

## THE METHODOLOGICAL PROBLEMS OF THE STRATEGIC DECISION FOR THE ECONOMIC INTEGRATION OF UKRAINE INTO THE EUROPEAN UNION

Subject:

*A methodologically sound decision for **the** strategic course of an in-depth integration of Ukraine into the EU, assures the factual utilization of opportunities for the most effective international division of labor, optimal distribution of resources, the need to utilize the law of comparative advantage, the formation of a stable export-oriented economy and to define of its place in the world community.*

Exploration of the problems of strategic decisions for the integration of Ukraine into the European Union, takes on a particular timeliness in connection with the five-year history of independence of Ukraine, and the recognition of its worldly association and inclusion in the European Union.

In our opinion, the methodologically sound strategic courses of the governments of different countries examine how the result of deliberate choices of the highest government bodies and economic structures provide the principal /prioritized/ direction for the development of their country's economy with regard to the integration process into the EU. **The primary goal** of Ukraine's strategy is to bring the country to a level of macroeconomic stabilization, and take its appropriate place in global economics. The most important task of the economic strategy is to engage in **systematic institutional reform**. The principal goal - the creation of effective incentives for entrepreneurial activity, various forms of private ownership, and a mixture of economic systems..

Strategic dialectic and goals consist of the following: the goals express to what /under what conditions/ the government is to target, how the strategies address the questions and with help, how effectively can these goals be attained under normal market conditions. Global strategies include coordinated integration of different activities as seen on the scale of the European region. The principal distinction of long-term strategic planning is that it is determined as long as the trend moves toward the desired condition and free decision making is maintained with consideration of the domestic and foreign situation.

The following methodological plan addresses strategic perspectives in theoretical relations, as well as strategies in practice. Theoretical perspectives are derived like a scientific hypothesis drawn from the real tendencies of societal development, while global strategies appear only in the form of prospective tendencies which reveal an avenue for economic theory to develop towards a new paradigm. Socio-economic strategies, in light of this paradigm, have crossed post-industrial relations like the epoch rapprochement seen in the interwoven economies of the European countries, which have become interwoven on the basis of integration. Under these conditions, Ukraine will not develop separately, but in the general direction of a worldwide association. **Model strategy** - it is the result of the subjective representation of different variants of formation and the realization of government strategy which emerges from a base of concretely developed principles. In theory, it is possible to examine the mechanisms of formation and the realization of the next model of strategic development (planning strategies) a free-enterprise type model; and a model for training experience. The uniqueness of Ukraine's problems indicate that in their decisions, it is impossible to expect on some, "pretend models," the development of a transition process. The type of transition Ukraine intends to take is its own path of freedom, "shock therapy," to "government cooperatives." In all developed countries, the major private enterprise organizations are centered around the principle of corporate ownership, and all possess independent legal systems which are based on the observation of contract obligations.

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The comparative analysis of different market models enables us to make choices around this, despite diverse forms, all market systems will distinguish their own relative effectiveness. Though time, there will be an exchange of opinions about such market forms, followed by a declaration as to the most effective. The science of economics presently cannot make a certain hypothesis as to which model will follow and which countries will be exploited. In any case, Ukraine still must begin with the one and the same legal and economic reform, stabilization, privatization, liberalization, etc.

Attached to the choice of which form of market economy model will be determined, are not only the laws and regulations which will be selected for Ukraine, but also particulars of Ukrainian history, culture, resources, political and economic structure. Moreover, is the need to expediently create self-ownership of the Ukrainian economic model. Obviously, in the future, market models will be more like one another. The gradual economic integration of different countries and the progressive development of mixed economies will be accompanied by continuous rapprochement of economic market models in quest for their new form. The difference in national economic structures, scale of values, national culture, and history of a country seriously affect the success of integration in the EU.

Acknowledgment of Ukraine as an equal among equals in Europe, as independence significantly raised her prominence in the International arena. Today, 152 countries recognize Ukraine's independence, and 142 have established diplomatic relations. In the fall of 1995, Ukraine became one of the 37 members of the European Union and has made significant steps in the integration process into the EU.

There exist different steps of integration. It is possible to distinguish such forms of integration from the minimum to the fully comprehensive: Free-Trade Zone, customs agreements, overall markets, an economic union, and complete integration. The greatest is complete economic and political integration, which is a possibility, when two or more independent countries gather together and draw up complete economic laws.

In theory "under the idea of integration, is in fact the utilization of all potential opportunities of effective division of labour". Obviously, complete integration is possible as long as, when failing to have political independence, there is otherwise different legislation, or a governmental system and hereinafter removes the barriers in the path toward optimal sharing of resources. **Integration** - it is a dynamic process. It signifies a passageway from existing economic relation between regions toward complete integration of their economies. As well as the possibility of movement away from complete integration.

Deserving attention is the positive experience of Western Germany, an economic strategy which became renown under the title of a **socialist trend of market economics**. It is a symbiosis market economy based on principles of part ownership and a socialist system of supplying for the unprotected general public. As a result of the economic integration of West Germany and East Germany, modern Germany possesses the one and same economic market development.

The experience of western European integration is attracting all regions of the world. Worthy of attention is the research of the economic mechanisms of this integration process. The first role is to correctly engage the complex instrument of government regulation, and the **gradual planning elements** of economic life in a western European country.

Opening perspective passageways for comprehensive integrational cooperation and subsequent formation of a common economic region is conditional upon the practicality of the objective process on all continents, embracing the increased number of governments, in connection with the extremely different degrees of economic development and political forces. Therefore, it is natural that all large countries in the world combine in integrated unions, different associations, and 'free-trade zones'. Initially, the direction of integrational cooperation usually served in finding government independence lagging behind geo-strategic interests of neighbouring governments in economic regions, the reduction of mutual cost in the movement of factors of production, joint development of regions of modern technical/scientific progress, the decisions to exchange efforts and means of modernizing the most complex ecological problems. The scope of integration tendencies summons particular aspects and

contradictions of modern stages of world economics and international relations. The important aspects of the modern stages of development reveals such active redistribution of roles between groups of nations and fields of international unification, like the result of the process of global integration of production. Internationalism of the world economy is connecting the transformation of multinational economies with certain transnational corporations in some of the basic agents of development. Included with these effects of cooperation, according to the definite initial trends, basic tendencies render the opposite effect on the general movement of development inside world economics and in the whole process of integrational economic life. Here after, in-depth cooperation and specialization of production, all the more, will be to determine the interaction of regional groupings., Specialization in a series of advanced fields, diversified production, аdй healthy exporting activity will become the critical factors in determining the role and place of government in contemporary world economics. German chemical companies engage in large scale production from within borders to their worldwide sales network., in order to strengthen their leadership position; it is the same with *the Swiss* pharmaceutical companies and the Swedish production of trucks. In Ukraine, they title such progressive tendencies, reinforcement of position in the international division of labpur and the reorientation of foreign commerce in western markets. In **1995**, combined exports, according to the Ministry of Foreign Economic Relations and Commerce, increased by **18.5%**, from the previous уедгаші imports by **16.9%**. Along with, this, the process goes fur<sup>er</sup> toudeve<sup>^</sup> of the export structure. In the export structure, ferrous metals and manufactured goods accounted for **34.2%** of export volume; electricity and the mechanics of cars and equipment - **12%**.

In time\* the leading, role., will be the decision to engage the metal industry and rural e<sup>nomies</sup>, that is to say that their ajre few opportunities for export specialization. Ukraine stands with; ,a need to build<sup>n</sup>up its ejigjart potential and create an *export-oriented* raw fuel resources complex. Around this, it is important to efficiently utilize revenues from the export of raw materials fos the rest n<sup>u</sup>^<sup>ng</sup> and rise of the refining industry. There is a need for **an** active programsupporting exjjprts of this industry.

Development of raw Juei, resources, potentially in ад exportroriented model, presents itself with not ед<sup>^^^У</sup>.<sup>^IIIII</sup>^<sup>III</sup>^<sup>^^^8</sup>, But the problem emerges not from the ability to make other strategic dejpj<sup>^iojifjfhjit</sup> in order to accelerate improvement of the overall national

Government politics\* Q» the issue of developing a competitive environment, must venture, in the direction j&the main examples of *foreign trade regulation* as long as imports today appear the moigt. practical factors of competition in the Ukrainian market.

; , The eqonomie development of an EИ country should be accompanied by the birth of new organizational forms and the creation of *combined* ownership which will enable it to maximize the effectiveness of distribution of resources, conversion of all resources into the most effective form. At the same time, the *dwindling of borders* of enterprises of different countries presents viability to the strategies of increased organization flexibility under conditions to quickly change market situations or .acceleration of technological processes. To give rise to *hedging* strategies characterized by cross-ownership of enterprises that permit adaptation to market competition.

The contemporary integration processes in world economics relaxes the role of cross-field competition of individual governments and their group and exclusively increases internal competition between nations. Under the new conditions, the greatest success depends on traditional factors: quality of goods, its design, level of post-sales service, continuous supply of, parts, etc. Now, they no longer play a deciding role in the acquisition of one's own limited earthly resources, not the monopolistic disposal of separate valuable sources of raw materials and energy and even all the complex natural geographic conditions. Although, the existence of all these factors in combination, may enable this or another government to occupy for a definite period of time, a rather lasting niche in world economics. However at this time, the main path towards steady success is. in integration strategies.

The methodology of problems of the decision of strategy of integration also provides

substantiation of the theoretical position that the basic factors will get the maximum usefulness of the law of comparative advantage, have the maximum economizing in the costs of production, circulation, transportation, and intersecting borders. Comparative advantage - it is a dynamic concept, its contents include change with the passage of time.

Any theory of advantage of one country in a specific field covers that; 1) firms are able to select different strategies and consequently, theoretical approaches must explain why firms of one country select better competitive strategies than firms of another country. 2) Leaders in international competition often use global strategies in which they inseparably link commerce and export capital. A majority of the proceeding theories oriented some on commerce, some on export capital. Modern theories must address why a country becomes a base for a firm which they attracted, and thus another. Economic theory must go further from comparative advantage towards the analysis of *competitive advantage* of a country. It must address why firms of a given country accept competitive advantage in all forms, not only to look into specific advantages in basic factors of production. In the process of creating a competitive advantage, the conduct of a firm must become part of the competitive advantage of the country. Methodological economic theory must give firms an understanding of how to plan their own strategy in order to successfully compete in the world market. Its goals are to help firms and government in deciding the most appropriate strategies for the deliberate positioning of the usefulness of national resources and the achievement of increased productivity. Firms must base their own strategies on improvement, renewed technologies, and on preparing to compete in the operation of integration process. Globalization strategies introduce themselves as an inseparable component of the process of complications and improvements of competitive advantage. Governments of European countries, in harmony with their own integration strategies, must strive towards the achievement of higher productivity, the effective definition of productivity, encouragement of development, motivation of the work force, and towards competition, and not to count only on subsidies and large-scale programs of international cooperation. In the world, where they govern basic and free competition to prosper, they allow many countries and not because one expects to fall behind another, but because that allows them the highest level of integration. In perspective basic trends of economic politics of EU nations, members, in their\* objectives, must determine the Union Minister, who will watch the direction of economic trends of each country as well as the whole EU. The presumed creation of a Central European Bank will come together with the national central banks for the basis of a common European financial system. The forthcoming variables must be considered by Ukraine in choosing its integration strategy. The European Union foresees a reinforcement of common planning strategy in economic politics; in which, all the member governments of the EU go voluntarily and do not view an undermining of their\* individual fiscal initiatives. The political union includes an independent government, plans on the installation of a common policy in the area of foreign affairs, and without threat, the existence of a common approach to producing an internal legislation. It intends to further reinforce the importance of a European Parliament and broadening of authority of the EU with the perspective elimination, by way of a gradual liquidation, of internal borders with a strengthening of external and customs borders\* of the EU. At the same time was the appearance of acceleration of the process of thorough sociopolitical unification of member countries, but in the end, what is visible is the creation of a Western-European confederations Economic cooperation of Ukraine and countries of the European association' must\* Consider such intentions of the *"integration breakthrough"* in the Asian-Pacific \*Иїrec<йШi Мhyрbth-esis, starting with the next decade, here will moves the bases of financial аfd IШевйренй' centers of the world, but countries, by themselves, of the Asia«iPac4fic^601,'figufatRrely speaking, will come out as a>quality 'engine' of world progress\* Iwasses^fentl, nonerif which are analysts from the countries of the EU, conceive the creatlofeof a fteAfc{Asia№Pacifk^tr^«d>» in order to conquer the competition from the European Uniotgandib provMe-themselves the leading spot in world economies in the twenfcyifirst centuryb^/ III'^.nou^-n »л ч> n \*

The logic of contemporary development' of\*wbi\$dfcee6notti2&oottipela go>eri»hent'to littfc > perspective improvements in their position, by broadening and deepening economic Integra-

tion with its nearest neighbours. The present aspects of Ukraine's integration strategy conclude a crossing from the build up of energy resources from exports in the west towards the restoration of regional integrational cooperation in the area of the EU, creating this same condition for reinforcement of diversification of its own export potential. The in-depth integration process in significant measure will depend on how effectively countries of the EU and international economic organizations offer financial support for Ukrainian transformation. New programs of credit from the IMF for Ukraine, provide cooperatively in the limits of the program, 'stand-by,' but also Ukraine has opportunities to access the resources of the International Monetary Fund from new programs and, in part, a mechanism of expanding credit from the EFF in the general range of \$3 billion. IMF examined the matter of presenting at the end of 1996, a stabilization fund totalling \$1.5 billion is able to be provided to stabilize the national monetary units as a result of completed reforms. It is a drastic measure to form efficiencies in the national economy and an acceleration of its integration into the EU. Simultaneously, an agreement has already been achieved about the allocation of \$300 million for the reformation of the agricultural industry complex, but also on restructuring the public sector. Incidentally, the Poltava Oblast (Region) is cooperating with a German firms to introduce modern technology obtained for sugar beets and improved technology for the meat processing industry. The requirements of the deals in the IMF began the preparatory work for two new projects - the financing of a gas meter plant for the less well-to-do citizens of Ukraine as well as instruments controlling and regulating the consumption of energy resources in the public sector of the country. There is an extent of increased cooperation between Ukraine and the World Bank, which provides long-term loans for commercial purposes, although poor countries are given preferentially low interest rates for such credit. The objective of these loans is to finance specific investment projects. Credit programs call for the help of government to implement structural reforms in key areas of the economy. For example, to engage in liberalization of commerce. The European Bank of Reconstruction and Development includes 60 countries (among which are the United States, Japan, Germany, etc.) The Creation of 18 joint-projects, will include to finance an Ukrainian-English oil extraction company in the Poltava region.

The intentions of the European Bank of Reconstruction and Development is becoming jammed in the granting of credit in particular sectors. An important source that is providing assistance comes from individual western governments: in terms of straight credit and without interest. Since, without international financial assistance, Ukraine is unable to earnestly count on a turning point in the economy, the means of the IMF and other international economic organizations are coming forward with grants for the continuation of political and economic transformation. Now, when many countries of the world are re-examining their own economic system, the importance of the correct strategic decisions for the integration into the EU is as crucial as ever.

Among serious steps in the acceleration and deepening of the integration of Ukraine into the EU, appears the position of the government of interdepartmental Commission on the matters of adopting legislation of Ukraine towards norms and standards of the European Council. A decree to this effect was signed on June 5, 1996. In the Commission appear the organizational, central preparation of proposals in bringing national legislation of Ukraine in conformity with European norms and standards.

The primary tasks of the Commission are:

- The preparation of proposals to execute the legal obligations of Ukraine like the governments of members of the European Council.
- To cultivate a project plan of the reformation of legislation of Ukraine.
- Practical, drastic measures around ensuring the realization of Ukraine's international programs and plan of reformation of legislation.

The commission has the right:

- To recruit responsible workers for the Ministries, other central organization of executive power, industrial enterprises, establishments and organizations, leading studies, and specialities.

- To utilize working groups for the preparation of positions on the issues of the plans of normative acts, technical documentation, and conducting scientific research and expert evaluation.

Such agreement between Ukrainian legislation with the norms and standards of the European Council provides to embrace the principal directional integration strategy of Ukraine to meet world standards.

On the whole, the major shift in world economics reinforced the active integration of countries of the EU in a united planetary economic system with universal system of regulation.

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