. Experts predict that in the next decade the number of migrants, taken by developed countries, persist at high levels.

Among the most important centers of foreign worker's attraction that define modern trends of international migration, one usually distinguishes: North and- South American regions, Western Europe, Southeast and West Asia.

In recent decades, the formation of new labour markets not only because intercontinental, but also inland migration.

The first center of gravity migrants was formed in Western Europe. It is only in the European Union. There are 13 million workers and their families. The bulk of the immigrants is taken by Germany, France, Great Britain and Belgium, the Netherlands, Sweden and Switzerland.

According to the prediction of the European experts owing to the creation of a single market there are some changes in migration flows. Poorly organized mass immigration of low-skilled workers will give way to collective agreements.

The second center of gravity was formed in 70-ies of XX century in the Middle East. The oil-producing countries draw on a huge number of crafts people from India, Bangladesh, Pakistan, Jordan, Yemen, as well as Greece, Turkey and Italy. The share of immigrants in the total labour force of some Middle East countries is considerable. Thus, in the United Arab Emirates, it is 97% in Kuwait - 86.5%, Saudi Arabia – 40%.

The third center of labour immigration in the US. Historically, human resources of the country have been developed largely by immigrants. Post-war immigration to the United States consisted of several stages. The first stage was the powerful European flow. It was when 6.6 million people came from the countries of Western Europe to the United States. The second stage began in 1965 when a law about created favourable conditions for immigrants from Asia and Latin America was passed . Since 1963 the countdown has its third phase, which

prefer immigrants from Europe – Ireland, Italy, Poland and Argentina.

The fourth international migration region was formed in Australia, employing over 200 thousand foreign workers.

Fifth center of migration is Asia-Pacific Region (APR) – Brunei, Japan, Hong Kong, Malaysia, Singapore, South Korea, Taiwan.

In Latin America formed the sixth center of attraction of labour where immigrants take mainly Argentina and Venezuela.

International migration is governed by countries that participate in the labour resources exchange. Social, age-related and skill composition of migrants, the level of entrance and departure of foreign workers are controlled and regulated

Features of the interstate and internal division of labour: the definition of the scope and structure of migration flows increasingly is performed by ministries of labour, interior and foreign affairs, as well as specially created national and international bodies.

As a rule the recruitment of foreign labour is done through the established abroad Recruitment government commissions whose functions include careful selection of candidates to work in the country, taking into account their age, health, skills.

An important part of its immigration policy is to establish the legal status of migrant workers, which determines their social, economic, labour, housing and other rights as enshrined in international agreements and national laws. This status does not grant political rights to foreign workers, mostly restrict their participation in the union activities, governing the terms of immigrants stay in the host country [1, 2, 6].

Various aspects of migration and the status of foreign workers are reflected in the bilateral and multilateral agreements relevant national legislation and government regulations.

Means and methods of state migration policy implementation are changed depending on the situation on the labour market.

Thus, the shortage of human resources in Western European countries applied national incentives immigration, including illegal. When the interests of the enterprise generated the need to reduce immigration, government regulation put new barriers to the inflow of foreign workers.

The International Labour Organization (ILO, International Labour Organization – ILO) plays the leading role in regulation of the global labour market. The ILO was founded in 1919, and since 1946 it is a specialized institution of the UN. ILO peculiarity has representatives from three social strata, from government, from business, from workers [1].

The governing bodies of the ILO are [6]:

- International Labour Conference (IPC) is a supreme body, which meets once a year;
- Administrative Council is the main executive body, is elected for a three-MCP;
- The International Labour Office (ILO) is a permanent secretariat of the ILO, with headquarters in Geneva (Switzerland).

The ILO has four principal strategic objectives:

- to develop and to implement of standards and principles at work;
- to create wider opportunities for women and men to secure decent employment;
- to expand coverage and to improve the effectiveness of social protection for all people;
- to strengthen tripartite social dialogue and support.

ILO agrees and summarizes labour relations arising at the labour market. In its conventions and recommendations, ILO embodies a norm of employment as part of international law, thus embodying the regulatory measures for the global labour market. According to the ILO Conventions ILO member states are required to maintain the residence migrant worker entitlement to social benefits earned in place of employment

(including in a foreign country). To these benefits include: payment for medical services; allowance disease, in the case of unemployment; payment for the family and so on.

Member States are required to submit regular reports on the implementation of its Conventions, as well as information on national law standards of the ILO. In conventions importance is attached to matters of wages, working hours, social insurance, holidays, paid, service manpower, workers' inspection. Convention and ILO recommendations make "international labour code", which is the basis of labour relations in the Member States.

The International Organization for Migration (IOM), established in 1951, is the authoritative international organization that deals with regulating global labour market, Council is the governing body of the IOM. Executive Committee is also created. IOM headquarters are located in Geneva.

The international labour right is recognized in many countries, and conventions and programs of international organizations play an essential role in regulating of the global labour market and adjust its self-regulation.

Control questions and tasks:

1. What is the essence of international labor migration and what are its defining features?
2. Define the concepts of "international labor migration", "emigration", "immigration", "re-emigration", "brain drain".
3. What are the economic and non-economic causes of international labor migration?
4. What are the economic consequences of migration for the world economy as a whole?
5. How does emigration affect the economy of the exporting country of labor?

6. What is the impact of immigration on the economy of the country – importer of labor?

7. Name the regions and countries that are the main centers of attraction of migrants from abroad.

8. What are the main levers of state and supranational regulation of international labor migration?

9. Which international organizations deal with international labor migration?

10. What are the causes and consequences of external migration processes for Ukraine?

CHAPTER 7. INTERNATIONAL CREDIT RELATIONS

7.1. THE ESSENCE AND CONTENT OF INTERNATIONAL CREDIT

International credit is the provision of financial resources of some countries to others for temporary use in the field of world economic relations.

International credit can be considered as a special kind of international trade. This trade is the exchange of today's goods for goods in the future. This is a phenomenon when the debtor, receiving a loan, prefers to increase current consumption by reducing consumption in the future; and the lender does the opposite – by providing a loan, it prefers to consume in the future by reducing current consumption.

Credit is the oldest and most traditional form of international economic relations, which generates income in the form of interest on loans, trade credits, deposits, and so on. A properly functioning system of international loans and crediting makes it possible to increase the production of national and world product. This creates the basis for a fuller satisfaction of the needs of the peoples of the countries, ie the achievement of the basic goal of the existence of the international economy. These are theoretical considerations, but in practice everything is far from ideal. This is evidenced by the periodic global debt crises. Some countries declare the impossibility of paying debts and cancel them. The reason for this is the lack of funds to service external debt.

Subjects: banks, enterprises, state, population.

However, the feature of an international loan is the affiliation of the creditor and the borrower to different countries.

Functions of international credit [19,20]:

- provision of redistribution between countries of financial

and material resources, which facilitates their effective use;

- an increase in the accumulation within the entire world economy through the use of temporarily free funds of some countries to finance investments in other countries;
- accelerating the sale of goods on a global scale.

Factors of the expansion of credit relations in the international sphere:

- internationalization of production and capital;
- intensification of international economic relations;
- strengthening the positions of TNCs;
- scientific and technological revolution, achievements in the field of communication technologies.

7.2 THE MAIN FORMS OF INTERNATIONAL CREDIT

The variety of conditions for the functioning of the economy, the activities of business structures determines the diversity of lending objectives, forms of credit operations, the diversity of institutional structures that provide for international credit relations.

1) by purpose:

- associated loans – provided for specific purposes, stipulated in the loan agreement. They can be: commercial; investment; intermediate;

- financial loans are loans that are not intended for use and can be used by borrowers for any purpose;

2) according to general sources:

- internal loans are loans provided by national entities for the conduct of foreign economic activity to other national entities;

- foreign loans are loans granted by foreign creditors to national borrowers for foreign economic transactions;

- mixed loans are loans of both internal and external origin;

3) in the form of lending:

- commodity loans – international loans provided by exporters to their customers in commodity form with the condition of further payment by cash or other commodity form;
- foreign currency loans – loans provided in cash: in national or foreign currency;

4) by line:

- early-term – one-week, weekly, up to three months;
- short-term – up to 1 year;
- medium-term – from 1 to 5 years;
- long-term – more than 5–7 years.

Modern forms of international credit are: international leasing, international factoring, international forfaiting. International leasing is a complex financial transaction in which a specialized firm (lessor) is in agreement with the official lessee and buys from the manufacturer the appropriate equipment, machinery, and transfers them for a certain period of time for a fixed fee to the lessee. International leasing is divided into:

- renting - short-term leasing (from 1 hour to 1 month);
- hiring - medium-term leasing (from 1 month to 1 year);
- leasing - long-term leasing (more than 1 year).

International factoring – a type of international activity for the provision of services in the field of international financing, in which the supplier of goods gives short-term claims under commodity agreements to the factoring company (factor - firm, factor) in order to immediately receive most of the payment (usually 70-80% of payment in 2-3 days, and the remaining amount is paid after payment of invoices by importers), guarantees of full repayment of debt, cost reduction during the return of payments. Factoring services are usually provided by factoring companies, many of which are owned by banks. They buy exporters' accounts at a discount.

International forfeiting is a type of activity in the provision of services in the field of international financing, in which the

exporter sells to the forfeiter (forfaiting company) without recourse a debt obligation of a foreign buyer, which takes the form of a commercial bill of exchange or promissory note with aval (bank guarantee or another legal entity). Forfeiter can resell promissory notes purchased from exporters on the secondary market, which is called "a forfeit" (from the French "forfeit", which means – to give up the right).

Characteristic features of operations on the secondary market:

- long-term promissory notes for more than 1 year are accepted;
- the minimum amount used is not less than UAH 500,000;
- average contract amount – 1-2 million dollars;
- used mainly in international transactions;
- no recourse to exporter requirements;
- purchase of claims only in freely convertible currency;
- mandatory bank aval.

7.3 THE ESSENCE, STRUCTURE OF EXTERNAL DEBT AND WAYS TO SOLVE EXTERNAL DEBT PROBLEMS

External debt is the financial obligations of the state (external loans and interest owed by them) in relation to foreign creditors; is the indebtedness of a certain country to be paid on time, to international monetary and financial organizations, to governments of other countries and their central banks, to private banks.

External debt is the part of public debt that is payable in a currency other than hryvnia and is determined on a certain date as the difference between the amount of government external borrowing (commitment) and the amount of payments to repay public external debt as of a certain date, including transactions

on that date. External debt is also seen as the sum of a country's financial obligations to foreign creditors.

Public external debt is debt on loans (borrowings) raised from foreign sources. It is in the form of external financial obligations of the state to non-residents. That is, the state acts as a borrower or guarantor of repayment of these loans (loans) by other borrowers. The state external debt includes:

1) direct public external debt, which is formed through the taking of foreign loans, the direct borrower of which is the state, and the issuance of government securities in the form of external government loans. This part of the external public debt is serviced at the expense of the state budget;

2) conditional state external debt, which is formed at the expense of foreign loans attracted by other borrowers under state guarantees (state-guaranteed debt). The responsibility for servicing these loans lies with the direct borrower, who repays the foreign loans at his own expense, so the financial obligations of the state to repay such loans are conditional.

Public external debt together with private non-guaranteed external debt create the country's gross external debt.

Gross external debt as of a certain date is the total amount of debt on all existing, non-contingent liabilities to be paid by the debtor in the form of principal and / or interest at any time in the future, and which are liabilities of residents of this economy to non-residents.

The gross external debt of the country includes all types of debt of residents of the country to non-residents, which are classified:

- by four main sectors of the economy – the general government sector, monetary authorities, banks and other sectors;
- in terms of initial maturities – short- and long-term;
- in terms of financial instruments – debt securities, trade credits, loans, currency and deposits, other debt obligations and

liabilities on loans of direct investment enterprises (intercompany debt).

The calculated indicators of gross external debt as of the end of the reporting period include:

- direct public debt, as well as domestic government bonds owned by non-residents;
- liabilities of local governments on debt securities and external loans;
- loans received by the central bank from the International Monetary Fund and international financial organizations, as well as the distribution of special drawing rights;
- liabilities of banks on debt securities, loans and deposits;
- liabilities of the real sector of the economy on debt securities, loans (including guaranteed before repayment by the government) and accounts payable (trade long-term and short-term loans and overdue debt on them).

External government borrowing has a dual effect on the national economy.

On the one hand, there are negative forms of impact of external public debt on the country's economy: the growth of public debt due to the increase in external public credit creates the dependence of the national economy on creditor countries, as well as on non-residents who buy government securities. Due to the inability to predict the behavior of non-residents, there is a risk of destabilizing the country's financial system.

The growth of public debt due to increased external credit increases the dependence of the financial system of borrowing countries on international organizations (IMF, World Bank, European Bank for Reconstruction and Development), which, in particular, require a certain level of budget deficit, which requires reducing social programs.

On the other hand, government borrowing in the international market can be a spur for domestic investment, provided effective debt management, which takes into account the

dynamics of the exchange rate and assess the parity of interest rates in domestic and international financial markets.

Depending on the nature of the effects of external public debt on the economy, they are divided into short-term and long-term. Short-term are the consequences of the budget deficit, known as the problem of "displacement". Long-term – the economic consequences of public debt, known as the "debt burden".

The existence of a large public debt can undermine the country's economic growth and negatively affect its financial condition.

One of the main characteristics of external debt is the ratio of public external debt to gross domestic product (GDP). The critical level of this dependence is 60% according to the IMF methodology and the Maastricht criteria (for EU candidate countries), or 80-100% according to the World Bank methodology. This indicator gives an idea of the possibility of servicing the external debt by switching resources from the production of goods for domestic consumption to the production of export goods. The disadvantages of this ratio are that the indicator may become unreliable in the event of a change in the real exchange rate, which will be reflected in the GDP indicator.

Default is the non-repayment in time of external obligations, as well as the introduction of conditions for the exchange of government securities that are less favorable to foreign investors than the previous ones.

In world practice, there are various methods of external debt management used by countries and international financial organizations.

Restructuring of external debt is a lender agreement with a borrower who has difficulties with repayment of his financial obligations, a new scheme of their repayment [6].

Methods of external debt restructuring:

- debt conversion;
- debt Consolidation;

- debt extension;
- debt redemption at the secondary market;
- debt relief;
- debt exchange for shares of national enterprises / currencies;
- temporary moratorium on the payment of interest or a portion of the principal.

External debt creates a problem of its servicing, which includes:

- depreciation (payment of the principal amount);
- interest payment.

External debt service obligations are fulfilled either through export earnings and reduced imports or through new borrowing. Developing countries account for the largest amount of debt. On the path of independence, these states began without being burdened by large external debts.

Until the 1970s, they mostly attracted funds from official sources, including non-refundable subsidies. The poorest countries in sub-Saharan Africa receive the most per capita funding.

Control questions and tasks:

1. Describe the essence of forms of international lending.
2. Describe the state as a participant in international lending.
3. Define the concept of "international credit". What are its conditions and main functions in the world economy?
4. What is external debt? What quantitative and qualitative indicators can be used to assess the degree of danger of external debt for the economy of a country?
5. What is the problem of external debt? What are the possible solutions for different countries?

CHAPTER 8. INTERNATIONAL CAPITAL MOVEMENTS

8.1 INVESTMENTS IN THE SYSTEM OF INTERNATIONAL CAPITAL MOVEMENTS

In the scientific literature, investment is traditionally understood as the implementation of certain economic projects at present to generate income in the future. This approach to understanding investment is dominant in both domestic and foreign economic literature.

Investments are long-term investments in entrepreneurial activities for the purpose of making a profit.

At the macro level provide funding for the economic development of the country.

At the micro level, it is any economic instrument in which to invest money in order to make a profit.

Types of investment [8]:

1) by object of investment:

- real – investment of capital (funds) in real assets
- intellectual – investment in objects of intellectual property;
- financial – investing in various financial instruments

2) by forms of ownership:

- private – investment of capital (funds) into real assets of the spheres and branches of the national economy with the purpose of updating existing ones and creating new material goods;

- public – carried out by central and local authorities.

3) over the period of action:

- short-term – capital investments for a period up to a year;
- long-term – are designed for a period of more than one year or are not limited by any term.

4) on a regional basis:

- internal – investment in investment objects located within the territorial boundaries of the country;
 - external (foreign) – investments in investment objects located within the territorial boundaries of the country;
- 5) by the nature of participation in the investment process:
- direct – investment of capital in order to facilitate profit, provide investor control over the object of investment;
 - portfolio – investment in securities in order to generate income (dividends).

Investment activity is a set of practical actions of entities in relation to investment realization.

International investment activity – this is a set of actions of the subjects (investors and participants) for the implementation of investments abroad and foreign investments in order to receive profits.

The investment market is a market that regulates the totality of economic relations that arise between the seller and the buyer of investment resources.

Investment resources this is a combination of real and financial capital in the process of their circulation.

The subject of investment activity, which decides to invest their own, borrowed or engaged property or intellectual property in investment objects, is an investor.

The international investment market is a regulator of the aggregate of economic relations that arise between the seller of investment resources and their buyer who are residents of different countries.

Functional structure of the international investment market:

- 1) Market of real investment objects:
 - direct investment market: new construction; reconstruction; technical re-equipment;
 - real estate market;
 - market of other objects of real investment.
- 2) Market of financial investment instruments:

- stock market: bond market (foreign, eurobonds); equity market (stock exchange, euroaccession);
- money market.

Foreign direct investment (FDI) is an investment of capital for the purpose of obtaining entrepreneurial profit (income) with long-term economic interest and provides investor with control over the object of investment.

According to the United Nations System of National Accounts (SNA), direct investments are:

- initial investments of companies abroad in equity (acquisitions or mergers, creation of joint ventures, branches, subsidiaries and associates, acquisition of stakes in excess of 10 percent);
- reinvestment (the share of income of the investment object, which is not distributed and not transferred to the direct investor, but remains in the host country);
- internal corporate transfers in the form of loans and transfers between the direct investor (parent company) and branches, associates and subsidiaries.

There are vertical and horizontal foreign direct investment.

Vertical direct investment is a direct investment in areas and industries that belong to different stages of production of a particular product.

Horizontal direct investment is direct investment abroad, but within one industry.

Enterprises with foreign direct investment may take the following form [1, 8]:

- *subsidiary*, where direct non-resident investor has more than 50% of the capital;
- *associate* in which direct non-resident investor has less than 50% of the capital;
- *branches*, wholly owned direct investor.

Attractiveness of direct investments for the host country:

- increasing production capacity and resources in the

country;

- new material and financial resources appear; promote the development of a national research base;
- stimulates competition;
- raises demand and prices for national (local) factors of production;
- the country increases budget revenues in the form of taxes on the activities of international joint ventures

Negative effects for the host country:

- crowding out national capital and companies;
- facilitate the outflow of capital from the country on the basis of transfer pricing.

The benefit for countries that export capital – receiving a higher rate of return compared to similar domestic investment.

Negative consequence for countries that export capital – reducing the number of jobs and therefore higher unemployment in the exporting country.

Portfolio investment (PI) is an investment in foreign securities that does not give the investor real control over the object of investment and whose purpose is solely to obtain income in the form of dividends or interest.

Possible **objects of portfolio investment** and their characteristics are presented in table 8.1

International securities transactions are an extremely complex activity. Therefore, as a rule, only large companies and organizations, as well as governments of countries with developed infrastructure of the national domestic securities market can enter the international stock market. The share of private participants in portfolio investment activities is extremely small.

Table 8.1 – Objects of portfolio investment [21]:

Joint-stock securities – securities traded on the market, certify the participation of their owner in the formation of the statutory fund of the company and provide property rights and the right to receive the appropriate share of income in the form of dividends.	
Debt securities – securities that are traded on the market and certify the loan relationship between the owner of the document and the issuer (the person who issued this document)	Bonds – securities with a maturity date that entitle the owner to receive a fixed income from their nominal value
	Promissory notes – written debt obligations that give an unquestionable right to their owner at the end of the obligation to demand from the debtor to pay the amount specified on the bill
	Debt receipts (notes) – short-term monetary instruments (3-6 months) issued by the borrower in his name in agreement with the bank, which guarantees their placement on the market, purchase of unsold, loan extension and provision of reserve funds.
	Money market instruments – money documents that give their holder an unconditional right to a guaranteed cash income on a certain date (treasury bills, certificates of deposit, bank acceptances)
	Financial derivatives – derivative (secondary) monetary instruments that certify the right of their owner to buy or sell primary securities (options, futures, warrants, swaps)

Compared to direct investment, portfolios have a number of **positive features**, among which the most important are:

a) higher liquidity - the ability to quickly and without significant financial losses to turn into cash;

b) relatively easy controllability (mobility), due to both the speed of their implementation capacity and the simplicity of the purchase and sale procedure.

Comparative shortcomings of portfolio investments are divided into general (inherent in all forms and types without exception) and specific (related to specific objects of investment) types. The common ones are:

a) a relatively high level of risk, which applies not only to income but also to all invested capital;

b) a lower level of profitability (usually a dividend, even on the most profitable ordinary shares, per 1 monetary unit of invested capital, is only 40-50% of the return on direct investment);

c) the lack in most cases of the ability to influence the level of yield of securities and their market value.

Types of portfolio investments [10]:

Equity securities – monetary instrument, rotating the market and confirms property right holder of the document in respect of the person who released the document;

Debt securities – monetary instrument, rotating the market and certifies loan ratio owner of the document to the person who produced the document.

Business securities act following main forms:

- *bonds, promissory notes* – financial instruments that give the holder the unconditional right to a guaranteed fixed cash income or a fixed contract for changing monetary profit;

- *money market instruments* – financial instruments that give the holder the unconditional right to a guaranteed fixed cash return on a certain date (treasury bills, certificates of deposit).

- *financial derivatives* – financial instruments have a market value of derivative financial instruments certifying the right owner for the purchase or sale of primary securities (options, futures, swaps).

8.2 METHODS OF FOREIGN INVESTMENT

International business is implemented in certain forms: exports and imports of goods and services; cooperation in scientific, technical, manufacturing, sales and service activities; investment activities; common enterprise; multinationals.

The main kinds of international business are licensing, contract management, the creation and operation of common ventures, franchising, leasing, factoring, etc [21].

Licensing is a form of cooperation in which subjects of international economic relations are the owners of certain rights (licensor) and permanent or temporary users of this right (the licensee). Licensor makes a deal with the licensee, and according to this deal he transfers the latter the right to use the patent, trademark and other new products for a fee. This activity enables the licensor likely to enter a new market, and the licensee to use license for the benefit of his own business. Licensed trade covers mainly electrical and electronics industry, general mechanical engineering, instrument. automotive, aerospace industry, chemicals and petrochemicals, biotechnology, resource-saving technologies. A relatively new trend of diversification of international trade license is computer science and automation, including complex automated production using integrated transport systems and management systems based on computers.

Management contract involves the transfer of government services from one entrepreneur to another. In fact it is the exports of management services rather than capital.

International joint venture is a form of cooperation between partners in different countries, which regards investment, management, production, sales and service, distribution of profits and risks. According to the activity, there are the following joint ventures: innovation, production, purchasing sales and complex.

International Corporation is a form of structural organization of a large corporation that makes direct investments in different countries. It can be transnational and multinational.

Franchising – is the concession of rights to use the trademark or brand name, as well to provide services in the

technical assistance, labour training, trade organization and management. Experts suppose that franchising is not the enough developed kind of business in Ukraine. According to the Franchise Association of Ukraine, the global economic crisis of 2007-2010 led to a significant curtailment of that business.

Leasing is a specific form to finance acquisition of various equipment.

Factoring is intermediary commission activity of a bank or factor-company during the payment between suppliers and buyers of goods by means of financial claims payment providers, followed by debt collection customers (resale right to collect debts or commercial transactions on behalf of). International factoring is used in the export trade, it is easier to get cash for the exporter, somehow "protected" from "bad" debt.

8.3 STATE AND INTERNATIONAL REGULATION OF INVESTMENT ACTIVITIES

State regulation of investment activity is considered as a system of measures aimed at the organization of economic and legal space, the main purpose of which is the formation of a system of priorities and directions of economic development, creation of conditions for investment activity, ensuring the competitive advantages of the national economy [10].

These measures are designed to promote investment activity, create a favorable investment climate, attract non-inflationary sources of investment and create common standards for investment efficiency.

The objectives of state regulation of investment activities include:

- achieving maximum effect on investment;
- creating the right conditions for the development of priority industries and regions;
- creating the right conditions for attracting foreign

investment.

The principles of state regulation of investment activity for countries with economies in transition and developing countries are [2, 10]:

- consistent decentralization of the investment process, strengthening of regionalization of the economy;
- increasing the share of economic entities' own funds in financing investment projects;
- transfer of the center of gravity from non-repayable budget financing in the production sphere to crediting;
- allocation of budget funds mainly for the implementation of state priorities, programs and projects aimed at implementing structural restructuring of the economy;
- prioritize the refurbishment, reconstruction and construction of new facilities at competitive costs;
- control of public authorities on the targeted use of centralized investment and investment insurance.

The host country's foreign capital policy includes:

- a policy of regulating investments to maximize returns per unit of invested capital;
- an incentive policy to attract the maximum amount of capital.
- It is more important here to ensure the potential for the greatest inflow of investment, rather than their effectiveness.

An important place in the regulation of international investment is occupied by the Multilateral Investment Guarantee Agency (MIGA) and the International Center for Settlement of Investment Disputes (ICSID).

The agency was founded in 1988. Its location is Washington. It consists of 181 members. Ukraine has been a member of MIGA since 1995.

Main goals:

- promoting increased inflows of investment into developing countries through the provision of guarantees, including insurance, on non-commercial risks;
- conducting research, collecting and disseminating information to promote investment;
- providing technical assistance to countries, conducting consultations on investment issues.

The main activities of MIGA. It was created to attract potential investors to developing countries, protect them from non-commercial risks and thus stimulate investment flows there. Non-commercial risks include: wars, social explosions, expropriation of invested capital, the inability to transfer profits abroad and so on.

Guarantees are provided only to investors from the state-members of MIGA. The term of guarantees is 15-20 years for direct investments, for loans – more than three years. The main requirement for providing guarantees: the investor must be a resident of the MIGA member state; the investment can be intended for any country, even one that is not part of GAU.

MIGA guarantees are essentially insurance that costs between 0.25% and 1.25% for every \$ 100 in guarantee value.

The International Center for the Settlement of Investment Disputes (ICSID) was founded in 1966. Its location is in Washington. The Center has 161 members.

The main goal is to promote the inflow of foreign capital by creating conditions for reconciliation and settlement of disputes between governments and foreign investors. ICSID is not a credit institution in the literal sense of the word; as a result, it is not always included in the World Bank Group, although it is linked to it by purpose and organization.

ICSID activities. The center acts as an arbiter between the investor and the government in case of conflict. The process of settling investment disputes takes two forms: conciliation and

arbitration. Reconciliation is achieved if it is possible to convince both parties of the possibility of resolving the conflict amicably, through mutual concessions. If reconciliation is not possible, the ICSID makes a reasoned decision in favor of one of the parties; such a procedure is called **arbitration**.

Control questions and tasks:

1. What is the essence and causes of international capital movements?
2. Classify the forms of international capital movements by sources of origin, nature of use, term of investment, purpose of investment.
3. Name the specific forms of international capital movements.
4. What are the main advantages of import and export of capital for the national economy?
5. Define the terms "direct investor", "enterprise with foreign investment", "foreign direct investment".
6. What is the difference between a subsidiary, an associate and a foreign subsidiary?
7. What is meant by portfolio investment?
8. What is the fundamental difference between direct and portfolio investment?

CHAPTER 9. INTERNATIONAL SCIENTIFIC AND TECHNOLOGICAL EXCHANGE

9.1 THE ESSENCE AND FORMS OF INTERNATIONAL TECHNOLOGICAL EXCHANGE

International scientific and technological exchange is a set of economic relations between foreign contractors on the use of the results of scientific and technological activities of scientific and practical value; the transfer of knowledge and technology relevant to certain production processes within the global economy.

The international documents of the United Nations and other organizations interpret the term "technology" quite widely. It includes [2]:

- 1) technology itself, which is understood as a set of design solutions, methods and processes of production of goods and services;
- 2) materialized technology, that is, the technology embodied in machines, equipment.

Nowadays today's conditions, the international technological exchange has the following features:

- 1) development of market-intensive technologies.

The tendency is not just an increase in the country's export potential, but its "intellectualization", ie an increase in the share of high-tech goods in the overall export structure. This is a factor of economic growth. The deepening of the international division of labor leads to an increase in foreign economic innovation resources related to the international transfer of technologies. International technological exchange can to some extent compensate for the lack of funds to finance the country's scientific and technological development;

- 2) monopoly of the largest firms in the technology markets. Research is concentrated in the largest firms in industrialized

countries, as they alone have sufficient financial resources to conduct expensive research. Transnational corporations actively involve their foreign affiliates, subsidiaries, in R&D, which are characterized by an increase in the share of R&D expenditures in the total amount of these TNC expenditures;

3) technology policy of TNCs.

Recently, there have been changes in the directions of R&D conducted by TNCs. Research is shifting in the industries that determine success in production and marketing activities [6]:

- improving traditional types of products to better adapt them to the requirements of the world market in terms of material intensity, energy, security, reliability, etc.;
- creation of fundamentally new goods, market research where high profits can be expected;
- improvement of existing and creation of new technology;
- TNCs use new approaches to transfer scientific and technological achievements:
 - sale of licenses at the initial stages of the life cycle of goods, in order to have time to recoup some of the R&D expenditures from the results of their results;
 - setting monopoly prices for patented products and limiting the production and release of new products by license buyers;
 - concluding agreements between TNCs to obtain the exclusive right to block patents for the most important inventions. Agreements are concluded between individual TNCs to form patent pools. Inventory rights are granted to all pool members by issuing mutual licenses. Out-of-pool inventions cease to apply; use of patents to control the development of machinery or to inhibit this development; depriving TNC subsidiaries of their independence in the choice of technology and technology. They should be guided by a common licensing policy within TNCs;
 - transmission of TNC licenses on non-commercial terms to its subsidiaries and subsidiaries, which puts the latter in a

favorable position on the market, helps to increase the competitiveness of their products.

Features of modern international technological exchange [10]:

- 1) development of the market of high-tech technologies;
- 2) monopoly of the largest firms in the technology markets;
- 3) technological policy of TNCs;
- 4) relations of TNCs with developing countries;
- 5) participation in the international technological exchange of venture companies;
- 6) development of international technical assistance.

In Ukraine, international scientific and technological exchange is due to many factors:

- 1) deterioration in economic development;
- 2) lack of some material resources for R & D activities;
- 3) fear of financial risk;
- 4) insufficient number of skilled scientific personnel in some areas;
- 5) lack of developed infrastructure of innovation sphere.

Economic expediency of export of technology is manifested in the following forms:

- sale of technology – a way to increase revenues;
- transmission of technology abroad – a form of struggle for the commodity market;
- sales of technology – a way to bypass the export problem of the product;
- sales of technology – means of expanding exports;
- sales of technology – a way to establish control over a foreign firm;
- technology provision – a way to provide access to other innovations;
- provision of technology – the possibility of more efficient improvement of the license object.

The Technological Capacity of Trade Classification (TCT), developed by UNCTAD, is used to estimate the amount of technology transferred through trade in high-tech goods. The technological capacity of trade is the share of costs for research and development in total production and trade in goods of individual industries [23, p. 352].

The TCT is calculated for each country in terms of industries and individual goods, and then the average value of TCT is determined.

High-tech capacities are considered to be goods and industries whose TCT exceeds the average value for a given country, group of countries or industry; medium-technology – If the TCT is close to the average value; low-tech – if the TCT is significantly lower than the average value. For example, in OECD countries, trade in aerospace equipment (22.7% of R&D expenditures in total production), office equipment and computers (17.5%) is considered high-tech; medium-tech – trade in cars (2.7), chemicals (2.3); low-tech – trade in bricks, clay (0.9), food (0.8), paper (0.3%), etc. At the same time, the average TCT for high-tech goods is 11.4%, medium-tech – 1.7, low-tech – 0.5%.

9.2 INTERNATIONAL LICENSED TRADE

International trade in licenses is the main economic mechanism of international technological exchange and has now become widespread and rapid.

The growth of international trade in licenses is due to a number of factors that encourage firms to sell and buy licenses on the world market:

- commercial interest in the implementation of technological transfer;
- accelerating release of new products on the market;
- gaining access to additional resources;

- making a profit from the sale of licenses for products that do not meet the new strategic priorities;
- countries with limited resources of scientific and technological development, participating in international technological exchange, have the opportunity to take a strong position in the world market without additional costs.

Commercial interest in carrying out technological transfer both on the part of the licensor (by selling the license, he in a short time pays off expenses for R&D, gets additional profit due to fast development of the invention and release on its basis of new kinds of production), and on the part of the licensee (saves on R&D, has access to advanced scientific and technical achievements, receives income from the use of the latest technologies).

International licensing relations are carried out mainly between developed countries. The share of developed countries in the total amount of revenues from international trade in licenses is almost 98%.

In general, the turnover of licensed trade is about 30 billion dollars for a year. However, the importance of this market is determined by the fact that the value of products produced in different countries with foreign licenses is 330-400 billion dollars annually. The leading position in the license market belongs to the United States (65% of revenues from industrialized countries from the export of licenses).

License objects:

- patented invention or technological process;
- technological knowledge and experience, know-how;
- industrial designs (a new design solution that determines its appearance);
- trademark.

Licenses can be patent, ie those that confirm the transfer of the right to use a patent without the appropriate know-how, and non-patent, ie those that confirm the right to use know-how

without patents for inventions. The bulk of world trade in technology is accounted for by the sale of non-patent licenses, as they do not require additional R&D and involve minimal commercial risk.

According to the amount of transferred rights to use the scientific and technical knowledge of the licensor, there are three types of licenses:

- simple (non-exclusive), upon sale of which the licensor has the right to independently use the object of the license, as well as to grant licenses for this technology to other licensees in the territory;

- exceptional, which provides for the licensee's monopoly right to use the technology and the licensor's refusal to independently use patented inventions or know-how and sell them in the agreed territory;

- full, which gives the licensee the exclusive right to use the patent or know-how during the term of the agreement and the licensor's refusal to independently use the subject of the license during this period.

The sale of licenses is carried out on the basis of a license agreement [14, p. 350]. A license agreement is an agreement under which the licensor (seller) grants the licensee (buyer) permission to use, within certain limits, its rights to patents, know-how, trademarks for a specified fee.

International trade practice has developed many variants of standard licensing agreements, which are the basis for drawing up specific agreements between the parties. The possibility of typifying the forms of license agreements facilitates and accelerates the execution of specific agreements, simplifies the resolution of litigation and arbitration disputes, as international licensing agreements involve firms from different countries that have their own national legislation that specifically addresses certain issues.

One of the most important and difficult issues in the sale and purchase of licenses is the definition of license fees (license prices). License fees are a specified fee to the licensor, paid by the licensee as compensation for granting the rights to use the subject of the agreement.

The cost of the license is formed on the basis of an estimate of the possible profit received from use of the right to make production as a result of implementation of the invention, know-how, and also to sell production under a trademark. This takes into account all the costs of purchasing a license: its price, costs associated with the development of production, sales, advertising, etc.

Forms of license fees are different.

Licensed payments include:

- preliminary (option) payments for more detailed acquaintance with the subject of the license;
- basic (in the form of royalty or lump sum payment, as well as their combination).

Royalties are periodic interest deductions that are set in the form of fixed rates based on the calculation of the actual economic result of the use of the acquired scientific and technical products and paid by the licensee through the periods specified in the contract (usually by quarterly or annual installments) [1, 2].

Royalties can be determined in different ways:

- from the cost of products manufactured under license;
- from the amount of sale of licensed products;
- per unit of issued or sold products in the form of interest;
- from the amount processed by the patented raw material method, etc.

Lump sum payment is fixed in the agreement the amount of remuneration, which is established on the basis of estimation of the possible economic effect and expected profits of the licensee.

It can be carried out both once and in installments.

The combined payment involves the payment of an advance lump sum payment at the time of signing the agreement and payment of royalties, depending on the object of production and sale.

Participation in the licensee's profit as a form of license fee means deduction in favor of the licensor of a certain part (percentage) of the profit received by the licensee due to the use of this license. This share usually ranges from 20 to 30% (with an exclusive license and up to 10%) – with a non-exclusive license. However, in the practice of licensing, this form is very rare.

In the vast majority of countries, the receipt and transfer of fees are taxable, so the agreement stipulates that they are entirely at the expense of the licensee and are not subject to deduction from the license fee. License agreements in most cases are concluded for 10-15 years.

9.3 INTERNATIONAL TRADE IN ENGINEERING SERVICES

A common form of international technological exchange is engineering. Engineering is a set of engineering and consulting services for the use of technological and other scientific and technical developments.

The essence of international trade in engineering services is to provide one party to another on the basis of contracts of commercial engineering, consulting, engineering and construction services for:

- production preparation (pre-project services; project services; post-project services);

- ensuring the production process (services for the organization of the production process, enterprise management, staff training);
- ensuring the sale of products;
- maintenance of construction and operation of industrial, infrastructural, agricultural and other facilities.

The international market of engineering services has been actively developing since the late 60's. This was facilitated by the provision of technical assistance to developing countries by developing countries on the basis of international assistance programs. There is an increase in exports of engineering consulting services from European countries. Since the late 1980s, as a result of increased private investment, national markets for engineering and consulting services have expanded, followed by markets for engineering and construction services. Currently, the volume and total cost of engineering services have increased significantly, in addition, the share of participation in this activity of Western European and Japanese firms while maintaining the dominant position of American companies has increased [22, p. 134]. All these services are intellectual in nature and are aimed at optimizing investment projects at all stages of their implementation.

The market of engineering services is conditionally divided into the market of engineering and consulting services and the market of engineering and construction services. This led to the division of firms, companies engaged in the provision of engineering services, in engineering consulting and engineering and construction.

The largest engineering and construction firms are located in the United States, Great Britain, Japan, and Italy.

In the United States, Great Britain, Japan, Germany, the Netherlands and other developed countries, there are large engineering firms with branches abroad, and their activities are characterized by export orientation. Thus, in German

engineering firms the share of export orders is almost 60%, in American and French – about 30%.

The most important region for the import of engineering services is the Asia-Pacific region.

The peculiarities of the market of engineering services as a market of technologies include:

- The results of trade in engineering services are not embodied in the tangible form of the product, as is the case with technology trade, but in some beneficial effect that may or may not have a tangible carrier, ie engineering is an indirect form of technology transfer. For example, services for training specialists, management of the construction process do not have material carriers;

- engineering services related to the preparation and provision of the process of production and sale, designed for intermediate consumption of material goods and services. Production services are not related to engineering services.

9.4. REGULATION OF RELATIONS IN THE FIELD OF INTERNATIONAL SCIENTIFIC AND TECHNOLOGICAL EXCHANGE

The need for international control and regulation of international scientific and technological exchange is primarily due to the intensification of competition in the network market. This process determines the influence of other factors, in particular the desire to maintain technological leadership, maintain national security, restrict foreign competition, save jobs; the possibility of implementing "dual-use" technologies or technologies for the production of weapons of mass destruction in the context of national security.

Among international institutions, the main regulators of international scientific and technological exchange are:

The World Intellectual Property Organization (WIPO) is the UN agency that deals with the use of intellectual property. The main sources of funding for WIPO's budget are Member States' contributions to international registration services.

The World Trade Organization (WTO), which has developed the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which sets minimum standards for the recognition and protection of major intellectual property.

The United Nations Development Program (UNDP) is a global development network and provides countries with access to knowledge, experience and resources.

The United Nations Industrial Development Organization (UNIDO) is the central coordinating body for industrial development assistance to developing countries through:

- promoting industrial development and cooperation at the global, regional, national and sectoral levels:
- promoting the industrialization of developing countries:
- assistance to countries with economies in transition and developing countries in restructuring and privatization in industry:
- providing technical assistance.

Among the international agreements in the field of international scientific and technological exchange should be noted the following:

- Paris Convention for the Protection of Industrial Property – provides for the granting of national treatment, the right of priority establishes general rules for patenting;
- World Copyright Convention (Geneva Convention);
- Strasbourg Treaty on International Patent Classification;
- Convention on the Grant of European Patents (European Patent Convention);
- Eurasian Patent Convention and others.

An important role in promoting the development of international scientific and technological exchange is played by

regional technology transfer centers and intermediary marketing firms of scientific and technological exchange, which provide a rapid search for partners.

Technology transfer networks are already active in Europe, the United States and China. One of the main ones is the European Enterprise Network (EEN), which enables the exchange of information on technologies with all European innovation centers.

In Europe, there is the Alliance of Technology Transfer Professionals, which brings together 480 organizations from 21 European countries. Its main goal is to help develop professional innovation support services. The Association has created a database of 8,000 organizations involved in promoting innovation in Europe. The Association includes universities, state research centers, innovation centers, financial institutions, etc. The members of the association are consultants on innovation, engineering; technological brokers and advisors on intellectual class issues, database specialists, organizers of technological and trade fairs, etc. Some of its activities are funded by the European Strategic Innovation and Technology Transfer Program “SPRINT”.

The EU has developed and implemented international programs:

EUREKA – international European innovative science and technology program for the development of international cooperation to increase productivity and competitiveness of European industry and economy through joint projects in the field of industrial, technological and scientific cooperation. Within the framework of this program, the EUROSTARS project on the development of small and medium-sized enterprises in the field of in-line activities is being implemented. Ukraine participated in 27 EUREKA projects with a total contribution budget of € 5.86 million and cooperated in the fields of industrial technology, energy and environmental

technologies, information and communication technology, biomedicine and medicine.

Horizon 2020 is an EU innovation research planning program with the following new features:

- Significant simplification of funding through the introduction of a "single approach" for participants with the overall goal of reducing the average grant time to 100 days.

- integration of research and innovation by providing unhindered and coordinated funding from idea to market entry;

- increasing support for innovation and activities close to the market, leading to direct economic stimulation;

- focusing on business opportunities with a focus on "social challenges";

- providing greater opportunities for new participants and young promising scientists to promote their ideas and obtain funding.

CAESIE – Connecting Australian-European Science and Innovation Excellence.

ESA – European Space Agency

COST (European Cooperation in Science and Technology) is not only the oldest but also the widest intergovernmental European Network for cooperation in scientific and technical research.

ETP – European Technology Platform covers projects in the fields of nanomedicine, nanoelectronics, chemical technologies for sustainable development, transport technologies, etc.

TEMPUS (Trans-European Mobility Program for University Studies) is an educational program that supports the modernization of the higher education system and creates space for cooperation of EU partner countries.

As part of joint initiatives, embedded computer systems (ENIAC) and nanoelectronics (ARTEMIS) are being developed. For small R&D companies, there is the Small

Business Research Initiative (SBRI), which aims to increase market size, support other small businesses in strengthening their research capabilities and production in order to obtain new market niches, and create the conditions for starting new businesses, whose activities are based on technology and knowledge.

Control questions and tasks:

1. Define the terms: "technology", "international technological exchange".
2. Name the main prerequisites that led to the rapid development of international technology exchange.
3. Explain the economic feasibility of exporting and importing technology.
4. Analyze the main indicators of the global technology market.
5. Name the world leaders in the creation and use of new technologies.
6. What are the mechanisms of legal protection of technology and forms of its international transfer?
7. What are the economic conditions of licensing agreements?
8. How is the technological capacity of trade determined?
9. What forms of international technical assistance do you know?
10. What is the state regulation of technology transfer?

CHAPTER 10. INTERNATIONAL MONETARY AND FINANCIAL RELATIONS

10.1 THE CONCEPT OF THE CURRENCY SYSTEM AND ITS STRUCTURE

The development of international monetary relations is a consequence of the growth of productive forces, the creation of a world market, the deepening of the international division of labor, the formation of the world economic system, internationalization and globalization of economic relations. The state of currency relations depends on the development of national and world economies, as well as the political situation, the balance of power between countries.

International monetary relations – a set of monetary and settlement and credit relations in the world economy, which arise in the process of mutual exchange of results of national economies. One of the distinctive features of world practice is the multiplicity of currencies. Virtually every country has its own national currency, the circulation of which is complicated by international economic relations [23].

The monetary system is a set of monetary and economic relations that have historically developed on the basis of internationalization of economic relations and enshrined in national law, considering the rules of international law, or interstate agreements.

There are national, regional and world monetary systems. The national monetary system is a component of the country's monetary system, which is relatively independent and extends beyond national borders.

Regional monetary system is a currency system formed within the framework of international integration groups. The regional monetary system reflects the peculiarities of the

functioning of economic relations in certain regions of the world.

The world monetary system is a set of methods, tools and bodies (institutions) by which monetary payments are made within the world economy.

Historically, first there were national monetary systems, enshrined in national legislation, taking into account the rules of international law. Their features are determined by the degree of development and the state of national economies and foreign economic relations of countries.

The national monetary system is inextricably linked to the world monetary system. The evolution of the world monetary system is determined by the development and needs of both the national and world economy, changes in the world economy, the periodic emergence of currency crises.

Although the world monetary system is characterized by a special mechanism of functioning and regulation, it has close ties with national monetary systems. This connection is made through national banks that serve foreign economic activity, and is manifested in interstate currency regulation, etc. nation's monetary policy of leading countries. The interconnection of national and world monetary systems does not mean their identity, as they have different tasks, conditions of functioning and regulation, impact on the economy of individual countries and the world economy. The connection and difference between national and world monetary systems is manifested in their elements (Table 10.1).

Table 10.1 – The main elements of national and world monetary systems

National Monetary System	World Monetary System
National currency	Reserve currencies, international settlement units
Terms of national currency conversion	Terms of mutual currency conversion
National currency parity	Unified regime of currency parities
National currency exchange rate regime	Regulation of exchange rate regimes
Presence or absence of currency restrictions, currency control	Interstate regulation of currency restrictions
National regulation of international liquidity of the currency of the country	Interstate regulation of international currency liquidity
Regulation of the use of international credit circulation	Unification of the rules of use of international credit circulation
Regulation of international settlements of the country	Unification of the main forms of international settlements
The regime of the national currency market and the gold market	The regime of the world currency markets and the gold market
National bodies that manage and regulate the country's currency relations	International organizations that carry out interstate currency regulation

Thus, the world monetary system is a historically formed organizational form of monetary relations between the world economy at different levels of management, which is based on the development of the world market, enshrined in interstate agreements and serves the mutual exchange of national economies.

10.2 STAGES OF EVOLUTION OF THE WORLD MONETARY SYSTEM

Formation of the world monetary system in the late XIX – early XX centuries was due to the rapid development of capitalism and the internationalization of economic activity, the development of international economic relations and, above all, international trade.

The first world monetary system formed spontaneously in the XIX century after the industrial revolution. Legally, it was formalized by an interstate agreement at the Paris Conference in 1867, which recognized gold as the only form of world money and resulted in the Franco-Prussian War of 1870–1871.

1. Stage of the gold standard (or gold standard) – 1867 – 1922

Signs of the gold standard:

- 1) availability of fixed exchange rates;
- 2) operation of gold as world money;
- 3) fixing the gold content of the currency;
- 4) direct conversion of national currencies into gold;
- 5) free movement of gold between countries (exports and imports);
- 6) support solid correlation between the gold reserves of the country and domestic money supply;
- 7) free circulation of gold coins in the form in domestic and foreign markets.

Gradually, the gold standard exhausted itself, as it did not meet the scale of economic ties at the time, nor the conditions necessary for further economic development. The political contradictions inherent in the Paris monetary system, in particular the fact that the United States and Great Britain did not allow Germany to join the club of world powers of industrial society, led to World War I 1914-1918, which accelerated the crisis of the world monetary system. But over time, a solution was found. The leading countries after the World War I – the

United States, France and Britain – met in Genoa in 1922 for an international economic conference and defined the principles of the Second World Monetary System, which was based on the gold exchange standard formed by gold and leading currencies converted into gold.

2. *Gold exchange standard (1922 – 1976)*

The essence of the gold exchange standard, along with gold became world money functions perform some leading currencies of the world.

Characteristic features of the monetary system in this period:

- 1) all countries within their territories began to use paper money;
- 2) it was based on gold and foreign currencies (in the period between the two world wars, the reserve status was not officially assigned to any of the currencies, and the pound sterling and the US dollar fought for leadership in this area);
- 3) gold parities were preserved. Currency conversion into gold could be carried out both directly (US, French, UK currencies) and indirectly, through foreign currencies;
- 4) the regime of free-floating exchange rates was restored;
- 5) eliminated the circulation of gold in the form of coins in the country;
- 6) abolished convertibility of paper money into gold within the country;
- 7) have adopted national measures to regulate international monetary relations.

The victorious countries gained decisive unilateral political advantages over the rest of the world's currencies. The powerful pre-war German gold mark was devalued and pushed out of the market of the world's leading currencies. Under the influence of the law of uneven development due to the First World War, the monetary and financial center moved from Western Europe to the United States [international finance]:

The stability of the monetary system was finally undermined by the global economic crisis. The Great Depression of 1929–1933 weakened the US dollar. Currency crises affected some countries, resulting in an increase in state budget deficits, devaluations, and the outflow of gold. International credit, especially long-term credit, was paralyzed as a result of the mass bankruptcy of foreign debtors, including 25 states (Germany, Austria, Turkey, etc.), which suspended foreign payments. A mass of "hot" money was formed – money capital, which spontaneously moved from one country to another in search of speculative profits. Currency contradictions have exacerbated the contradictions of the world economy and intensified competition in the world market. The world currency crisis lasted until 1936.

At the beginning of World War II, there was no stable currency left. During World War II, currency restrictions were applied by almost all countries. The war further deepened the crisis of the Genoese monetary system.

The search for a way out of the currency crisis began during the war by British and American experts. The Third World Monetary System was formalized at the UN Monetary and Financial Conference in Bretton Woods in 1944.

1) the introduction of a gold exchange standard based on gold and two reserve currencies – the US dollar and the pound sterling.

2) The Bretton Woods agreement provided for four forms of gold usage:

- gold parities of currencies were preserved and their fixation in the IMF was introduced;
- gold remained an international means of payment and reserve;
- The United States equated the dollar to gold to secure the status of the main reserve currency;

- The US Treasury continued to exchange the dollar for gold with foreign central banks at the official price, based on the gold content of the dollar.

3) the exchange rate of currencies and their convertibility began to be established on the basis of fixed currency parities, expressed in dollars. More than 10% devaluation required an IMF permit.

4) creation of international monetary and credit organizations – the International Monetary Fund and the International Bank for Reconstruction and Development (IBRD).

The leading position of the United States in the world economy after the war was reflected in the adoption of the dollar standard. The dollar, the only currency convertible into gold, became the basis of currency parities, the predominant means of international settlements, the currency of intervention and reserve assets. In fact, it played the same role as gold in a monetary system based on the gold standard.

In the late 60's came the crisis of the Bretton Woods monetary system.

The causes of the currency crisis were the following circumstances:

- the economies of different countries since 1969 have been affected by the global cyclical crisis;

- the currency system, based mainly on one national currency – the dollar, came into conflict with the realities of the world economy;

- the Eurodollar market, which initially supported the US currency by absorbing excess dollars, became a source of “hot” money in the early 1970s, exacerbating the currency crisis;

- increasing inflation and differences in its rates in different countries;

- chronic balance of payments deficits in some countries and the surplus of others exacerbated sharp fluctuations in currencies in the relevant areas;

- Disorganizing role was played by international corporations, which owned huge assets in various currencies and constantly participated in currency speculation.

The crisis of the Bretton Woods monetary system has given rise to a large number of monetary reform projects. In 1972-1974, the IMF's Committee of Twenty drafted a reform of the world monetary system, which was implemented in the IMF Accords in Kingston, Jamaica, in January 1976, and ratified in April 1978. It was the formation of the fourth world monetary system – Jamaican.

3. *Stage of paper currency standard* – since 1978

- Instead of the gold exchange standard was introduced standard SDR (special drawing rights); the principle of reversibility currency scheme: SDR – the national currency. SDR – a new kind of international settlement funds (the proportion of currencies in the basket USA 40%, the German mark – 21%, Japanese yen – 17%, the franc – 11%, the UK pound sterling – 11%.

Completed demonetization of gold meant:

- loss of monetary functions of gold;
- conversion of gold to the normal product;
- gold was no longer a measure of value.

The new international SDR, based on a basket of key world currencies, has failed to become "real" world money. It was hampered by problems with its issuance, distribution and supply, with the method of determining the exchange rate and scope.

Formally, the monopoly position of the dollar as a reserve currency was undermined by the Jamaican currency reform, but deprived of this status, the dollar actually remained the leading mean of payment and reserve due to the stronger economic, scientific, technical and military potential of the United States in comparison to other countries.

10.3 EUROPEAN MONETARY SYSTEM

The European Monetary System is one of the most successful regional monetary systems. Back in the 50s of the twentieth century, Western European countries showed interest in their own monetary integration. This interest was aroused primarily by the desire of Western Europe to ensure financial stability and independence by reducing the dependence of European currencies to the dollar, to confront the competition with the United States.

In October 1962, the European Commission (Economic Commission for Europe) submitted to the Council of Ministers of the Common Market proposals for the coordination of monetary and economic policy within the Community. The result of these proposals was to be the creation of an economic and monetary union.

The European Community Summit held in The Hague in December 1969 instructed the Council of Ministers to draw up a plan for the gradual formation of an economic and monetary union based on Barr's report.

The first attempt to create a European monetary system was called the Werner Plan. In this regard, recommendations were presented for the formation of economic and monetary union for 10 years in three stages before 1980, which provided for:

- narrowing (down to 0) of the limits of exchange rate fluctuations;
- introduction of full mutual convertibility of currencies;
- unification of monetary policy;
- coordination of economic, financial and monetary policy, and in the future – the creation of a European currency and the unification of central banks.

Despite some successful steps in its implementation, Werner's plan failed due to disagreements with the IMF.

Following the introduction of the "currency snake" according to Werner's plan, the next big step forward was made in the late 1970s following the devaluation of the dollar. After the Bremen Summit in 1978, French President G. d'Estaing and German Chancellor H. Schmidt concluded the Agreement on the Establishment of the European Monetary System, which began in March 1979. At the same time, a new European currency emerged, the European Currency Unit (ECU), which was based on a "basket" of currencies of EEC member countries.

The European Monetary System was seen as a harbinger of a monetary union. Its tactical goal is to establish a higher level of currency stability in the Community. The strategic plan was to achieve long-term and stable growth, return to full employment on a new basis, harmonize living standards and mitigate regional disparities within the EEC.

The European monetary system, created on the basis of economic and political integration of the EEC member states, has reached a much higher level of organization of monetary relations in comparison with the world monetary system, in particular it has succeeded in:

- introducing a new European unit of account – the ECU, based on a basket of currencies and secured by 20% of foreign exchange reserves of member countries;
- ECU parity should be defined as the sum of the weighted average of individual currencies included in the basket;
- determining the central exchange rate of each currency in relation to the ECU;
- introducing an indicator of deviation of exchange rates from their central rate;
- introducing a coordinated change of central rates: in 1979–1995, central rates changed 17 times;
- ensuring convergence of economic development indicators within the EEC.

The exchange rate mechanism (ERM) within the EMU was theoretically symmetrical with respect to the members of the Community, but in practice the German mark became the “inflation anchor”. The reason for the ERM crisis was that Germany's monetary policy was very strict for its neighbors.

In June 1988, with the establishment of the Committee on Economic Monetary Union, headed by the President of the European Commission, J. Delors, the second stage of Western European monetary integration was initiated. In June 1989, a meeting of the Council of Europe in Madrid adopted the "Delors Plan", which provided for the creation of an economic and monetary union, or European Monetary Union, in three stages. The following terms of stages were established:

I – from July 1, 1990 to December 31, 1993, II – from January 1, 1994 to December 31, 1998, III – January 1, 1999 – 2002.

On July 1, 1990, the first stage of the Delors Plan began, based on the liberalization of capital movements and the synchronization of their economic, financial, and monetary policies.

In 1994 p. The second stage of monetary integration in the EU began. In accordance with the Maastricht Treaty, the establishment of the European Monetary Institute (EMI) began in Frankfurt am Main, whose functions were to coordinate the monetary policy of the central banks of the EU member states. From January 1, 1994 to December 31, 1998, the transition from the ECU to the single European currency, the euro, was being prepared, and the pace of economic development of the EU countries was approaching the criteria for joining the monetary union.

In December 1995, a regular meeting of the European Council was held in Madrid, at which the scenario and calendar plan for the transition to the single currency were adopted and its name, the euro, was determined.

Austria, Belgium, Germany, Ireland, Spain, Italy, Luxembourg, the Netherlands, Portugal, Finland and France were admitted by the EU Council on 2 May 1998 to join the new currency. Two countries – the United Kingdom and Sweden – also met most of these criteria, but refused to join the "euro zone" as the first members. Constitutional problems arose in Denmark, and Greece's financial performance did not meet the necessary requirements.

The criteria for joining were quite strict:

- stability of public finances – budget deficit – can not exceed 3% of GDP (in violation of this norm, sanctions are applied to violating states);
- level of public debt – not more than 60% of GDP;
- long-term interest rates on loans should not exceed two percentage points above the average of this indicator in the three EU countries with the most stable prices;
- price stability – the inflation rate in the candidate country should not exceed by more than 1.5% the average inflation rate in the three EU countries with the lowest inflation rates;
- the exchange rate should not exceed the range of exchange rate fluctuations set in the EU. Devaluations are prohibited for at least two years.

The control year was 1997.

July 1, 1998 is considered to be the date of the establishment of the European Central Bank (ECB) and the European System of Central Banks (ESCB).

The table 10.2 shows some of the main economic indicators included in the criteria for joining the new currency for the EMU countries as of July 1, 1998.

On 1 January 1999, under the Maastricht Treaty, the signatories merged into a new financial community, the European Monetary Union, provided that they met the "merger criterion", which included a number of economic indicators.

Table 10.2 – Criteria for joining the euro area

Countries	GDP growth, %		Inflation, %		Budget deficit (surplus), %	
	1998 p.	1999 p.	1998 p.	1999 p.	1998 p.	1999 p.
European Monetary Union countries						
Austria	3,1	2,4	1,0	1,0	2,2	2,2
Belgium	2,9	2,3	1,0	1,2	1,5	1,3
Germany	2,7	2,2	1,0	1,2	2,4	2,1
Ireland	9,1	6,7	2,7	2,4	(2,5)	(2,8)
Spain	3,8	3,4	2,0	2,0	1,9	1,8
Italy	1,5	2,1	2,3	1,8	2,6	2,2
Luxembourg	4,7	3,4	1,1	1,3	(1,4)	(1,0)
Netherlands	3,8	2,7	2,1	2,1	1,2	1,3
Portugal	4,0	3,3	2,7	2,3	2,3	2,0
Finland	5,0	3,2	1,1	1,3	(0,8)	(1,9)
France	3,1	2,4	0,5	0,9	2,9	2,4
Euro-11	2,9	2,5	1,3	1,4	–	–
Countries that did not join the European Monetary Union						
Great Britain	2,7	0,8	2,0	2,8	0,4	0,7
Sweden	2,8	2,2	0,8	1,0	(1,2)	(0,3)
Denmark	2,4	2,0	1,9	2,5	(1,0)	(2,2)
Greece	3,0	3,2	4,8	3,0	2,7	2,5

The main achievement of the phase (January 1, 1999 - December 31, 2001) was the introduction of the new euro currency in non-cash payments. This period coincided with the beginning of the third and final stage of the creation of the European Monetary Union.

January 1, 2002 is also called "E-day" – the day when the euro became the only legal currency in the European Monetary Union.

The euro currency received its logo and code according to ISO (International Organization for Standardization) – EUR / 978.

On January 1, 2000, Greece joined the European Monetary Union. On January 1, 2007, Slovenia became the thirteenth member of the European Monetary Union, and in January 2008, Cyprus and Malta switched to the euro. On January 1, 2009, Slovakia became a member of the European Monetary Union, on January 1, 2011 – Estonia, on January 1, 2014 – Latvia, and on January 1, 2015 – Lithuania.

The advent of the euro has set new precedents. For the first time in history, an important group of independent countries has voluntarily agreed to abandon national currencies, consolidate their currency sovereignty, and create a continental-sized supercurrency [23].

10.4 INTERNATIONAL MONETARY AND FINANCIAL INSTITUTIONS

International Monetary and Financial Institutions (IMFI) are created by combining the financial resources of member countries to address the specific problems of the global economy. Member of the IMF – were free to choose the system of exchange rates. Interstate currency regulation began to make the IMF.

Functions of IMFI [1, 2]:

- operations in the international currency and financial markets to stabilize and regulate the international economy, support and promotion of international trade, providing liquidity to the global banking system;

- providing of international loans to implementation of public projects and finance the budget deficit;
- financing of international projects that meet the interests of several countries involved in the project;
- financing of "internal" projects (concerning the interests of one country or commercial organization), implementation of which can have a positive influence on international business (infrastructure projects, projects in the field of information technology, etc.);
- charity (financing international aid programs);
- funding for basic scientific research.

The major international monetary and financial organizations are:

- The International Monetary Fund (IMF);
- World Bank Group;
- Bank for International Settlements (BIS);
- The European Bank for Reconstruction and Development (EBRD).

These institutions provide loans to countries, developing principles of the world monetary system and implement interstate regulation of monetary and financial relations.

The International Monetary Fund (IMF) is the monetary and financial organization of intergovernmental cooperation. It has more than 180 member states. Ukraine has been member of the IMF since 1992

Goals of the IMF:

- to promote international cooperation in the field of monetary policy;
- to promote the balanced growth of international trade;
- to maintain the stability of exchange rates, organize currency relations between Member States, and to counter the devaluation of currencies, caused by competition;
- to promote the formation of multilateral system of payments for current transactions between members fund;

eliminate restrictions on the transfer of currency;

- to provide member countries of IMF loans, which allow to adjust the imbalance of external payments, balance of payments, foreign debt;

- a forum for consultation and cooperation in international trade and currency relations.

The purposes of the IMF are:

- to stabilize and to develop international finance and the global economy as a whole;

- to interstate currency and credit and financial regulation;

- to develop and to coordinate strategy and tactics of development of the global monetary and credit system;

- to accumulate financial resources and their use to ensure the stability of national, regional and world economic development.

The World Bank Group consists of five legally separated units:

1. International Bank for Reconstruction and Development (IBRD).

2. International Development Association (IDA).

3. The International Finance Corporation (IFC).

4. The Multilateral Investment Guarantee Agency (BAP).

5. International Centre for settlement of Investment Disputes (ICSID).

Bank for International Settlements (BIS) is one of the oldest international banks. It was founded in 1930 on the basis of intergovernmental agreements with six countries – Great Britain, Belgium, Germany, Italy, France and Japan. Member of the bank became also Switzerland, in which territory it operates (Basel).

The essential feature of the BIS is that subscribers are main central banks of member countries. For this reason, the BIS is often called "bank of central banks".

The main goals and functions of the BIS:

- assistance with central banks to manage their foreign

exchange reserves;

- to discuss strategic issues of monetary policies of the member states;
- agent functions to implement international financial transactions of member states;
- to research in the field of currency and monetary policy in the interest of central banks.

European Bank for Reconstruction and Development (EBRD) is a regional interstate bank with long-term loans for countries in Central and Eastern Europe, established in 1991. EBRD's shareholders are 60 countries and two international organizations. Members EBRD under the quota are required to redeem shares [5].

EBRD, in addition to investing its own funds, attracting significant amounts of foreign direct investment, provides project financing banks, and companies, works with state-owned companies to support privatization processes and structural reorganization.

10.5 FOREIGN EXCHANGE MARKET AND FOREIGN EXCHANGE TRANSACTIONS

International currency market is the largest financial market in the world and plays an important role in ensuring the interaction between the components of the global currency market.

Foreign exchange market is a part national and international economy exchange sphere, in which trade national and supranational currencies and currency values is carried, serving international payment transactions.

Foreign exchange market is a complex system of mechanisms and institutions that complement each other.

The peculiarity of this market is [2]:

- intangible;

- no specific location, no center;
- mechanism for its functioning is the exchange of one country currency for currency of another country;
- there is a complete freedom to opening or close any position, the ability to trade 24 hours a day in a mode online;
- is the inter-bank market;
- flexible system of trade organization and flexible strategy of payment for the making a deal;
- one of the most liquid markets due to the ability to work on it with different currencies;
- due to the process of telecommunications and computer science it is global, that is deployed to scale the world.

The reasons of the incipience and development of the modern global currency market [2, 6, 7]:

- high and increasing degree of economic relations internationalization, which received expression in growing pace and scale of international trade, international capital movements, transnationalization actual production process and the formation of the specific segment basis in the world economy – "another economy", the deployment of international integration processes;
- formation of a new international corporations and banks (transnational), their transformation in main subjects of global economic relations;
- formation and rapid development of global capital markets, including specific, international eurocurrency market;
- increasing of trend towards deregulation of the credit and financial sphere in developed countries; gradual easing foreign exchange restrictions and the introduction of the currency convertibility system in major developed countries;
- scientific and technological revolution in the banking technology in the system of financial, currency, credit operations.

The subjects of the foreign exchange market are the sellers of

currency, buyers of currency and middlemen, namely [7, 9]:

- commercial banks;
- firms that carry out foreign trade operations;
- companies that fulfil foreign investment assets;
- central banks – manage foreign exchange reserves, conducting foreign exchange transactions, affect to the level of the exchange rate, regulate level of interest rates on deposits in the national currency;
- individuals – carry a wide range of non-trade;
- transactions related to foreign tourism, transfers of salaries, pensions, royalties, buying and selling of currency;
- currency exchanges and brokerage firms – bring together buyers and sellers of foreign exchange and carry out foreign exchange transactions between them.

Central links of the international foreign exchange market are commercial banks, since most transactions with currency envisages exchange of bank deposits denominated in different currencies.

The main product at this market is the foreign currency in various forms: foreign currency deposits, any financial requirements, indicated in foreign currency. Operations with currency demand deposits dominate the foreign exchange market.

Functions of currency markets:

- to ensure timely implementation of international calculations;
- to form exchange rate;
- to insure currency risks and the formation of a specific system that provides receiving of special profit – speculative – in the form of exchange rate differences to entities of foreign exchange market;
- to diversification foreign exchange reserves of banks, businesses, states;
- to perform self-regulation of currency rates.

Global currency market is not a simple arithmetic sum of national, regional and international markets. This is, in some way, a subordinated, mutually subordinated system of market segments, between which there are interdependent, direct and feedback connection.

Specific features of the global currency market [7, 10]:

- high level of internationalization and transnationalization;
- globality and continuity of operation;
- high level of unification;
- self-regulation;
- institutional regulation;
- dominance of arbitration and speculation operations.

The mechanism of the currency market is the coordination of supply and demand of currencies in the buying and selling process.

The structure of the global currency market [7, 10]:

1) territorial feature:

- national – trading of national currency and its conversion to foreign currency;
- regional – the operations with currencies, which account for the bulk of transactions in a particular region with special financial centers. (The leading regional markets are: the European, South American, Far East);
- international (global) – a system of closely related among ourselves, with help of modern high-performance communications, regional markets. At the international currency markets, banks conduct transactions with key currencies (US dollar, euro, yen, etc.), which are widely used in the global payment system;
- euromarket – international supranational loan market, where the operations are in euro.

2) Form of trading:

- retail – the operations between banks and their clients to the conversion of currencies for commercial purposes;

- wholesale – market of interbank operations in order to adjust currency positions, insurance and a speculative profit.

3) institutional affiliation:

- interbank (over the counter) market of correspondent banks – made major quotes currencies; operations are carried out directly from banks via electronic communication; is formed and operates on the basis of interaction currency accounts of commercial banks; Resource structure is composed of assets owned by commercial banks and regulatory assets (foreign exchange reserves of central banks); operations are carried out directly between the partners (direct currency market) or through intermediaries, brokers, dealers (brokerage market)

- stock (1/3 of all global currency market operations) is an organized currency market on the basis of independent or controlled by banks or stock exchanges commodity exchange markets; fixing of the reference exchange rate.

4) Term of operations:

- spot markets – delivery of currency within 48 hours;
- markets urgent (forward) transactions – the supply of currency in certain circumstances.

The intensification of this process is in this period took place under the following set of key factors:

- increase of the world trade and the expansion of the regular economic relations basis of between countries;

- gradual replacement of gold in international payments and distribution of credit circulation as national currencies of various countries and payment instruments denominated in these currencies;

- the increase in international activities of banks and other financial institutions that provide the proper concentration of capital for the smooth movement of large amounts of money in foreign trade turnover;

- intensive development of information technologies and improvement of communication means, which helps optimize

data exchange between the markets of different countries and the reduction of risks in foreign exchange transactions.

Currency transactions form a transaction, related with buying and sale of foreign currency and payment documents in foreign currency, using them as payment and settlement means in international relations.

There are different types of currency transactions. Their classification is based on the fact that foreign currency can be used as an object (specific product) and the appropriate tools, including billing, settlement, credit, etc., to serve different economic operations, including commercial and non-commercial.

The main types of currency transactions are considered [2, 10]:

Deposit is a short-term (from 1 day to 1 year) operation to place funds in foreign currencies under specified percentage for profit.

Conversion includes transactions between agents of the foreign exchange market to exchange specified number of currencies of one country for currency of another country at an agreed rate at a certain date.

Arbitration is a transaction, focused on profit due to the difference in exchange rates or interest rates.

Spot is a current conversion transaction that requires delivery of exchange on the 2nd working day from the date of the transaction.

Forward means operations to exchange currency at an agreed rate.

Futures are urgent operations involving trade of standard contracts, in which the amount and method of calculation and the term are regulated

Option – provides the right to buy or to sell the currency in the future at a fixed rate at the time of the transaction, but with unfixed delivery date currency during the period.

Swap means operations that combine the buying and sale under the terms of the urgent supplies simultaneous countertrade for a fixed term with the same currencies.

The system of currency transactions connected with currency risk – risk of loss due to changes in currency exchange rates.

The method of partial reduction of currency risks is hedging – insurance of currency risk by entering short-term agreements to supply currency in the future at an agreed price.

Control questions and tasks:

1. What is meant by the world monetary system and what are its components?
2. Identify the basic principles of the Bretton Woods monetary system?
3. Identify the main differences between the Jamaican monetary system and the Bretton Woods?
4. Identify the characteristics of the European Monetary System?
5. Identify the elements of the national monetary system.
6. Identify the elements of the world monetary system?
7. Define the world monetary system.
8. Identify the characteristics of the Paris monetary system?
9. Describe the Genoese monetary system?

CHAPTER 11. INTERNATIONAL CALCULATIONS AND THE BALANCE OF PAYMENTS

11.1 INTERNATIONAL SETTLEMENTS AND THEIR ORGANIZATIONAL PRINCIPLES

Settlements between business entities located in different countries of the world are based on the established forms of settlements and the system of currency regulation. Standardization of approaches to the procedure, form and documentation of settlements is necessary to provide appropriate guarantees to exporters and importers for the supply of goods and their payment. Regulation of international settlements as one of the components of the monetary system is carried out at the level of national and world monetary systems in accordance with the Unified Rules and Customs for documentary letters of credit and collection. International payments are made from international transactions (commercial and non-commercial payments).

International settlements are:

a) commercial payments on monetary claims and obligations arising between enterprises, banks, institutions and individuals of different countries related to world trade, international credit and foreign direct investment;

b) non-commercial payments related to passenger transportation, insurance, tourism, money transfers abroad, etc.

The state of international settlements is comprehensively influenced by numerous factors:

- economic and political relations between countries;
- the country's position in commodity and money markets;
- the degree of use and effectiveness of state measures for foreign economic regulation;
- international trade rules and customs;

- regulation of interstate trade flows, services and capital;
- differences in inflation rates in different countries;
- balance of payments status;
- banking practice;
- terms of foreign trade contracts and loan agreements;
- currency convertibility, etc.

The vast majority of international settlements are carried out in the form of non-cash settlements, through banks of different countries, which maintain mutual correspondence, ie open accounts for each other, keep money in the appropriate currency and perform payment and other orders on a reciprocal basis. This is done as follows: a bank in the importer's country debits the amount of payment from its client's account and credits it (or the equivalent in foreign currency) to the account of a foreign correspondent bank, and the bank in the exporter's country debits this amount from the correspondent's account and credits it to the account of the client who exported the goods.

International cash payments are made mainly when delegations, tourists or individuals travel abroad, exchange their country's currency in banks for the relevant foreign currency.

International settlements in connection with the movement of capital are associated with the functioning of financial markets, with the movement of securities in the form of both direct and portfolio investments.

A feature of payments from international settlements is the need for exchange, ie sale-purchase of some currencies to others, regardless of the currency and form in which the payment is made. For example, an exporter from country A, having purchased goods from an exporter of country B, can pay for the goods in the currency of his country, in the currency of the exporting country or in the currency of a third country. In the first case, the exporter exchanges (sells) the received foreign currency for the currency of his country, in the second – exporter exchanges (buys) for its currency the currency of the exporting

country, and in the third the operation involves the exchange of currency for both the importer and the exporter. Thus, the exchange rate at which the sale and purchase of currencies takes place plays a significant role in international settlements: the level of economic activity of international firms largely depends on its level.

The main forms of international settlements in international trade are the letter of credit and acceptance of documents transferred to the bank for collection, advance, open account, bank transfer:

1. Letter of credit – the form of settlement between residents and non-residents for inventory and services, which are the instructions of one credit institution to another to pay for shipping documents at the expense of reserved funds. This form is the most complex and expensive.

2. Documentary collection (against payment) – a form of settlement for non-trade agreement, which consists in the fact that the exporter instructs his bank to receive from the importer a certain amount of currency when transferring to the latter the relevant commodity documents.

3. Advance payment – a form of payment in which payment for goods by the importer is made before shipment, and sometimes even before the production of goods. It is the most profitable for the exporter.

4. Settlements on the open account are periodic payments of the importer to the exporter after receipt of the goods. This form is associated with an open credit. An open account is used for regular deliveries, when the trust is strengthened by a long business relationship, and the buyer is a solid company. These settlements are beneficial for the importer and unfavorable for the exporter (slow down capital turnover, increased risk).

Unified rules for letters of credit define:

- types of letters of credit;

- method and procedure for execution and transfer of letters of credit;
- obligations and responsibilities of banks;
- the conditions that must be met by the documents submitted under the letter of credit;
- interpretation of different terms;
- other issues that arise in the letter of credit form of payment.

Unified rules are an integral part of each documentary letter of credit.

Unified rules for collection determine:

- the rights and obligations of the parties involved in the collection operation;
- types of collection;
- the procedure for submitting documents for payment;
- the procedure for payment and acceptance;
- mechanism for notification of payment / acceptance or non-payment / non-acceptance.

Rules and definitions of unified rules are mandatory if they do not contradict:

- mutual agreements between contractors;
- national, state, local legislation, from which it is impossible to deviate.

International settlements arising from the requirements and obligations of the country are reproduced in a generalized form in the balance of payments and accounts.

11.2 ECONOMIC CONTENT OF THE BALANCE OF PAYMENTS AND METHODOLOGY OF COMPILATION

International payments are a system of organization and regulation of payments in the sphere of international economic relations. Subjects: importers, exporters, banks.

Balance of payments is the total sum of all international

money transactions and payments, which are made between the residents of the country, including all segments of the population, businesses and government agencies with corresponding agents abroad, that is, residents of other countries.

The basis of international calculations is the movement of commodity and administrative documents and operational registration of payments.

The main factors that express the status of international payments are [1, 3]:

- 1) the terms of foreign trade contracts;
- 2) currency legislation;
- 3) peculiarities of banking practice;
- 4) international rules and customs, etc.

Foreign Economic Agreement (Contract) is a materially executed agreement between foreign economic entities and their foreign counterparties aimed at establishing, changing or terminating their mutual rights and obligations in foreign economic activity.

The monetary and financial conditions to be stipulated in the agreement (contract) include the following:

1) price and total value of the agreement (contract). This section of the contract determines the unit price of the product and the total cost of the goods or the cost of the works performed, the services provided) under the agreement (contract) and the currency of payments;

2) terms of payment. This section of the contract defines the manner, procedure and timing of the financial settlement and the guarantees of the parties to fulfill their mutual payment obligations.

At present, there is no single, multilateral agreement, a universal mechanism for the settlement of currencies between countries. Only within certain economic and financial groups of countries can there be to a certain extent uniform mechanisms

of calculation [3].

The most common terms for international payments are:

- direct (full calculation) - full payment of goods until the moment or at the moment of transfer of goods to the buyer;
- calculation of the loan (with installment) - providing the exporter the importer of the loan in commercial form (for the importer).

Types of international payments:

1) *National currency*: trade, credit and payment transactions between countries; directly.

2) *International collective currency* (SDR, euro): trade, credit and payment transactions within the framework of integration groups of countries.

3) *Clearing settlements* is an agreement between governments of two or more countries with a mandatory mutual offset of international requirements and obligations.

4) *Gold*: Used in international calculations indirectly on the gold market.

Balance of payments is a statistical statement the systematically form of which provides summarized data on foreign trade operations of the country with other countries for a certain period of time, usually three months and one year.

According to the economic content there are the balance for a certain date and for a certain period.

The balance of payments on a given date exists in the form of the ratio of payments and receipts, which are constantly changing from day to day. The state of the balance of payments determines the supply and demand of national and foreign currency at this time and it is one of the factors shaping the exchange rate.

The balance of payments for a certain period (month, quarter, year) is based on statistical indicators of the implementation of foreign economic action during this period and allows you to analyze changes in international economic

relations, the scale and nature of its participation in the world economy.

Principles of building a balance of payments.

1. Double entry system. Because the balance of payments is an accounting balance identity, each transaction reflected in it must be represented by two records that have the same value. One of these entries is marked as a credit with a plus sign, the other – as a debit with a minus sign. On the credit there are articles of movement of real resources – export of the goods and services, and articles of flows of financial resources – the operations leading to reduction of the international assets of the given country or to increase in its external obligations, liabilities. For assets, regardless of whether they are real or financial, a positive number in the credit means a decrease in their stocks, while a negative number in the debit means their increase. Imports of goods and services are recorded on the debit under items of real resources, and transactions leading to an increase in residents' international assets or to a reduction in its external liabilities are recorded under items of cash flows. For liabilities, a positive value characterizes their increase, and a negative value – a decrease.

2. Economic territory of a country is a geographical area under the jurisdiction of the government of a country within which labor, goods and capital may move freely. In landlocked countries, islands are also included in the concept of economic territory if their economy is subject to the same monetary and fiscal authorities as the mainland.

3. Residents – nonresidents. Residents are considered to be households or legal entities (corporations, branches of foreign firms, non-profit organizations, public administration bodies) that have been in the country for more than a year and have a center of their economic interest in it. If an individual is outside of the economic territory of the country for more than a year, he ceases to be considered a resident.

4. Market price. Market prices are used to record transactions in the balance of payments – the amount of money that the buyer is willing to pay voluntarily for the goods purchased from the seller who is ready, in turn, to voluntarily sell him the goods, ie the price at which real transactions between independent buyers and an independent seller.

5. Time of registration. Since each transaction on the balance of payments must be represented by two records, both of these records should ideally be made at the same time, at the time when economic values are created, exchanged, transferred or liquidated.

6. Accounting unit. In preparing the balance of payments, countries must use the unit of account used by them in internal settlements and accounting. To convert data into dollars, it is recommended to use the exchange rate of the national currency against the dollar that was actually in force on the market on the balance of payments date.

Sources of information on the balance of payments are:

- Customs statistics – transactions with goods registered by customs authorities.

- Monetary sector statistics – data on foreign assets and liabilities of the banking system (Central Bank and commercial banks).

- External debt statistics – data on stocks, flows and payments on public and private external debt of residents to non-residents.

- Statistical surveys – data on international trade in services, labor income, remittances of migrants, which are usually of an estimated nature, as collected through periodic surveys of travel companies, hotels, migration agencies.

- Statistics of foreign exchange transactions. These data are of particular value in those countries where exporters are required by law to exchange all foreign exchange earnings from exports to the Central Bank or authorized banks.

The balance of payments is the principle of double counting,

that is a record of bilateral economic agreements. The structure of the balance of payments is presented in table 6.4.

One of these entries is designated as a loan with a sign "plus" (+), the other – as a debit with the sign "minus" (–).

BOP accounts reflect real flows (goods, services, gifts, etc.) and cash flow (reception and loans in various forms) between residents of the country and the wider world.

The credit agreements include those which result in the outflow occurring values and inflow of foreign exchange, written with the sign "Plus".

Debit transactions include those that result in a country's spending currency in exchange for the value of purchased and recorded with the sign "minus".

Table 11.1 – The structure of the payments balance

Credit	Debit
I Current account	
1 Exports of goods	2.Import of goods
Balance of foreign trade	
3 Exports of services	4.Import of services
5 Net investment income	
6 Net current transfers	
The balance of current account balance	
II capital account and financial instruments.	
7 Net capital transfers	9 Provided long-term and short-term loans to other countries
8 received long-term and short-term loans	
10 Net errors and omissions	
Official settlements balance	
-	11 Net increase in official foreign exchange reserves

Current account

Current BOP operations consist of four main groups:

- operations with goods;
- operations services;
- movement proceeds;
- current transfers.

The difference between commodity exports and commodity imports form *the trade balance*.

Capital account and financial instruments.

Capital account and financial transactions – a group of articles BOP, fixing the international movement of capital, which recorded export and import of goods and services.

Factors affecting the balance of payments:

- uneven economic and political development of countries, international competition;
- cyclic economic fluctuations;
- growth of foreign public expenditures related;
- strengthening international financial interdependence;
- changes in international trade;
- influence of monetary and financial factors;
- negative influence of inflation;
- trade-political discrimination of certain countries;
- extraordinary circumstances – crop failure, natural disasters, catastrophes.

The reasons that cause the trade deficit:

- the growth of the national currency and the decline in exports, as domestic goods become more expensive;
- higher rates of economic growth in major industrialized countries than in the country;
- other countries have stopped purchasing of the country's goods.

If the BOP deficit shall takes the following measures:

- trade policy will be tightening control over imports;
- deficit will be reduced;
- impact on the balance of capital and financial transactions by raising interest rates;

- deflation (reduction in inflation and commodity prices);
- depreciation – depreciation of the currency against the currencies of other countries.

11.3 METHODS OF BALANCING THE BALANCE OF PAYMENTS

The current account and the capital account and financial instruments, excluding short-term capital and reserve assets, together constitute the base balance sheet, and the reserve assets account constitutes the balance of official settlements.

The balance of payments is always in balance. However, balance of payments analysis uses terms such as “active” or “passive (deficit)” balance of payments. These terms do not apply to the entire balance of payments, but to its components. The balance of payments is active in the event of an increase in foreign exchange reserves of the central bank. This occurs when the receipts exceed the payments that are reflected in the current account and the capital account. Passive (deficit) balance of payments is when the current account and the capital account together have a deficit.

In order for the country's balance of payments to be in equilibrium, the main condition of the balance must be met – a zero balance, ie the equality of debit and credit sides of the balance.

The "trade balance" as the main part of the current balance of payments shows the difference between payments for exports and imports of goods. If exports exceed imports, a "positive balance" of trade is created. If imports exceed exports, then there is a foreign trade deficit or "negative balance" of the trade balance.

The second part of the balance of payments – "Account of capital and financial instruments" – also shows the ratio of demand for foreign currency and its supply. The inflow of

capital increases the inflow of foreign currency, the outflow causes a decrease in foreign currency.

The current account and the balance of capital transactions are interrelated. The current account deficit is covered mainly by capital inflows. Conversely, when the current balance of payments is active, surplus funds are used to purchase real estate or stocks, bonds in other countries.

The overall balance of current operations and capital movements is balanced either by official reserves of convertible foreign currency of central banks, or by loans from foreign governments and the IMF. If the country's payments (debit transactions) are not covered by foreign exchange earnings (credit transactions), the balance of payments deficit is covered by official reserves. The amount of coverage of the deficit through reserves shows a reduction in the country's foreign exchange reserves. It is reflected in the balance of payments in the item "Reserve assets" on the loan side, as it is a supply of foreign currency, ie an export-type transaction. The value of the balance of payments is reflected in the article "Reserve assets" on the debit side and shows the size of the increase in official reserves. Thus, the growth of official reserves on the debit side shows the value of the balance of payments. The size of official reserves on the credit side shows the scale of the balance of payments deficit, the reduction of official reserves.

Swiss economist and mathematician L. Walras formulated the law of balance of markets for goods and services, capital and more. The essence of the Walras rule is that when one of the markets (for example, commodity) is out of equilibrium, ie imports are greater / less than exports, the second market (capital movements) must compensate for the lack of equilibrium in the first market.

In other words, the current account and the capital balance are interrelated. The current account deficit is covered by the net inflow of capital from the balance of capital transactions.

Conversely, the asset of the current balance of payments is accompanied by the outflow of capital abroad (purchase of real estate, investments, loans).

To settle the imbalance of the balance of payments for current transactions and capital movements, the official reserves (official reserves – foreign currency, gold) of the central bank are used.

All three components of the balance of payments – current accounts, capital transactions and official reserves – must total zero. If there are not enough official reserves to cover the balance of payments deficit, it must be covered by foreign loans.

In the economic theory five possible achievements of balance of payments balance are defined:

1. Financing the general payment deficit without changing the exchange rate.
2. Strict currency control.
3. Floating exchange rates.
4. Constantly fixed exchange rates.
5. Compromise of exchange rates (3 and 4).

Each option is a way to solve currency problems in response to the balance of payments deficit and the fall of the national currency.

The first option provides for the conditions under which a country has the opportunity to finance its balance of payments deficit, leaving the exchange rate unchanged, through foreign exchange reserves and monetary obligations to other countries. Such conditions are: a) the balance of payments deficit is temporary; b) the country has sufficient foreign exchange reserves; c) the stability of the exchange rate in the long run, without significant adjustments to general economic policy to support it. If these conditions are not available, then maintaining the exchange rate through temporary financial measures is ineffective and expensive.

The second option – strict currency control – involves restrictions on imports of goods and services, export of capital abroad, foreign tourism, etc.

It is considered that the application of the first option is quite limited, the second – almost unacceptable, because the economic and social costs of tight currency controls are too high. Therefore, three options are usually considered as real: fixed exchange rates, flexible or floating exchange rates and compromise exchange rates.

Control questions and tasks:

1. What is the essence and features of international settlements?
2. What are the main forms of international settlements?
3. Define the balance of payments. What is its economic meaning? What principle underlies the construction?
4. Basic balance of payments accounts.
5. Determine the order of formation of balance of payments accounts.
6. Describe the structure of the balance of payments.
7. Define the trade deficit.
8. What are the main components of the balance of services?
9. What is the structure of the balance of capital movements?
10. Give the classification of balance of payments items according to the IMF methodology.
11. List and describe the main factors that affect the balance of payments.
12. Basic methods of balance of payments regulation.

CHAPTER 12. INTEGRATION PROCESSES AND GLOBALIZATION

12.1 ECONOMIC INTEGRATION OF THE COUNTRIES

Economic integration can be represented as a process of economic interaction between countries, leading to a convergence of economic mechanisms, taking the form of interstate agreements and concerted regulated interstate bodies (The North American Free Trade Agreement (NAFTA), EU). Forms of economic integration are presented in the table 6.2

Economic integration is expressed in [2, 3,6]:

- cooperation between the national economies of different countries and all or part of their unification;
- elimination of barriers to the movement of goods, services, capital, labour force between these countries;
- convergence of the markets of each individual country to form one single (common) market;
- reducing of differences between economic agents, belonging to different States;
- absence of any form of foreign partners discrimination in each of the national economy etc.

Advantages of participation of any countries, including Ukraine, in integration associations:

- broader access of business entities to the resources of: financial, labor, material, newest technologies, as well as the ability to produce products based on a more capacious (regional) market;
- use of development opportunities emerging in a broader integration market environment;
- creation of a new competitive environment with high barriers to entry for companies of other countries not included

in the grouping;

- obtaining greater effectiveness of management decisions to solve any problems of economic development by participating in the development and implementation of these solutions by more participants.

Table 12. 1– Forms of economic integration

Degree of integration	Definition	Year of implementation
Preferential trade agreement	An agreement between two or more countries to lower trade barriers between each other on particular products. Trade barriers may remain on the rest of the products, and on imports from non-member countries	1956
Free trade area/association	Removal of all tariffs and quotas between member countries. Complete freedom over commercial policies to third countries is retained.	1957
Customs union	Common external tariff schedule on all imports from non-member countries.	1968
Common market	Integrating the common good's and factor markets. Free movement of labor, capital and other factors.	1993
Economic union	In addition to the provisions of the common market, economic policies are unified as well.	1999current EU development trend of the EU
Total economic integration	Introduction of a supranational economic and legal system, which is enforced by supranational institutions and the legal order.	

The problems of integration are as follows [1]:

- the uneven distribution of benefits in the Union's well-being is generally evident (within structural funds: regional, social and agrarian funds, as well as industrial policy);

- integration as a "supply shock" entails some significant adjustment costs, such as the loss of human (in the form of unemployment or disqualification), financial and real capital at the time of production shutdown, and the limitation of the authority of the national bureaucracy, which triggers an appropriate protective response;

- integration into an integration group causes disruption of existing, economic, and sometimes political relations of association members with third countries, deteriorating prosperity for the “rest of the world”, since trade between the integration space and the “outside world” is relatively diminished;

- partial or complete rejection of an independent national economic policy (convergence), and above all when new standards, norms and rules do not correspond to the concept of national values.

Depending on the features of economic activity, there are four levels of economic integration, which are presented in the table 6.3.

Table 12.2 – Levels of Economic Integration [1, 2, 8]

Stage of Integration	Abolition of Tariffs or Quotas among Members	Common Tariff and Quota System	Abolition of Restrictions on Factor Movements	Harmony and Unification of Economic Institutions
Free Trade Area	Yes	No	No	No
Customs Union	Yes	Yes	No	No
Common Market	Yes	Yes	Yes	No
Economic Union	Yes	Yes	Yes	Yes

Customs Union:

- eliminates barriers among members and has a common external trade policy;
- establishment of a common external trade policy requires a significant administrative system to oversee trade relations with non-members;
- most countries which enter a customs union, have future aspirations of further economic integration.

Common Market:

- no trade barriers between members, a common external trade policy. It allows production factors to move freely among members;
- labour and capital are free to move because there are no restrictions on immigration, emigration, or cross-border flows of capital between member countries;
- requires a significant degree of harmony and cooperation on fiscal, monetary, and employment policies.

Economic Union:

- no trade barriers among members, common external policy, free flow of production factors, adoption of common currency, harmonization of tax rates, and a common monetary and fiscal policy;
- such a high degree of integration;
- demands for a coordinating bureaucracy;
- sacrifice of significant amounts of national sovereignty.

Political Union:

- coordinating bureaucracy, which is accountable to all citizens of member nations
- central political system that coordinates the economic, social, and foreign policy of the member states

Since the second half of the 1960s, the world has been characterized by an exceptional intensity of the process of regional integration. Under the influence of the success of the EEC, dozens of organizations aimed at economic integration are

being formed in various regions of the world. The largest number of groups of this type appeared at that time.

Here is a list of the most famous:

- in Asia: Council of Arab Economic Unity (1964); Association of Southeast Asian Nations (ASEAN, 1967); Organization of the Islamic Cooperation (1971); Gulf Cooperation Council (1981); Asia-Pacific Economic Cooperation (APEC, 1989);

- in Africa: Organization of African Unity (OAU, 1963); Economic Community of Central African States (1966); Economic Community of West African States (ECOWAS, 1976);

- in Latin America and the Caribbean: Andean Group (1969); The Caribbean Community and Common Market (1973); Latin American economic system (1975); Latin American Integration Association (1982); Inter-American Investment Cooperation (1989).

Regional development banks were to become an economic stimulus to the process of regional integration. Initially, it was planned that these banks would consist only of representatives of regional organizations; but it soon became clear that most of them could not exist at their own expense, so with a few exceptions (such as the Islamic Bank), they included some developed countries.

The system of regional development banks as a whole was formed at the third stage, when the following banks were established: the Inter-American Development Bank (IDB, 1959); Central American Bank for Economic Integration (1960); African Development Bank (AfDB, 1964); Asian Development Bank (ADB, 1966); Caribbean Development Bank (1970); West African Development Bank (1973); Arab Bank for Economic Development in Africa (1973); Central African Development Bank (1975); East African Development Bank (1976).

In addition, various regional funds and assistance programs for developing countries (the Arab Fund for Economic and Social Development, the African Development Fund, the Arab Monetary Fund, etc.) have been established. These funds were usually established by regional organizations or regional development banks.

The process of regionalization of international relations was reflected in the completion of the structure of UN regional bodies, commissions for regional development. At an earlier stage, the Economic Commission for Europe (ECE), the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic Commission for Latin America and the Caribbean (ECLAC) were established. They have now been joined by the Economic Commission for Africa (ESA) and the Economic and Social Commission for Western Asia (ESCWA).

Potential effects of economic integration:

- higher efficiency in production due to a specialization in accordance with comparative advantages;
- increases in production due to the exploitation (internal and external) scale economies driven by a larger common market;
- better international negotiating position due to the combined economic/political importance of a Union, this can improve terms of trade of the affected country;
- increases in productive efficiency due to the increased competition effect on the quality and quantity of products and factors of production caused by technical improvements.

12.2 THE ESSENCE AND MAIN FEATURES OF THE PROCESS OF GLOBALIZATION OF THE MODERN WORLD ECONOMY

One of the main features of the modern development of the world economy is the development of globalization, which have

a significant impact on the system of international economic relations, transform directions and determine trends in national economies.

Globalization (globe) is a complex, multifaceted process that has many manifestations and involves many problems.

The globalization of the world economy means the process of strengthening the interconnection of national economies of the countries of the world, which is reflected in the formation of the world market of goods and services, finances; formation of the global information space, transformation of knowledge into a basic element of social wealth, the exit of business across national borders through the formation of TNCs, the introduction and domination in the daily practice of international relations and the internal political life of peoples of fundamentally new and universal liberal democratic values and more [2, 3].

Reasons for the formation of globalization processes [2, 3]:

- the process of internationalization, which leads to deepening of cooperation between countries and strengthening their interdependence;
- scientific and technological progress: the emergence of information technologies, which fundamentally change the whole system of socio-economic relations, bring to a new technical level organizational-economic relations, transport and communication links (reducing transaction costs);
- exacerbation of problems that are common to all people and countries of the world and are important in terms of the preservation and development of human civilization.

Signs of the process of globalization [2, 8]:

- interdependence of national economies;
- financial globalization;
- the formation of an independent economic policy;
- expanding the scope of exchange;
- creation of institutions of intergovernmental,

international regulation of global problems;

- the gravity of the world economy to the common standards.

The main feature of the process of globalization is the formation of a globally functioning production process, the core of which are the formed internationalized reproduction cycles – nuclei, which act as a kind of locomotive of the world economy. Within these cycles, world income is formed, the redistribution of which is the main strategic guideline and the basis of foreign policy of any state.

In today's world, globalization has a dominant impact on the development of any state. On the one hand, through the spread of innovations in technology and management, active exchange of goods, services, investments, it helps to increase the efficiency of national economies, and on the other – increases the inequality, asynchrony and disproportionate development.

At one pole of the modern world economy there are global leaders with US dominance. On the basis of successful long-term expansion in all segments of the world market, accumulated on an unprecedented scale of capital, the key determinants of their success are intellectualization, socialization, greening, deindustrialization of the economy, priority of knowledge and information, development of "human capital".

At the other pole of the world economy are most countries, for which economic globalization is manifesting itself as qualitatively new conditions of development, which are practically impossible to influence, but must be taken into account. It is especially important to take into account the scale and dynamics of the process of formation of the system of global management of planetary resources and the redistribution of world income, which is not equivalent.

Globalization is closely linked to the regionalization of the world economy. On the one hand, these are two contradictory

trends, divergent in nature and practical consequences, and on the other hand, the consolidation of the global market is intensified by powerful regional coalitions of countries that, having, above all, common economic interests, unite their efforts for providing the most favorable conditions for the implementation of international cooperation on a regional scale, which allows them to achieve a multiplier effect from cooperation with other members of the group and effectively implement a wide range of strategic interests in the international arena. The most intensive economic interaction is observed within such powerful integration groups as: EU, NAFTA, APEC, ASEAN, MERCOSUR. Thus, NAFTA, the EU and APEC account for about 80% of world GDP, 82% of all state budgets and 85% of exports.

Regionalization is a kind of manifestation and form of globalization, exacerbating the contradictions of global development. On the one hand, the removal of barriers to the movement of goods, services, capital, and labor within integration associations is a catalyst for the growth of international cooperation on a global scale. On the other hand, the positive effect of the introduction of such liberalization is limited by the common borders of the regional integration association and is accompanied by the introduction of restrictive measures in relations with countries that are not members of this regional integration group. Regional integration is developing at the present stage more dynamically than the processes of global integration.

Contradictory process of globalization. Globalization is an objective process on a planetary scale that has both progressive and negative consequences. On the positive side, we can include: the spread of new information technologies and related benefits (reduction of time and transaction costs, improvement of working and living conditions); transition to resource-saving

technologies; increasing attention to important problems of mankind and others.

One of the most striking forms of globalization is the explosive growth of the global financial market in recent years, financial transactions between various agents in world economic relations.

Key elements of the financial revolution:

- deepening international financial integration;
- the formation of a system of international financial institutions;
- rapid development of financial innovations.

Financial innovation is the creation of new financial instruments and technologies.

New financial technologies are open-ended investment funds that invest only in short-term money market commitments; bank machines; derivative securities and so on.

New financial instruments are euro-dollar deposit certificates, zero-coupon eurobonds, syndicated loans in euro currency, interest rate, quotas, and short-term liabilities with variable interest.

Classification of global problems:

1) political problems (preventing a world nuclear war and ensuring a stable peace, disarmament, military and regional conflicts);

2) natural and environmental problems (the need for effective and integrated environmental protection, energy, raw materials, food, climate, disease control, oceans, etc.);

3) socio-economic problems (stability of development of the world community, elimination of backwardness of developing countries, problem of human development, crime, natural disasters, refugees, unemployment, poverty, etc.);

4) scientific problems (space exploration, long-term forecasting, etc.).

However, the globalization of the economy not only implies the benefits of increasing the country's participation in world economic processes, but also the high probability of losses, increasing risks. Globalization implies that countries become not only interdependent due to the formation of an integrated international production system, growth in world trade and foreign investment flows, intensification of technological innovation, etc., but also more vulnerable to the negative impact of world economic relations. World practice shows that the benefits of globalization are not evenly distributed between countries and economic agents.

Thus, the negative consequences of globalization include: increasing the uneven development of the world; the imposition by strong countries of their will, irrational economic structure, political and economic dependence.

That is why globalization, as a controversial process, needs to be regulated at the national and interstate levels.

12.3 REGULATION OF MODERN INTERNATIONAL ECONOMIC RELATIONS

The objective need to regulate modern international economic relations (IEA) between countries stems from the growing interdependence and interconnectedness of national economies, which requires the creation of a mechanism for regulating IEA that would ensure balanced coordination of national legal regimes. International organizations are a component of this mechanism. The main tasks of international regulation of IEA at the present stage are: ensuring stable development of the world economy; development of cooperation between countries in various forms; elimination of discrimination in trade and economic relations between countries; promotion of private enterprise; coordination of macroeconomic policy of states.

The main features of the regulation of IER by international organizations are:

- the right of an international organization to intervene in matters within the internal competence of a state in accordance with its constitution;
- the authority of the organization to establish: rules binding on the Member States, mechanisms of control and coercion to comply with these rules;
- entrusting non-representative bodies, ie international officials, with broad powers to define rules and monitor their observance;
- the right of the organization to oblige and authorize natural and legal persons of the Member States by its decisions.

International legal norms may be formed as a result of decisions of international organizations or conferences. Such decisions include, for example, the UN Declaration on the Establishment of a New International Economic Order. Decisions can be binding or advisory. Depending on the nature of the decisions, soft law is defined as recommendations and hard law is binding. Recommendation decisions are taken mainly by the plenary (higher) bodies of the organizations and are addressed to the member states. Mandatory decisions are aimed primarily at the implementation by internal bodies of organizations (approval of the budget, control over the implementation of regulations, admission of new members, financial policy, etc.). Most decisions of the UN General Assembly are of a recommendatory nature, but in the practice of international relations it is rare for a state to ignore them. The same is true of the IMF's decision: despite their mostly recommendatory nature, they are perceived to be unquestionably enforceable.

Sometimes the recommendations are a whole summary, a system of norms that determine the actions of the subjects of international relations in a particular area. Such norms are called

international codes of conduct. They systematize the rules of conduct of members of the organization in international cooperation in a particular area of relations. Therefore, for example, norms of regulation of transportations by the merchant fleet, the code of conduct of transnational corporations, the code of conduct of the states at transfer of high technologies, etc. are developed. Codes of conduct are usually developed by UN organizations.

International organizations in their activities are based on the rules and principles of international law. They acquire a certain legal capacity, participate in the creation and application of international norms. The clearest **general principles** of international relations are formulated in the Final Act of the Conference on Security and Cooperation in Europe (signed by 35 European and North American states in Helsinki in 1975). They are known as the "Ten Principles" that govern international relations around the world and cover the most important areas of foreign activity.

The struggle for world domination and hostility between the leading countries of the world led to the death of the first model of the globalizing world that emerged in the early twentieth century. (after the First World War and a series of devastating revolutions), the League of Nations was organized to prevent new disasters. It was created in 1919 on the initiative of the victorious countries in the war between France and Great Britain. It includes more than 30 countries.

International organizations are divided into [23]:

- 1) interstate (intergovernmental) and non-state;
- 2) universal, open to all states and specialized, for example, regional or sectoral international organizations;
- 3) organizations of general competence covering all spheres of political, economic, social and cultural relations (UN, Council of Europe, League of Arab States) and special competence implementing cooperation in any specific field

(World Postal Union, International Labor Organization), World Health Organization);

4) intergovernmental and supranational organizations whose decisions, unlike the decisions of intergovernmental organizations, apply directly to the natural and legal persons of the member states of the organizations (for example, EU decisions are binding on all persons in the EU countries);

5) open-access, open-ended, open-source organizations (eg NATO).

At the present stage of development of world economic relations, the scientific and technological revolution has turned most national and regional problems into global problems, which has led to the growing role of international organizations, primarily the UN, in regulating world economic relations.

The main goals and functions of international organizations include:

1) study and application of measures to address the most important problems of international economic relations; 2) ensuring the stabilization of currencies; 3) promoting the elimination of trade barriers and ensuring broad trade between states;

4) allocation of funds in addition to private capital to assist technological and economic progress;

5) stimulating the improvement of working conditions and labor relations;

6) adoption of resolutions and recommendations on the regulation of world economic relations.

As organizational forms of cooperation, international intergovernmental organizations are created by states in accordance with the objective necessity and needs of the development of international economic relations.

International regulation is carried out in the following areas:

1) economic and industrial cooperation;

2) cooperation in the field of transport;

- 3) cooperation in the monetary and financial sphere;
- 4) cooperation in the field of world trade;
- 5) cooperation in the field of intellectual property;
- 6) cooperation in the field of standardization and certification of products;
- 7) cooperation in the field of investments;
- 8) scientific and technical cooperation;
- 9) cooperation in the field of international commercial practice.

The UN is, of course, central to international organizations.

International organizations of the *United Nations* system. There are 192 states in the UN.

The official objectives of the United Nations:

- 1) supporting international peace and security;
- 2) development of friendly relations between countries;
- 3) international cooperation.

The main purpose of the UN at its founding was to preserve peace and democratize international relations. It still occupies a prominent place in the activities of the organization. But very quickly the sphere of activity began to expand, and the UN became a multifunctional international body. In addition to the main bodies that make up the UN structure (General Assembly, Security Council, etc.), they are subordinated to many organizations, the most authoritative in the world, such as the World Bank or the International Monetary Fund. The UN has even absorbed some organizations formed long before its emergence (the International Labor Organization, the International Telecommunication Union – the former World Telegraph Union, etc.). The competence of the UN extends to the economy, humanitarian sphere, ecology, politics.

The United Nations is developing recommendations, conventions, measures that its members are encouraged to adopt and implement through inclusion in legislation or by way of introduction into normative acts.

The Council of Europe is an intergovernmental organization of a broad profile. Its members are 40 European countries.

The main areas of activity are:

- human Rights;
- mass-media;
- cooperation in the legal field;
- social and economic issues;
- health care, education, culture, sport and regional management;
- environment.

The governing body of the Council is the Committee of Ministers, consisting of foreign ministers of 40 countries, and the deliberative Parliamentary Assembly.

Council of Europe produces conventions on issues of interstate legal cooperation.

The regulation of the IER depends on the range of issues that organizations deal with, and which have the appropriate powers and are endowed with the relevant competencies.

Organizations of general competence are responsible for a large number of areas of international activity – economic, political, cultural, environmental, social, and so on. Such organizations include the United Nations, almost all regional integration organizations, the OECD and some others.

Thus, in the activities of the UN there is almost no sphere of international relations, which would not be covered by its competence. Limits of competence of the Black Sea Economic Cooperation Organization: transport and communications; informatics; product standardization and certification; energy; mining industry; tourism; agriculture; health care; science and technology. We see that the range of competence is quite wide, although there are absent, for example, such areas as foreign policy, defense, monetary policy. Nevertheless, the establishment of integration associations provides for

cooperation in broader and more important areas: foreign policy, defense, economic and financial policy, ecology, culture.

Organizations with special competencies have a narrower range and more specific areas of activity. For example, the World Trade Organization (WTO) carries out all its activities in the field of international trade. The World Bank's competence is limited to providing long-term loans and financing development programs for predominantly poor countries; IMF competence – regulation of the international monetary system and provision of short-term loans.

In the development of international organizations there is a tendency to expand the boundaries of their competence until the emergence of elements of supranationality in their functional structure [34, p.74-78]. This means that a member state voluntarily transfers part of its sovereign rights to an organization. This is most clearly reflected in the resolutions of the UN Security Council, which addresses security issues in entire regions of the world. Another example is the policy of the European Union; Here, many functions have already been transferred by the state to the organization: customs policy, monetary policy, pricing, migration service, and so on. The International Monetary Fund is gaining more and more supranational competence. It effectively forces governments to pursue certain monetary policies, requires full information on the country's economic situation, and may impose sanctions (in the form of cessation of funding).

At the beginning of the XXI century in the dynamics of the system of international organizations the following tendencies are quite clear:

- the influence of developed countries, first of all, of the "big seven", on the functioning of the most important world organizations significantly increases; this is especially felt in the activities of the IMF, the World Bank, the World Trade

Organization, which are practically governed by the club of the strongest states;

- NATO is becoming significantly more active; the organization not only expands territorially, but also assigns functions that previously belonged only to the UN Security Council (sending troops to non-NATO countries);

- accordingly (and somewhat unexpectedly) the authority of the UN decreases, which to some extent loses its effectiveness in solving the most pressing problems of mankind;

- the European Union is already clearly becoming the center of gravity in the European integration process;

- NAFTA (USMCA) can play a similar role in Latin America and the Caribbean;

- on the basis of Asia-Pacific economic cooperation, a powerful economic group is formed, which may later become a center of integration attraction in a large territorial area; already today the total GNP of the countries of this organization makes 56% of world volume.

Control questions and tasks:

1. List the factors and prerequisites for the development of international economic integration.

2. Describe the main stages of international economic integration.

3. List the dynamic effects of international economic integration.

4. The essence of the Copenhagen criteria as a prerequisite for the integration of candidate countries into the EU.

5. How do the activities of international organizations affect the regulation of relations between countries?

6. By what criteria are international organizations classified?

7. Name the main goals and functions of international organizations.

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Glossary

Balance of payments is the total sum of all international money transactions and payments, which are made between the residents of the country, including all segments of the population, businesses and government agencies with corresponding agents abroad, that is, residents of other countries.

Convertibility of capital transactions – no restrictions on payments and transfers on international transactions related to capital movements – direct and portfolio investments, loans and capital grants

Currency – in a broad sense means the currency of any country (dollar, pound sterling).

Currency arbitrage is a currency transaction that combines the purchase (sale) of currency with the subsequent implementation of a counter-agreement in order to make a profit due to differences in exchange rates in different currency markets (spatial arbitrage) or through exchange rate fluctuations during a certain period (temporary arbitrage).

Currency basket is a method of relating weighted average exchange rate of one currency to a certain set of other currencies (the composition of currencies, their share in the basket, the size of currency components, ie the number of units of each currency in the set).

Currency convertibility is the ability of residents and non-residents to freely exchange national currency for foreign currency and to use foreign currency in transactions with real and financial assets.

Currency futures are contracts for the purchase / sale of currency in the future, under which the seller is obliged (rather than have the right as opposed to an option) to sell a standard amount of a particular currency on a specified date (future) at a

rate set in advance, concluding a transaction, and the buyer undertakes to buy. Standard contracts regulate all conditions: amount, term, guarantee deposit, method of calculation.

Currency option is a contractual obligation that gives rise to a right (for a buyer) and an obligation (for a seller) to buy or sell a certain amount of one currency in exchange for another at a fixed rate at a pre-agreed date or within an agreed period of time.

Currency parity is determined by the purchasing power of currencies.

Currency quotes are the process of setting the exchange rate.

Currency system – a form of organization of international monetary relations; a set of rules and mechanisms that ensure the relationship between currencies.

Currency transaction is a transaction related to the transfer of ownership of currency values, the use of currency values as a means of payment in international circulation; import, export, transfer to the territory of the country and abroad of currency values.

Current Convertibility – no restrictions on payments and transfers on current international transactions related to trade in goods, services, interstate transfers of income and transfers (IMF requirement for member countries).

Customs duty – a compulsory contribution levied by customs authorities when importing or exporting goods and a condition for import or export. It is a form of excise tax.

Different territories, which, not being sovereign states, are considered by international organizations as separate entities (Hong Kong, etc.).

Direct quotation – the exchange rate of a unit of foreign currency (base currency) is expressed in national currency (quoted currency).

Dumping – the promotion and sale of goods in a foreign market at intentionally reduced prices (below cost or below

prices on the domestic market of the Importer). This is international price discrimination.

Economic integration can be represented as a process of economic interaction between countries, leading to a convergence of economic mechanisms, taking the form of interstate agreements and concerted regulated interstate bodies (The North American Free Trade Agreement (NAFTA), EU).

Entrepreneurs' unions are associations for the purpose of representing their interests in governmental bodies and assisting them in organizing international activities.

Exchange rate is the exchange value of the national currency of one country, expressed in the currencies of other countries.

Floating – is determined by comparing the purchasing power parities of currencies, ie estimates in national money of the value of the eponymous "basket" of goods.

Foreign direct investment (FDI) is an investment of capital for the purpose of obtaining entrepreneurial profit (income) with long-term economic interest and provides investor with control over the object of investment.

Foreign trade (FT) is trade of one country with others, which consists of paid export and import of goods and services.

Forward foreign exchange transaction is the sale or purchase of a certain amount of currency with an interval between the conclusion of the transaction and the execution of the transaction at a fixed rate on a certain date in the future.

Forward rate – an agreed rate, the exchange at this rate is carried out in more than 3 days after the agreement.

Freedom of trade – is the public policy of minimal government intervention in the foreign trade, developing on the basis of free market forces of supply and demand.

Full convertibility – the absence of any control and any restrictions on current and capital transactions.

Global labour market is a system of relations that arise

about the coordination of supply and demand global workforce, conditions of labour formation, wages and social protection that are the result of uneven quantity and quality accommodation workforce in the world and differences in national approaches to play it.

Globalization (globe) is a complex, multifaceted process that has many manifestations and involves many problems.

Indirect quotation is an expression of a unit of national currency in a foreign currency.

International credit is the provision of financial resources of some countries to others for temporary use in the field of world economic relations.

International currency market is the largest financial market in the world and plays an important role in ensuring the interaction between the components of the global currency market.

International division of labour is the process of individualization of different labour activities on the international level, which cooperate and complement each other, forming objective international exchange base of goods, services and results of others activities.

International economic activity is the integral system of economic relations amongst national economies of different countries and subjects of economic life that are related to them or were created by them.

International economic relations are a system of relations that arise between actors from different countries in relation to the production, distribution, exchange and consumption of goods, services, capital, ideas in the conditions of limited resources and the international division of labor within the global economy.

International infrastructure is a set of structural elements of national economies and world institutions, through which the implementation, operation and development of various forms of

international cooperation takes place.

International investment activity – this is a set of actions of the subjects (investors and participants) for the implementation of investments abroad and foreign investments in order to receive profits.

International investment market is a regulator of the aggregate of economic relations that arise between the seller of investment resources and their buyer who are residents of different countries.

International labour migration is a form of international economic activity, which in the economic-theoretical terms is a manifestation of the movement of the production factor - labour.

International Monetary Liquidity (ILC) is the ability of a country (or group of countries) to ensure timely repayment of its international obligations by means of payment acceptable to the creditor.

International monetary relations are a set of monetary, settlement and credit relations in the world economic sphere, which arise in the process of mutual exchange of results of national economies.

International organizations established to coordinate the activities of countries in various spheres of the world economy.

International production specialization is the form of labour international division in which concentration of similar manufacture in the world occurs on the basis of progressive differentiation of manufacturing processes amongst different countries and their subjects.

International scientific and technological exchange is a set of economic relations between foreign contractors on the use of the results of scientific and technological activities of scientific and practical value; the transfer of knowledge and technology relevant to certain production processes within the global economy.

International trade is a sphere of international commodity-money relations, a specific form of exchange of labor products (goods and services) between sellers and buyers from different countries.

Licensing – the regulation of foreign trade by granting licenses to export or import goods in a certain amount for a certain period of time.

Long-term strategic alliances of TNCs – a form of international inter-firm cooperation. There are alliances without joint ownership (contracts with risk-sharing), alliances with participation in capital (acquisition of shares, joint ventures), mainly technological alliances (R&D, technology transfer, innovation), mainly market alliances (marketing, market share protection, access to cheap resources).

Modern world market for goods and services - the field of stable commodity-money relations between countries, based on the international division of labor.

Monetary system of the EU countries is a specific organizational and economic form of relations of the EEC countries in the monetary sphere, aimed at stimulating integration processes, reducing the amplitude of fluctuations in national currencies and their interconnection.

Nation-states – the activities of the authorities of different countries to ensure the functioning of the economy and foreign economic relations.

Portfolio investment (PI) is an investment in foreign securities that does not give the investor real control over the object of investment and whose purpose is solely to obtain income in the form of dividends or interest.

Principles of organization of international economic relations (IER) – a set of international rules of conduct for IER participants

Protectionism – state policy to protect the domestic market from foreign competition through the use of tariff and non-tariff

instruments of trade policy.

Real exchange rate:

1) is the nominal multiplied by the ratio of the price level in two countries

2) calculated on the basis of average prices in countries that are the main partners of the country (indicates the competitiveness of goods in relation to importers)

Regional integration associations, the largest of which are the European Union (EU), United States–Mexico–Canada Agreement (USMCA), the Association of Southeast Asian Nations (ASEAN), and the Latin American Subregional Trade and Economic Union (MERCOSUR).

Reserve currency – the national currency of the world's leading countries, which is accumulated by the central banks of other countries as a reserve of funds for international settlements

Spot market is a market for immediate delivery of currency.

Spot rate – exchange rate for no more than 2 working days from the date of reaching an agreement on the rate; this is the exchange rate on the market on a certain date.

Spot transactions are transactions with immediate delivery, include transactions with a short value period – within three working days.

Subsidies are cash payments aimed at supporting national producers, exporters / importers of products.

Swap agreement is a simultaneous conclusion of a spot and opposite forward agreement. There is a purchase – sale of two currencies on the terms of immediate delivery with simultaneous counter-operation for a certain date with the same currencies.

Term foreign exchange transactions are currency transactions in which the parties agree on the delivery of a certain amount of foreign currency after a certain date after the conclusion of the agreement at the rate fixed at the time of its

conclusion; related to the delivery of currency after a period of 3 days from the date of its conclusion.

The environment for the development of international economic relations can be defined as a system of conditions and factors of the existence of international economic relations.

The external environment of international economic relations is a system of external conditions in which international economic relations develop, and a system of factors that shape the micro- and macromotivation of the behavior of world economic agents and determine the effectiveness of their participation in the international division of labor.

The foreign exchange market – as an economic category, is a system of stable economic and organizational relations associated with the purchase and sale of foreign and payment documents in foreign currencies.

The internal environment of international economic relations is the internal structure of the system of international economic relations, which together with its laws of functioning and development can be represented as a set of the following elements:

The international (regional) monetary system is a legal form of organization of currency relations between a group of countries.

The national monetary system is a form of organization of currency relations of the country, by means of which international settlements are carried out, foreign currency funds of the state are formed and used.

The nominal exchange rate is the specific price of the national currency for foreign currency and vice versa.

The system of foreign trade regulation is a set of methods, tools and means aimed at the realization of national interests in the field of foreign trade.

The world monetary system is a form of organization of international monetary relations, which has historically developed and is enshrined in an intergovernmental agreement.

Trade unions – workers' organizations that protect the socio-economic rights and interests of their members in relations with employers and the government.

Transnational banks (TNBs) – large international credit and financial associations of a predominantly universal type, with an extensive network of branches abroad, which carry out banking operations in many countries and convertible currencies.

Transnational corporations (TNCs) – usually large economic complexes with an international sphere of activity. There are TNCs with national capital and capital owned by individuals from different countries. TNCs are economically unified systems, vertically integrated structures with a hierarchical management structure. This system includes a parent company, branches, subsidiaries. The system is controlled and managed from one center.

Transnational financial-industrial groups (FIGs) – integration of TNCs and TNBs. Among the various forms of FIGs are traditional concerns led by a large industrial corporation and diversified financial groups formed around the bank.

Transnational institutional investors – insurance companies, private pension funds, collective investment institutions (investment funds, investment companies).

World financial centers – places of concentration of large international capital and large-scale conduct of various international financial transactions. **The largest exchanges** are institutions and at the same time organizers of trade of securities (stock exchanges), goods (commodity exchanges) and currency (currency exchanges).

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