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REGIONAL TRENDS OF EUROPEAN ECONOMIC INTEGRATION PROCESSES IN UKRAINE

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РЕГІОНАЛЬНІ ТЕНДЕНЦІЇ ПРОЦЕСІВ ЄВРОПЕЙСЬКОЇ ЕКОНОМІЧНОЇ ІНТЕГРАЦІЇ В УКРАЇНІ

The comparative assessment of the convergence degree of the regional economic systems of Ukraine with the EU in 2014–2016 were conducted in the study. The Index of Eurointegration economic headway of the regions was used as an instrument of evaluation. In general, the dynamic of Eurointegration economic headway of Ukrainian regions was positive. During the period researched there was the increase in the overall level of openness of the regional economic systems for the trade with the EU. The gradual adaptation of Ukrainian producers to the new political and economic realities contributed to the revival of the positive exports dynamic from the majority regions to the EU. The events and processes which positively influenced the institutional environment were: reduction of the territorial disparities in the EU project support and shifting the focus of European donors from the western to the northern, central and eastern regions; the increase in the number of the local authorities involved in the events devoted to economic issues of the EU-Ukraine Association Agreement, including educational activities for the rural population with the participation of the EU experts. Care should be taken to the further development of the regional action plans for economic part of the Association Agreement implementation.

У статті здійснено порівняльне оцінювання ступеня зближення регіональних економічних систем України з ЄС у 2014-2016 рр. В якості інструмента оцінювання використано Індекс євроінтеграційного економічного поступу. У цілому, динаміка євроінтеграційного економічного поступу українських регіонів була позитивною. Протягом досліджуваного періоду спостерігалось зростання загального рівня відкритості регіональних економічних систем для торгівлі з ЄС. Поступова адаптація українських виробників до нових політичних та економічних реалій призвела до відновлення позитивної експортної динаміки з більшістю регіонів до ЄС. Серед сприятливих явищ та процесів у сфері інституційної підтримки були: скорочення територіальних диспропорцій у розподілі проектної підтримки з ЄС та зміщення фокусу європейських донорів із західних до північних, центральних та східних регіонів; зростання числа місцевих органів влади, котрі долучались до проведення заходів з питань Угоди про асоціацію між Україною та ЄС, включаючи освітні заходи для сільського населення за участю експертів з ЄС. Подальша увага має зосереджуватися на удосконаленні обласних планів заходів з імплементації економічної частини Угоди про асоціацію.

Keywords: regional economic systems, the EU-Ukraine Association Agreement, Index of Eurointegration economic headway, exports, imports, institutional support, local authorities.

Ключові слова: регіональні економічні системи, Угоди про асоціацію між Україною та ЄС, Індекс євроінтеграційного економічного поступу, експорт, імпорт, інституційна підтримка, органи місцевої влади.

Urgency of the research. National problems of European integration of Ukraine at the level of its regions acquire specific features. Due to the differences in regional socio-economic development, it is impossible to find universal instruments for strengthening trade and economic ties. To substantiate the approaches to modernizing the economy of the regions using the capabilities of the AA / DCFTA [1] one should understand the starting conditions from which the regions begin their European integration.

Actual scientific researches and issues analysis. The initial method of assessment of the status and dynamic of economic reforms of European integration in the regional dimension in Ukraine was developed in [3]. The main research tool – Index of European integration headway was offered as the basis for informing the citizens of Ukraine, representatives of non-governmental organizations and the international community on the progress of the regions in achieving the goals of economic integration with the EU to extensive discussion and analysis of public authorities' actions. The composition of the Index included statistical indicators characterizing the economic impact of reform within two main areas (trade and issues related to trade, economic and sectoral cooperation), each of which includes a corresponding block indicators. Based on that method the comparative analysis of external trade indicators of regions in terms of their ability to be included in the processes of economic integration with the EU were analysed [4]. It was also proved in the study that at the current stage the basis of regional policy should have been the creation of organizational and socioeconomic conditions for the effective development of economic and sectoral cooperation in priority areas for both entities. That is why the initial system of indicators was revised and supplemented [5; 6]. The Index of Eurointegration economic headway of the regions now consists from two groups of the indicators: 1) the indicators of the depth of trade and economic integration of the region with the EU (in conjunction forming the Sub-index of trade and economic relations); 2) the indicators of the level of institutional support for Eurointegration economic headway provided by the regional state administrations (in conjunction forming the Sub-index of institutional support for Eurointegration economic headway). The Index of Eurointegration economic headway and the both sub-indices are measured using a scale from 0 to 1. The higher are their figures, the more integrated with the EU is the regional economic system, more favorable is institutional environment for the relevant reforms implementation. In addition:

1. The assessment of the actions of the regional authorities in the context of the AA / DCFTA implementation was conducted.

2. The assessment of the economic parts of the regional action plans for economic part of the AA implementation was done [6].

Uninvestigated parts of general matters defining. The systemic economic reforms defined by the Association Agenda [2] are carried out by the authorized authorities. However, the success of their implementation in the regions, which should be reflected in improving the relevant indicators – indicators of the goals of economic integration – is currently difficult to assess due to the lack of comparative studies in the dynamic. That is the reason for the comparative assessment of the progress of the regions of Ukraine in deepening economic integration with the EU, to determine in which regions the most favourable institutional conditions for the deployment of European integration processes in the trade and economic sphere are created.

The research objective. The aim of this article is to assess the convergence degree of the regional economic systems of Ukraine with the EU in 2014–2016 in order to compare the positions of the Ukrainian regions in terms of their economic integration with the EU, to evaluate the opportuneness of institutional conditions for the deployment of European integration processes in the trade and economic sphere.

The statement of basic materials. During 2014–2016 average figures of the Index of Eurointegration economic headway of the regions tended to grow (Fig.1). In 2016 Chernivetska oblast became the leader of the ranking. High positions of the region was provided by the institutional support for Eurointegration economic headway, whereas trade and economic relations need to be further enhanced. Three years running the region demonstrated leadership on the number of the EU projects in relation to the population. The best indicators of the oblast were – the average annual rate of growth in export from the region to the EU, the number of enterprises authorized to export the livestock products to the EU, the remittances for individuals sent to the region from the EU countries, the proportion of funding under the EU technical assistance. The worst indicators of the region were – the share of the direct investment which came from the region to the EU economy in the total value of investments from the region, the share of services imports from the EU countries in the total services import volume to the region, the Index of information support.

In 2016 p. Donetsk oblast took the last – 24th place in the ranking (in comparison with 21st in 2014p.). The loss of positions of the region is explained by the weakening of the trade and economic activity between the region and the EU countries, relatively low efforts of the industrial enterprises to reorient their production towards the requirements and

needs of the European market, as well as the lack of the strategical vision of such processes. Complicating factor was the passivity of the local authorities in the context of an enabling institutional environment creating. Nevertheless, the biggest in Ukraine indicator of the share of the investment to the EU has been recorded in the region (99%). The best region's indicators also were – the share of exports to the EU, the ratio of foreign trade turnover with the EU. The worst indicators of the oblast – the share of services exports to the EU, the average annual growth rate of import from the EU countries, the Index of intra-industry trade with the EU, the share of the accumulated investments made by non-residents from the EU in the total value of investments to the region.

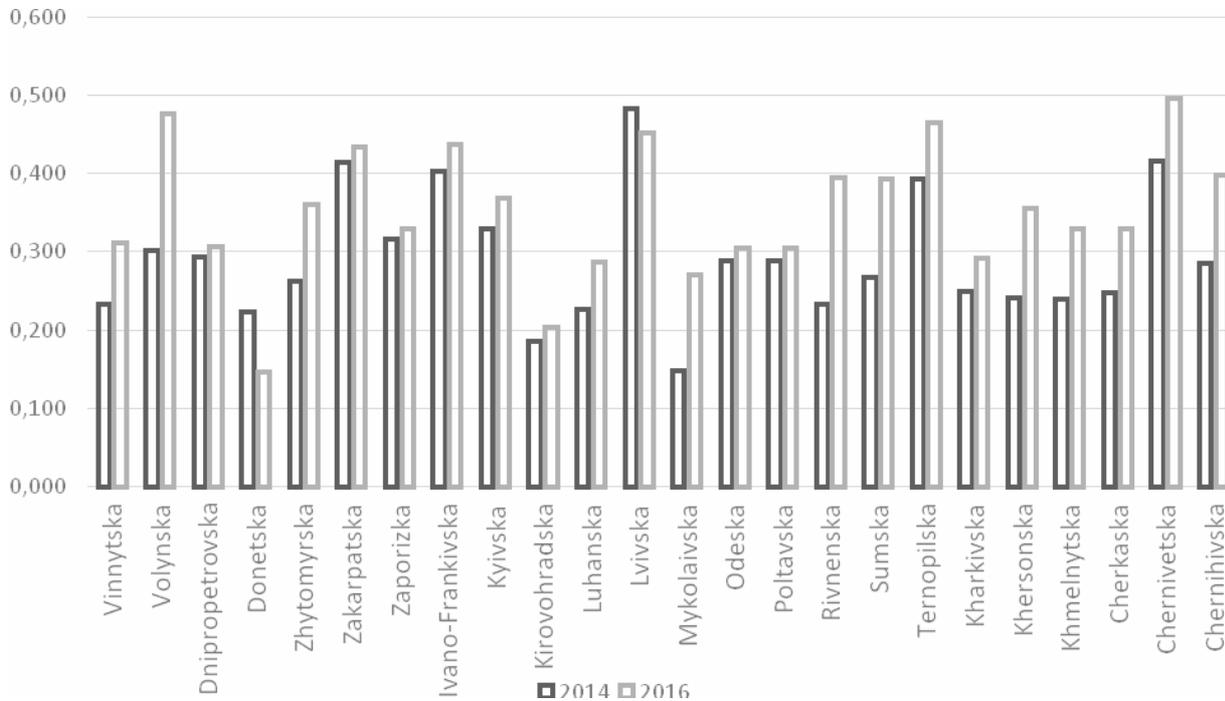


Fig. 1. The dynamic of Index of Eurointegration economic headway of the regions*
*built by the author based on [6]

In 2016 p. the map of Eurointegration economic headway became more even with a focus on the western and northern locations. Eurointegration processes unfolded the most intensively in the western and northern regions. Economic systems of the majority of southern, central and eastern regions were connected with the EU considerably weaker.

The beginning of the free trade regime with the EU positively influenced the dynamic and structure of the statistical indicators of foreign trade. In 2016 after the significant decline the quantitative indicators of goods and services trade between the EU and Ukraine started to grow. Economic systems of all regions except Luhanska oblast became more and more open for the trade with the EU. There are no more regions, which have the dominant share of commodity exports to the Commonwealth of Independent States (CIS). Instead, the share of commodity exports to the EU from the regions increased from 31,5% in 2014 to 34,1% in 2015, to 37,1% in 2016. The highest rates traditionally belonged to the western regions of Ukraine [7].

In 2016 a crucial point was that the increase in the export share to the EU took place not only due to the reducing the exports share to the CIS, but due to the positive dynamic of absolute indicators. In 2015 p. compared to 2014, exports to the EU increased in 6 regions. Instead, in 2016, exports increase to the EU countries was recorded in 17 oblasts, 9 of which showed an increase of 10% or more. Taking into account the fact that in 2014 it became a period of significant decline of Ukrainian exports to the EU, the growth in 2016 represents a faster starting point for the start of recovery. The three-year negative dynamic of exports to the EU from Odeska, Chernihivska, Zaporizka oblasts appears to be threatening against this background. The reason for such dynamic is not so much an unfavorable market situation, but a lack of institutional support for exports at the regional level.

The gradual increase of the EU imports importance for the regions reflects not so much a domestic product displacement, but a replacement of the Russian goods, which were imported to Ukraine before the Ukrainian-Russian sanctions beginning. On the one hand, the positive exports dynamic reflects the incremental reorientation of regional economics towards the European direction. More Ukrainian enterprises were authorized to export the livestock products to the EU. More entities engaged in foreign economic activity sought to take advantages of the approved exporter status. On the other hand, primary and agricultural products prevailed in the exports structure of the majority of the regions. The best conditions for modernization and integration to the EU value chains are ripe in the western regions, where the channels for raw-material, components and equipment import are established traditionally more effectively. The share of the commodity group "Machinery, equipment and mechanisms; electrical equipment" predominated only

in Zakarpatska, Ternopilska and Volynska oblasts. These regions formed the group, in which the EU integration can be considered the most “quality”.

During the period researched massive outflows of the EU investments were observed. In 2014 an increase in investments from the EU was observed only in Ivano-Frankivska oblast, in 2015 – only in Kyivska oblast. The slight improvement was reached in 2016: positive dynamic of investments from the EU was in Zakarpatska, Kharkivska, Cherkaska and Chernihivska oblasts. A substantial part of the investments was concentrated in the industrial enterprises, including processing industry, financial and insurance institutions, the retail and wholesale trade. By the end of 2016 this indicator exceeded 90 % in Volynska, Ternopilska, Khmelnytska and Chernihivska oblasts. The significance of investment flows from the EU to the regions was much higher than from the regions to the EU [8].

A sustained increase in the remittances volumes in the relation to the Gross Regional Product reveals the greater integration of Ukrainian labour into the EU economy in all regions except Dnipropetrovska oblast. Odeska (18,4 % in 2016), Khersonska (14,5 % in 2016) and Chernivetska (7,9 % in 2016) oblasts significantly differed from other in terms of the proportion of remittances volumes sent to the region from the EU countries in the relation to the Gross Regional Product.

In spite of generally positive trends of the Sub-index of institutional support from year to year, this component of Eurointegration economic headway remained much weaker than trade and economic one. The unequal dynamic of processes related to the institutional support provision influenced the regional ranking, resulting in significant fluctuations of leaders and outsiders.

Over the period researched the EU projects distribution became more even. The number of the EU actions grew in the northern, central and eastern regions. The number of oblasts with a zero value decreased to the four (Kyivska, Odeska, Ternopilska, Khmelnytska).

The number of the custom-related communications from individual and legal persons, received to the anti-corruption service “Puls”, had essential regional differences. In the “lieder” of this rank – Volynska oblast for each thousand business entities there were 838 claims in 2014, 1146 in 2015, and 407 in 2016, while in half of the regions this figure did not exceed 50 in 2014, 60 in 2015 p, 20 – in 2016. In 2016 there was a sharp jump of this indicator, after that its figure declined several times. Such result was achieved due to the establishment of transparent relations with the business and regional community, as well as awareness-raising activities and preventive measures among the customs officials.

In 2014-2016 more and more regional state administrations became involved in the organization and implementation of activities devoted to economic issues of the EU-Ukraine Association nd

Table 1
The expert recommendations to improve the institutional support for Eurointegration economic headway*

Oblast	Establishment of partnerships with NGO and educational institutions for mutual projects development under the EU programs	Conducting in-depth studies to discover perspective directions of trade and economic cooperation with the EU	Promotion of investment attractiveness of the region	Development of the infrastructural facilities for the development of small and medium-sized businesses	Improving information support for the AA implementation on the official web-sites of regional state administrations	Intensifying the activities of the institutional support for the rural green tourism development	Determining the causes of customs-related complaints received to the anti-corruption service and working to address and prevent them	Development / refinement or regional action plan for economic part of the AA implementation
Vinnytska		+			+			+
Volynska			+		+		+	
Dnipropetrovska								+
Donetska		+				+		+
Zhytomyrska		+	+	+				+
Zakarpatska		+				+	+	+
Zaporizka		+						+
Ivano-Frankivska			+					+
Kyivska			+					+
Kirovohradska	+	+	+	+	+	+		+
Luhanska				+	+			+
Lvivska					+	+		+
Mykolaivska	+	+	+		+			+
Odeska		+		+	+			+
Poltavska		+			+	+		+
Rivnenska		+		+	+			+
Sumska			+	+	+		+	
Ternopil'ska				+				+
Kharkivska		+			+			+
Khersonska			+			+		+
Khmeln'ytska		+			+	+		+
Cherkaska	+		+	+	+			+
Chernivetska		+			+			+
Chernihivska		+	+	+				+

*developed by the author based on [6]

Conclusions. During 2014-2016 the dynamic of Eurointegration economic headway of Ukrainian regions was different both in time and space, but generally positive. Significant beneficial changes were observed in 2015, whereas in 2016 progress slowed significantly. The geography of positive strides spread from west to north. Economic systems of the southern, central and eastern regions had much weaker level of trade and economic linkages with the EU. Regional economic systems became more open for the trade with the EU and more dependent on the marketing products in the EU. Despite the maintaining of the negative imports dynamic from the EU to the majority of the regions the importance of goods and services supply from the EU increased. The significance of Russian market decreased for the most part of regional producers. The increase in the number of enterprises allowed to export the livestock products to the EU, as well as the number of entities sought to take advantages of the approved exporter status, reflects the EU market attractiveness and the ability of Ukrainian producers to become successful in it.

The regions, which had less favourable institutional environment for European economic integration, distinguished in much lower indicators of the EU projects support. The ranking outsiders also had the problems of inadequate information support on the subject of European integration, large numbers of customs-related complaints received to the anti-corruption service “Puls”, low activity of the regional state administrations on the bilateral cooperation on the issues of rural green tourism development, lack of the presentations of economic and investment capacity of the region to the EU bodies and structures.

The strengthening of institutional support for Eurointegration economic headway in the regional dimension reflected mainly in the gradual reduction of the territorial disparities in the EU project support and shifting the focus of European donors from the western to the northern, central and eastern regions; the increase in the number of local authorities involved in the events devoted to economic issues of the EU-Ukraine Association Agreement, including educational activities for the rural population with the participation of the EU experts.

Among the perspective directions to improve the institutional support for Eurointegration economic headway are: establishment of partnerships with NGO and educational institutions for mutual projects development under the EU programs; conducting in-depth studies to discover perspective directions of trade and economic cooperation with the EU; promotion of investment attractiveness of the region; development of the infrastructural facilities for the development of small and medium-sized businesses; improving information support for the AA implementation on the official web-sites of regional state administrations; intensifying the activities of the institutional support for the rural green tourism development; determining the causes of customs-related complaints received to the anti-corruption service and working to address and prevent them.

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