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**THE IMPACT OF INTEGRATION PROCESSES
ON COUNTRY'S ECONOMIC DEVELOPMENT
(BY THE EXAMPLE OF MEXICO BEFORE AND AFTER JOINING NAFTA)**

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Introduction. International economic integration is a process of convergence of national economies and building a single regional (international) economic complex. The process of economic integration occurs when two or more countries join forces to create a wider economic space. Countries enter into the integration agreement with hoping for economic gain, but may also pursue political and other purposes. The whole process of economic integration is characterized by certain positive and negative consequences that are very important for economic analysis.

Analysis of recent publications. The process of economic life internationalization is the subject of research for many foreign and national scientists. Among them A.N. Borovkov [1] who in his work «Latin America» raises the question of relationships between USA and Mexico in NAFTA. L.D. Chekalenko [2] considers global integration processes in terms of international systems' transformation. V.M. Matviienko [3] and O.S. Kuchyk [4] noted the results and problems of international organizations.

Objective. The main aim of this article is to analyze the integration processes and evaluate the results of their impact on the economy of the country.

Relevance. Globalization and technological progress have led to intensive development of international relations, significantly accelerating and substantially changing processes of internationalization of economic, legal and other aspects of society. First of all, it is the expansion of markets, which leads to economies of scale and means that in the long perspective the cost per unit of production will decrease with the increase of production amounts. Economy of scale is directly related to the size of the markets, which has increased with the creation of a free trade area, Custom Union and others. Reducing costs and corresponding decrease in commodity prices helps to enhance both internal and external demand, which in turn, stimulates innovation and leads to higher overall economic growth.

The main material and results. International economic integration is a combination of economies of a region and a coordinated economic policy. Today one of the most powerful integration associations in the world is the North American Free Trade Agreement – NAFTA that includes member countries: the USA, Canada and Mexico. Free Trade Agreement (NAFTA) between the United States of America, Canada and the United Mexican States was signed in 1992 and entered into force in 1994.

Background of integration:

- proximity of economic development and the degree of market development of countries integrated. It is an exception that (NAFTA) interstate integration develop between developing and industrialized countries;
- geographical proximity of the countries that are integrated, common borders and the historical links;
- common economic and other problems faced by countries in the development, financing, regulation of the economy, political cooperation, and so on. Economic integration helps to solve specific set of problems which the countries are facing;
- demonstration effect. There are positive developments (acceleration of economic growth, lower inflation, increase employment, and so on) that are making a psychological impact on other countries;
- «domino effect». After most of countries of some region became members of the integration association, other countries that remain outside it, experiencing some difficulties associated with the reorientation of economic relationships. That often leads to the reducing of trade with country which remains outside of the integration. As a result, they are also forced to join the integration associations. For example, after entering Mexico in NAFTA, many Latin American countries rushed to enter into the agreement of trade.

North American Free Trade Agreement has a number of features:

- it is the only integration organization that covers the whole continent;
- NAFTA's members differ significantly in terms of economic development (USA is superpower, Canada is industrialized country, Mexico is a large developing country);
- only NAFTA has a distinct centre – USA: basic trade and investment flows directed mainly to the USA and from the USA; Canada–Mexico trade and investment relationships are relatively weak;
- NAFTA is primarily an economic unit that focuses on maximum economic openness and ensures high and stable economic growth;
- all countries of the NAFTA are federations.

With the integration of Mexico in NAFTA, Mexico hoped to get:

- the access to the achievements of scientific and technical progress for the modernization of the national economics;
- additional investments and new technologies for national production;
- a significant increase working places, improve the competitiveness of national production;
- favourable conditions for exporting their products to the markets of the USA and Canada.

Entering a new phase of industrial development, Mexico has used financial and material support from developed countries, especially from the United States. During this period specialization and cooperation was carried on the base of gradual integration of economic structures of Mexico in an economy of developed capitalist countries.

The first few years of NAFTA have already shown some significant successes:

- In the first month of the agreement, the Corporation PerkinElmer, Norwalk, Conn., registered a 10% increase in sales for Mexican clients as a result of increased demand for spectrophotometers, gas chromatographs and other devices for quality control.
- Company «Sara Lee» and «Archer Daniels» in 1994 tripled its sales volume in Mexico.
- \$ 20 billion trade turnover between the USA and Mexico was registered in 1994.
- During the first nine months of 1995, USA merchandise exports to Canada increased by 13.5%.
- Mexico has reduced tariffs on some chemical products earlier than planned.
- Canada and Mexico joined the North American Free Trade Agreement in 1994 with the telecommunications sector which was liberally reformed. The agreement of 1989 between the United States and Canada laid the foundation for NAFTA, reducing tariffs on telecommunications equipment. Telefonos de Mexico (TELMEX) was privatized in 1990 when the Mexican foreign investment rules were largely liberalized. Creation of NAFTA, since 1994, expanded the liberalization of the telecommunications sector in Mexico and Canada while reducing import tariffs. NAFTA eliminated tariffs on Mexican imports more than 80 percent of telecommunication's equipment and over 10-year period began to gradually reduce remaining tariffs. In addition, NAFTA provides many important investment protections to the providers and investors, including the possibility of free transfer of capital, protection from seizures and the right for arbitration.

NAFTA created stable, long-term relationships between all three countries of North America and improved trade in the region.

In 1991 the United States recorded the first time since 1981 the trade surplus with Mexico. The same as in the year 1980, Mexico was the third largest supplier of USA imports and exports buyer (not including illegal transactions). United States is trading partner number one for Mexico. The greatest increase of export to Mexico experienced industrial states of East and Midwest. The large share of growth is taken by sophisticated engineering products, electronics and petrochemical products. Over 90% of USA exports are manufacturing products.

Thus, Mexico has become such (2.5 times faster than export of other countries) market for USA exports. The share of USA export that goes to Mexico increased from 5.9% in 1987 to 9.1% in 1992.

Growing importance of Mexico for the USA economy is due to the growth of the population and the influx of immigrants from Mexico and frontier zones. The large resources opened in the early 70's turned Mexico from a net importer to the largest supplier of oil to the USA strategic reserves. Oil has put Mexico on the 4th in the world for reserves and the 3rd place as the largest foreign trade with the USA. If you include the illegal supplies (including drugs), then Mexico is probably the largest trading partner of the United States.

Since the Formation of NAFTA country's foreign trade has increased for 10 times and reached 60% of GDP. Moreover, 80% of Mexican trade is a two-way trade of USA, trade with Canada accounts for only 2% of Mexican foreign trade. In 2011 Mexico was the 7th in the world regarding oil and entered the top ten countries oil exporters. About 84% of oil supply is made in the United States, making Mexico the second among USA oil suppliers. However, Mexico is a significant net importer of petroleum products (mainly

gasoline), which is the main supplier for it – the United States. But oil production in the country begins to fall due to depletion of the largest resources and the reduction of reserves. According to forecasts, by 2020 Mexico could become a net importer of not only gasoline but also oil. The country's attractiveness to foreign investment, goods, and services increased. In the period from 1994-2001 years direct investment in Mexico rose to 50 billions of dollars, but 70% of foreign investment in the Mexican economy controlled by USA corporations. One of the leading places in the economy of Mexico occupied petrochemical, mountain extractive, chemical, textile and automobile industry, which share in GDP is 20%, and the country is 9th in the ranking of the world's largest car manufacturers. Cars of famous American, Japanese, German, South Korean firms are collected in Mexico.

Membership in NAFTA was an important competitive advantage for Mexico and allowed the country to solve several pressing national problems – to reduce public debt to GDP from 37.20% in 1990 to 17.10% in 2007, to reduce inflation from 179.73% in 1988 to 2.13 % in 2015 to restructure and reduce significant external debt from 82.91% in 1986 to 18.32% in 2006, to attract new foreign investment. However, development of integration processes and deepening relations with partner countries revealed several problems of economic development. In particular, the dependence of Mexican export from the economic situation in the USA increased. A significant problem for Mexico is that the USA is subsidizing their agricultural exports, which negatively affects on the competitiveness of similar Mexican products and reduces employment in agriculture. Over the years the problem of illegal migration of Mexicans to the United States remains very important.

Mexico's GDP in 2010 amounted to 402.5 billion \$ or 4184 \$ per capita. In 2010, the share of industry in the total production of goods and services accounted for 28.3%, services, and trade – 65.3%, agriculture and fishery – 6.1%. In recent years the part of agriculture in GDP is decreasing. The structure of the industry in Mexico is characterized by the fact that 80.7% of this area is small production belonging to national or private capital. Typical large enough is the share of the mining industry. More than 70% of industrial production is heavy industry. Basic are refining and petrochemical, metallurgy and engineering. Manufacturing industries are concentrated in Mexico City and the surrounding industrial area, and the main steel plants are located in the northern cities of Monterrey and Monclova and on the west coast. Metallurgical plants of Mexico meet demand for steel in the country. The most important types of manufactured goods are cars, food, iron and steel, chemicals, beverages and electrical goods.

Conclusions. The period of its existence NAFTA has demonstrated generally positive but contradictory and asymmetric results. Membership in NAFTA was an important competitive advantage of Mexico and allowed the country to solve several pressing national problems. However, development of integration processes increased the dependence of the Mexican economy from the USA, led to reductions in employment in the agricultural sector of the country and increased the problem of illegal migration of Mexicans to the United States.

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Valerii Moltusov, Ph.D. (History), Senior Lecturer. **Tetiana Berezhetska**, Undergraduate Student. Poltava National Technical Yuriy Kondratiuk University. **The impact of integration processes on country's economic development (By the example of Mexico before and after joining NAFTA)**. In the article the integration process of Mexico were analyzed and the results of its impact on the economy of Mexico were evaluated. Membership in NAFTA was an important competitive advantage of Mexico and allowed the country to solve several pressing national problems. However, development of integration processes increased the dependence of the Mexican economy from the USA, led to reductions in employment in the agricultural sector of the country and increased the problem of illegal migration of Mexicans to the United States.

Keywords: Mexico, NAFTA, integration, USA, Canada, product, export, import, economy.

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Ключові слова: Мексика, НАФТА, інтеграція, США, Канада, товар, експорт, імпорт, економіка.

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Ключевые слова: Мексика, НАФТА, интеграция, США, Канада, товар, экспорт, импорт, экономика.