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CROSS-BORDER COOPERATION IN CONDITIONS OF DISINTEGRATION PROCESSES IN THE GLOBAL ECONOMY

The study investigates the processes of integration and disintegration in the global economy. In the history of world economic development the global economy reached a high level of integration that was destroyed by world wars, and the waves of globalization, beginning with geographical discoveries, were replaced by processes of globalization and disintegration. At the present stage of development, disintegration processes become more pronounced. Thus, for countries and their associations, the task is to find stabilizing forms of interaction. Free trade zones, accounting for 90% of all regional agreements, are also subject to the influence of political and economic factors of disintegration. Therefore, countries and other subjects of world economic relations need to complement their interaction with new forms, for example, to strengthen cross-border cooperation.

Keywords: free trade agreement, integration, cross-border cooperation, region, regional agreement, disintegration.

Problem statement. Integration and globalization are interconnected phenomena: international economic integration is one of the essential characteristics of globalization, which in general contributed to the transition of internationalization of economic life to its globalization stage of development. In the history of civilizations, empires were formed and disappeared, the global economy reached a high level of integration that was destroyed by world wars, and the waves of globalization, beginning with geographical discoveries, were replaced by processes of globalization and disintegration. In the second half of the twentieth century, the formation of international trade, economic and integration groups of regional importance was one of the leading trends. However, at the beginning of the 21st century, disintegration processes became apparent in international associations, in particular in the EU.

After decades of deepening regional integration in Europe, in 2016 voters in the United Kingdom (UK) chose to leave the EU. The UK is launching Article 50 of the Treaty deal to finish its five decades of EU membership. At the same time, disintegration processes also began to appear on another continent. Besides, in January 2017, the president of the United States announced his country's withdrawal from the Trans-Pacific Partnership (TPP), spreading uncertainty among the 11 other signatories.

These events follow extensive and polarizing debates on the costs, benefits, and distributional effects of trade and trade agreements.

Thus, the world community deepens the discussion about the future of trade agreements and their essential shortcomings.

Analysis of recent research and publications. Many scholars have studied the perspectives, trends and dynamics of transboundary cooperation: V. Budkin, A. Filippenko, O. Shnirkov, A. Balian, V. Dergachev, M. Dolishny, Y. Makogon. However, systemic studies of cross-border cooperation, its role in international economic relations in the conditions of formation and functioning of a free trade area, the prospects for the development of cross-border associations are not given adequate attention

The aim of the article is to identify the need to search for factors to stabilize economic ties of the free trade areas (FTA) in the conditions of disintegration processes, such as cross-border cooperation mechanisms.

Key study findings. More than 455 regional trade agreements between two or more countries are currently in force¹. This complex system of multiple, overlapping agreements was described in 1995 by Jagdish Bhagwati as the "spaghetti bowl." What lies ahead is an even fuller "bowl of spaghetti" filled with bilateral trade agreements containing regulations that are not harmonized and that may increase the cost

¹ Regional Trade Agreements: Facts And Figures (2018). *The Official web-site of the World Trade Organization*. <https://www.wto.org/english/tratop_e/region_e/regfac_e.htm> (2018, August, 06).

of doing business for companies. This scenario may be especially taxing for companies that are part of regional or global value chains.

Talking about Megaregional Trade Agreements, before the Brexit and the US withdrawal from Trans-Pacific Partnership (TPP), they had been the latest trend in trade agreements. Prefix "mega" refers to the size of the economies that are negotiating or concluded trade agreements. They were supported by many analysts, participating companies and traders because they simplified the complex system of duplication of bilateral trade agreements shown in the diagram above and developed agreed rules and regulations that would reduce transaction costs and contribute to economies of scale.

The best-known examples of megaregional agreements are the Trans-Pacific Partnership (TPP); the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU, both promoted by the US until recently; and the Regional Comprehensive Economic Partnership (RCEP) between Australia, China, India, Japan, Korea, New Zealand, and the ten countries of the Association of Southeast Asian Nations (ASEAN).

Most importantly, TPP and TTIP are examples of megaregionals that are aimed to introduce innovative content that reflects modern trade and economic exchanges. They focus on issues, for which international trade policy overlaps with national policymaking, for instance cross-border labor standards, government procurement, competition policy, trade and environment, trade in services, e-commerce, intellectual property rights, and the role of state-owned enterprises, all of which the US tended to champion in most of the bilateral FTAs it has signed since NAFTA.

But more recently, the US has signaled a change in its trade policy through an initiative known as «America First», which aims to create jobs in the US, especially in manufacturing, and ensure that US workers are competitive in international markets¹. Although this new policy is still in the early stages, this emphasis is placed on bilateral trade negotiations, rather than on mega-regional agreements, which can help create more trade agreements.

At the same time, Latin American countries are continuing to look for opportunities across the Pacific. Chile and Peru already have free trade agreements with several Asian parties to the TPP. Mexico has a trade agreement with Japan and intends to conclude bilateral trade deals with the remaining TPP members with which it does not yet have an agreement. Chile recently called a meeting with TPP signatories and included countries that were not previously involved such as China, Korea and Colombia

While some mega-regional agreements face difficulties in their effective functioning, other bilateral trade negotiations continue to develop.

January 17, 2017 British Prime Minister officially announced the intention of his country to leave the EU. Thus, this disintegration process will subsequently lead to the formation of many new treaties on free trade zones with EU members, which will further complicate their global network. So, next possible creation of new free trade areas of Great Britain with partners, which include Australia, Brazil, China, the USA, India and New Zealand.

Such contradictory tendencies in the world economy testify to the need to search for factors of stabilization and strengthening of the interrelations of neighboring countries². One of the most effective forms of ensuring the stability of international economic relations is cross-border economic cooperation.

A cross-border region can be defined as a certain territory within the border administrative and territorial units of neighboring states. The presence of a border is a factor that identifies a cross-border region among a set of territorial entities. Functional cross-border regions are created on the basis of border territories sharing common natural resources, history, social and cultural similarity, which are potential regions for cooperation and interregional relations pursuing common interests.

Due to the wide variety of forms, solutions and the size of the area on which cross-border cooperation develops, it is difficult to choose a universal definition of this phenomenon.

It can be agreed that cross-border cooperation is more or less institutionalized cooperation between the participants of both (or more) parties and its main goal is the coordination and development of common

¹ Annual Trade Agenda Report (2018). *Office of the United States Trade Representative* <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/february/trump-administration-sends-annual>> (2018, August, 06).

² Köllen, T. (2012). European Disintegration: Tendencies of Renationalization within the European Union and its Impact on the Common Labor Market and EU Consumer Markets. *The international journal of diversity in organizations, communities and nations*, 11, 5, 117-138.

policies and actions, as well as the achievement by joint development activities of the areas separated by the border.

Since 90% of all regional trade agreements – are agreement on free trade areas, it is under these conditions that additional factors for the stability and sustainability of such agreements are needed.

Table 1.

Comparative characteristics of free trade agreement and cross-border cooperation

Free trade agreement	Cross-border cooperation
Countries may not have a long history of economic relations.	Cross-border cooperation has a long tradition in each country and region.
There may be an initiating party that has a different economic or hidden political interest.	Both sides have common economic and social goals.
Agreements may be broken or terminated due to political or economic reasons.	Border contacts, including trade carried out by the population and local enterprises; exist independently of political changes and trends.
Countries have their own goals, which are not always common and have one direction.	Cooperation is aimed at achieving maximum convergence of social and economic development of regions.
The strengthening of ties between the territories may arise as a result of the signing of a free trade agreement due to lower duties or simplification of customs procedures	Cross-border cooperation is able to create an extensive system of strong regional ties that can be used, for example, as an additional opportunity for European integration.
Too large territorial scale, causing difficulties in multilateral contacts within the association and cooperation mainly implemented in a bilateral format	Coordination of strategies at the level of local government, which contributes to faster decision-making

The basis of cross-border cooperation is the process of creating links and contractual relations in the border areas with a view to finding solutions to common identical problems¹. The idea of cross-border cooperation is that two adjacent border regions cooperate in the process of developing plans and selecting development priorities, and then agree on development plans for individual activities. Cross-border cooperation is to ensure that all social groups and administrative bodies are involved in the dialogue.

Cross-border cooperation is aimed at overcoming the negative aspects of the existence of borders and the consequences that arise in the border areas due to their location on the outskirts of states, with the aim of improving the living conditions of the population. The main objectives of such cooperation are:

- Overcoming existing stereotypes and prejudices on both sides of the border;
- Elimination of political and administrative barriers between neighboring peoples;
- The creation of economic, social and cultural infrastructure, subject to the formation of common bodies, economic entities, etc.

The most significant experience of international cooperation of the regions was obtained precisely in the sphere of cross-border cooperation².

Cross-border cooperation existed before the formation of integration at different levels and contributed to the establishment of good-neighborly relations between countries. For example, cross-border cooperation in Europe began to develop rapidly in the 1950s, after World War II, when representatives of many border regions began to meet to discuss the possibilities of eliminating barriers at the border and

¹ Van Houtom, H. (2002). Borders of comfort: spatial economic bordering processes in the European Union. *Regional and Federal Studies*, 12, 4, 37–58.

² Scott, J.W. (2000). Euroregions, governance, and transborder co-operation within the European Union. *European Research in Regional Science*, 10 (Border, Regions and People), 104-115.

the subsequent development of cross-border cooperation. The basis for this was the need to improve the living standards of the population, the desire for a stable peace, the removal of unnecessary restrictions, as well as other factors that led to the separation of people and organizations in the border regions.

The main role of cross-border cooperation in integration processes is determined by the possibility of accelerating the processes of equalizing the quality of life of the population of border areas, and achieving free movement of goods, people and capitals across the border to full integration of space. Cross-border cooperation in its simplest forms occurs constantly, which means that the formation of an integrated space in a cross-border region is also constantly taking place. These processes are also accelerated by globalization factors. It can be said that cross-border cooperation is the previous and complementary element of state integration.

Investigating the process of cross-border cooperation, four stages of development can be distinguished between the regions: study of existing links between partners, identification of a strategy for further development, development and maintenance of development programs, monitoring and evaluation. Cooperation is carried out at the state and local levels. At the state level, it manifests itself in international agreements. At the regional level, it arises from necessity, spontaneously. This cooperation is manifested in joint activities between neighboring territories, which is caused by economic needs within the competence of the regions.

Cross-border cooperation can be carried out in the economic, social, scientific and technical, cultural and educational, environmental and other spheres, as well as in the issues of mutual assistance in emergencies, and subjects of cross-border cooperation may choose, in accordance with the legislation, other forms of cross-border cooperation¹.

Depending on the goals, objectives, scale and nature of the development of cross-border cooperation, the following forms are distinguished:

- 1) One-time measures of cross-border cooperation, aimed at realizing a certain goal (when the goal is achieved, cooperation is terminated);
- 2) Long-term, cross-border cooperation based on the use of internal benefits and opportunities or available resources of the border regions;
- 3) Cross-border activities based on the developed cross-border or interregional strategy (concept) for establishing good-neighborly relations in various spheres;
- 4) Cooperation of independent and independent participants, which takes place under the control of the authorized authorities and self-government. A list of forms and subjects of cross-border cooperation can be proposed in the following table (Table 2).

Table 2.

Subjects and forms of cross-border cooperation

Forms	Subjects
<ul style="list-style-type: none"> – Euroregion²; – Cross-border cluster; – Special economic zones and territories of priority development; – Partnerships, industrial parks, industrial parks; – Cross-border agreements³; – Direct contacts between territorial communities. 	<ul style="list-style-type: none"> – Local regional authorities; – National authorities; – Local formal and informal institutions for cross-border cooperation; – Public organizations.

Source: Association of European Border Regions⁴

¹ Luis De Sousa (2012). Understanding European Cross-border Cooperation: A Framework for Analysis. *Journal of European Integration*, 669-687. doi: <http://dx.doi.org/10.1080/07036337.2012.711827>.

² Langer, J. (2007). Euroregions – benevolence or deception? In *Euroregions. The Alps – Adriatic context*: ed. J. Langer. Frankfurt am Main: Peter Lang, 9–27.

³ Pasi, P. (2007). Euroregions as micro-models of European integration. In *Euroregions. The Alps – Adriatic context*: ed. J. Langer. Frankfurt am Main: Peter Lang, 73–79.

⁴ Home page (2018). *Association of European Border Regions*. <<http://www.aebr.eu/en/index.php>> (2018, August, 06).

Conclusion. Cross-border cooperation refers to one of the most effective forms of interaction between states. This interaction takes into account the specifics of the cooperating regions, uses the administrative capabilities of the regions, and also attracts medium and small businesses to the development of international relations of the country. Consequently, we can consider cross-border cooperation a priority for regional development.

However, the basic organizational aspects of the development of cross-border cooperation between regions are not clearly formed, where the identification of the initiator and partner, which determine the further aspects of the development of countries as a whole, is important. In modern conditions, the regions are open and have the opportunity to develop independently, but at the same time, their activities are carried out within the framework of state programs. Often regional authorities face many diverse tasks that require operational decisions. It is necessary to constantly maintain established ties with foreign partners and at the same time to establish new ones. Thus, in parallel countries the authorities have to solve a lot of different tasks.

Constantly there are problems in the field of regulatory and information support of preparation and further implementation of cooperation forecasts. In addition, there are difficulties with cross-border cooperation management related to the lack of a complex economic mechanism that takes into account the interests of the regions in the implementation of cross-border cooperation.

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