JOURNAL
OF EUROPEAN ECONOMY
Vol. 2 (№ 4). December 2003
Publication of Ternopil Academy of National Economy

Bilateral Economic Relations

Evangelos SISKOS

GREEK-UKRAINIAN ECONOMIC COOPERATION IN THE CONTEXT OF INTEGRATION PROCESSES IN THE BLACK SEA REGION

Abstract

National strategies of Greek-Ukrainian economic cooperation, the structure and dynamics of Greek turnover with Ukraine and the other BSEC countries were analyzed in this paper. Sustainable economic growth both in Greece and Ukraine requires transition from catching-up development pattern to the innovation-based and export-stimulation policy combined with the import-biased growth.

Key words:

Greece, Ukraine, Black Sea Economic Cooperation, foreign trade, catching-up development, import substitution.

1. Introduction

Structural reformation and technological modernization of economic complexes in Greece and Ukraine come in line with expanding and deepening bilateral trade and economic cooperation. Ukraine, being the largest country of Eastern Europe, occupies a specific place in the foreign economic strategy of

Siskos Evangelos, PhD in Economics, Associate Professor, Department of International Trade, Campus Kastoria, Technological Educational Institute of Western Macedonia (T.E.I.), Greece.

Greece. These two countries participate in the programs of the European Union (EU) and the Black Sea Economic Cooperation (BSEC) regarding trade, industry, power and transport communications, banking business and finance, environmental protection, tourism, agriculture, processing of agricultural products, science, technology, etc. The Greek-Ukrainian cooperation favors Greece in strengthening its ties with the CIS countries, the countries of Central European Initiative, as well as other regional groupings having Ukraine as their member, and is the important factor of accelerating continental integration processes.

The studies of Greek and Ukrainian economists concerning the influence of political, economic, and social transformations upon regional integration processes and consolidation of international and national security revealed that, in the modern global competitive environment, the deepening of production specialization and the development of foreign trade relations constitute an objective law of production forces functioning within the system of international labour division [1–6]. The research of the least studied problems of cooperation among the countries with different types of economies within a single regional organization seems to be urgent since the regularities revealed allow to define perspective trends for the development of integration in the Black sea region.

2. National Strategies of Trade and Economic Cooperation between Greece and Ukraine

While analyzing the strategies of trade and economic cooperation between Greece, the only BSEC developed country, and Ukraine, the largest Eastern European transition economy, it is worth noting that they both are largely dependent on the world market situation. The exports share in the GDP of Greece is 20% while in Ukraine it is over 60%. According to the exports nomenclature, Greece has no impact over the world prices, being a small economy in terms of the international trade theory. Ukraine could be treated as one of the largest economies with regard to ferrous metals and some agricultural sector products (sunflower, vegetable oil, and cereal). Greece is one of the five world leaders in international sea carriage and foreign tourism. Ukraine belongs to the five leading space states possessing its own innovative techniques for manufacturing space technologies including rocket carriers with ecologically pure fuel, artificial satellites, and systems of space navigation. It is listed among the nine states with developed aircraft industries. Moreover, Ukraine is the major producer and exporter of military technologies, but, in this sector of international trade, the pricing is determined by political rather than economic factors.

The institutional principles of the Greek-Ukrainian relations are codified in the Agreement on Friendship and Cooperation between Ukraine and The Greek Republic signed 1996 in Athens. The Agreement provides legal basis for deepening the bilateral trade, economic, scientific, industrial, and cultural relations by significantly expanding the spheres of interaction between these two countries determined in the Agreement on Partnership and Cooperation signed by Ukraine and the EU in 1994.

The development strategy of Greece determined an accelerated growth in production of goods and services while ensuring positive payments and trade balances to be one of the most urgent tasks of national economy, which requires that the volumes of foreign trade turnover should be increased at leading exports growth rates.

The dynamics and trends of Greek international trade links are determined by economic factors, though presently, the imports of steel, textile, agricultural products, and a number of other goods from the EU non-member countries are limited and should not exceed the share of Greece in the total EU third country imports quota. Likewise, there are exclusions set by the UN trade sanctions regime applied to «problematic» and belligerent countries.

Additionally, the national strategy of international trade and economic cooperation development takes into account the geographic factor – Greece has no common land borders with the EU countries – which resulted, after joining the Community in 1981, in assigning one of the policy priorities to establishing partner relations in the form of free trade regimes with the neighbouring states having Greek goods in transit [1, 2, 3].

The Ukraine's national economic transformation strategy was initially based on the concept of the state's full non-interference with economic processes along with liberalization of prices and foreign economic activity. In spite of being essentially corrected throughout the transition period, it resulted in the GDP slump, deep economic structural deformations, decreased living standards, and other negative social and economic consequences. In order to overcome the tendencies of deindustrialization, the Ukrainian scientists elaborated a mobilization-type strategy model, which anticipates the role of the state in administering economic processes to increase, national production to regenerate, small- and medium-sized businesses to be promoted, the domestic market and trade relations with all regions of the world to be expanded on the basis of organic combination of further external economic liberalization with state protectionist mechanisms [4, 5]. The country also faces an urgent task of attracting foreign investments [6].

Geopolitical and geo-economic transformations of the late XXth century were accompanied by the intensified competition on traditional Greek sales markets. While the GDP and the external trade turnover increased, the share of Greece in the world commodity trade decreased from 0.54% in 1980 to 0.42% in 2000 in imports and from 0.27% to 0.17% in exports; the share of external trade in the national income decreased from 39% to 34.4% for the same period [7].

To encourage exports and coordinate external economic activity, the Greek Organization of Foreign Trade (G.O.F.T.) was established. Its major activities are:

- to develop, together with the Ministry of National Economy, the programs of structural reformation of export industries, businesses modernization, product quality improvement, and product promotion in the new markets;
- to analyze and forecast the world economic situation; to provide information and analyses to the agents of external economic activity; and to develop new methods of exports management;
- to create and support export-oriented joint ventures and to further the participation of the Greek companies in international production cooperation;
- to organize continuous cooperation of the Greek Chamber of Trade and Commerce with those of the foreign countries on a contractual basis;
- to employ the capabilities of economic departments of embassies and missions to promote and provide information about Greek products at international and national exhibitions and fairs abroad.

The Greek external trade development strategy considers the Eastern European, the Balkan, and the Black Sea area markets to be the most perspective in terms of exporting Greek products and importing raw materials, energy carriers, and industrial equipment so that to meet the increasing demands of national economy [8]. Since the early 1990-s, the G.O.F.T. five-year and long-term perspective programs have been assigning equal priorities to both the expansion of production and trade relations with the EU and the BSEC countries and the entrance into the new worldwide markets as the directions of trade and economic cooperation of Greece and foreign countries [9]. The G.O.F.T. trade centers were primarily set in the largest port cities of the BSEC countries, such as Odessa, Burgas, Konstants, and Novorosiysk.

Greece is highly concerned with expanding the cooperation between the trade and commerce chambers and exposition organizations of the BSEC countries, which are the effective instruments of coordinating international trade and business operations, as well as foreign tourism, which contribute to the development of integration processes in the Black Sea area. The major Greek exposition organization – HELEXPO – in cooperation with its partners from Azerbaijan, Albania, Armenia, Bulgaria, Moldova, Russia, Romania, and Ukraine has developed and is now implementing a long-term program of organizing and conducting general and specialized exhibitions in Greece and the other BSEC countries on the regular basis . Plenipotentiary representatives of Ministries and Offices from Ukraine, Russia and other countries of the region, as well as the European Commission and the European Bank of

Reconstruction and Development (EBRD), took part in the HELEXPO conferences devoted to the problems of international cooperation in the new markets of the South-Eastern Europe. The recommendations approved at the conferences gave a start to implementation of a number of joint BSEC projects regarding the construction of international energetic and transportation corridors.

The national trade and economic cooperation strategy views Ukraine not only as a worthwhile market for Greek exports, but primarily as the country of highly developed mining and metallurgic complexes, general, energetic, and transportation engineering, as well as other industries, the imports from which economically exceed the efficiency of imports from the western countries. The other Ukrainian products, such as rolled bars, packed rolled metal, ships, turbines, machine-tools, vehicles, etc., correspond in their quality to western analogues, but cost significantly less. The expansion of Greek – Ukrainian economic cooperation is in line with the general Eastern strategy of the EU, the share of which in the Ukrainian external trade increased from 14.1% in 1996 to 24.4% in 2002 [7].

Ukrainian exporters were often unreasonably accused of dumping in many countries. That is why Greece supports Ukraine in striving to become the EU associate member and enter the WTO, the rules of which regulate over 95% of the world turnover. The Ukraine's membership in the EU and the WTO will not only provide advantages in entering the world economy in full rights, but will also create new grounds for increasing trade with Greece.

At present, the share of Greece in the Ukraine's external trade is not significant. Nevertheless, the Ukraine's international cooperation strategy considers Greece to be not a second-rate partner, but a key country for the development of trade and economic relations with the Balkan region and the Eastern Mediterranean countries. The priority of the «Greek direction» in the Ukrainian policy is proved by the creation of permanent bilateral Intergovernmental Commission on Economic, Production, Scientific, and Technological Cooperation.

According to the Commission's recommendations, the Greek side provides loans for realization of the joint investment projects implemented in Ukraine. The Commission also coordinates development of the new forms of bilateral relations, starting with establishment of cooperation ties among individual enterprises and up to cooperation agreements among the branch ministries and departments, as well as official partnerships among cities and regions (e.g. Athens – Kyiv, Piraeus – Odessa, Kastoria – Kyiv Shevtchenko district, Glifada – Berdyansk, region of Western Macedonia and Kyiv oblast, etc.).

The scale of the Ukrainian and Greek capital's participation in the partner economies does not correspond to the production potential of Ukraine and the financial potential of Greece. The main reason for this is the Ukrainian unstable economic legislation and heavy taxing, which hampers the expansion of foreign investments. In contrast to Bulgaria and Romania, where, respectively, more than 800 and 1900 joint ventures with Greek capital were created in the period from 1990 to 2002, only 50 joint ventures with Greek capital were established in Ukraine. Similarly, there are only few joint ventures with Ukrainian capital in Greece, though many Ukrainian companies construct industrial, energetic, and transportation objects on the territories of Greece and the neighboring countries of the Black Sea region.

Despite the generally unfavorable investment climate in Ukraine, Greece (including subsidiaries of the Greek companies in Cyprus) ranks the fifth among the leading western countries (after the USA, Germany, Great Britain, and the Netherlands) with regard to the cumulative volume of direct foreign investments brought into the Ukrainian economy.

The dominant Greek investment spheres in Ukraine are the telecommunication systems, agricultural complex, construction materials manufacturing, food products, consumer goods, trade, wood processing, as well as gas mining and its transportation; the value of project investments is estimated to be dozens of millions of dollars [10].

3. The Structure and Dynamics of Trade between Greece and Ukraine

With diversified industrial and agrarian complexes, as well as capacious and unsaturated domestic market, Ukraine is one of the most promising Greek trade partners in Eastern Europe. Long-term contracts for importing Ukrainian ferrous and non-ferrous metals, mining and agricultural raw materials, chemicals, and mineral fertilizers at average world prices allows to make Greek products competitive in the periods of world price skyrocketing for the named groups of products.

At present, Ukraine mainly exports ferrous metals (over 50%), vessels (about 20%), sunflower, grains and other products of agricultural complex (over 10%), as well as machinery and industrial equipment (about 7%) to Greece. In the Ukraine’s imports from Greece prevail citrus fruits; food products and consuming goods (over 75%); diesel fuel, petrol and other oil products (15%); electrotechnical and telecommunication facilities (5%) (Table 1).

As proved by the data in Table 1, owing to different export structures of Greece and Ukraine, they are not competitors on the world market; moreover, the existing industrial and agrarian product specialization complements production possibilities of the national economies.

Due to intensified modernization of production plants, the structure of Greek exports changed considerably during the last decade after the country had joined the EU market. The volume of exports increased while the share of food products, consumer industrial goods, animal fats, tobacco, and beverages shrank, and the share of machinery, equipment, chemicals, fuel, and lubrication materials increased. Along with that, in the exports structure of Ukraine, the share of raw materials and low-processed products has significantly increased [7] compared to 1990 [5], which was caused by the hypertrophied development of the mining industry in the soviet period, as well as slow structural reformation and technological modernization of the country's production base.

Table 1.

The Commodity Exports Structure of Greece and Ukraine in 1996–2000.
(annual volume of exports above $200 mln.)

Commodity classification	Value[1], US$, mln.	Weight[2], %
Exports of Greece		
Industrial consuming goods	2215	20.0
Industrial equipment	2165	19.5
Food products	1845	16.6
Machinery and transport vehicles	1110	10.0
Fuel and combustible	1055	9.5
Chemical products	730	6.6
Mineral raw materials	665	6.0
Tobacco and beverages	635	5.7
Fats and vegetable oil	460	4.1
Other goods	220	2.0
Total Greek exports	11100	100.0
Exports of Ukraine		
Mining products	6180	42.0
Machinery, equipment, transport vehicles	1915	13.0
Grains and agricultural products	1585	10.8
Food products	1510	10.3
Chemicals and mineral fertilizers	1480	10.1
Clothing and textile	565	3.8
Other goods	1480	10.0
Total Ukrainian exports	14715	100.0

Notes: 1. In current market prices.
2. Annual average figures for 1996–2000.

[1] Ενδοκοινοτικό και εξωτερικό εμπόριο 1996-2001. Ειδική ενημερωτική έκδοση. Εθνική Στατιστική Υπηρεσία της Ελλάδας. Γ.Γ. ΕΣΥΕ. – Αθήνα.
[2] Foreign trade in CIS. Finance and Statistics. – 1997–2001.

In 2001 Ukraine ranked the 69[th] among 75 industrial economies according to the competitiveness index despite the fact that the country, which occupies 0.45% of the world territory, possesses 5.2% of the world natural resources (i.e. iron and manganese ores; coal; uranium; ferrous and rare ores – mercury, zinc, lead, titanium, magnesium, zirconium, hafnium, etc.; oil; gas; table salt and potassium; granite; kaolin, etc.) [4, p. 715; 11, p. 530]. Many of these resources are used insufficiently for the development of the domestic market and external trade. Therefore, the Ukraine's critical dependence upon imported power carriers, together with a limited exports nomenclature, threatens the economic security of the country.

Recently, the Ukraine's high-technology defense-oriented products have become its essential exports item. Greece bought two air cushion landing ships of the «Zubr» type and other machinery and equipment of military and double purposes. The price of one «Zubr» ship, which has no world analogues, makes $50mln. The planned increase in the number of these ships to 10 in the Greek marine fleet (GMF) by 2010 will allow the Ukrainian shipbuilders and producers of the unique turbines (Zorya-Mashproekt Company, Mykolaiv) to bid export contracts for millions of dollars. In 2002, after the «Ukraine-NATO» Commission ratified an Action Plan, which begins the Ukraine's preparatory stage in joining the alliance, the country was granted new opportunities for expanding its cooperation with Greece as a NATO member.

Previously ambiguous, the strategic policy of Ukraine was one of the major reasons for Greece to withdraw from the contract of purchasing the Ukrainian tank machines despite the fact that tactical, technical, and price indices of the latter exceeded those of the western European machines bidding in the international tender. Moreover, better terms offered by the Ukraine's main competitor – Federative Republic of Germany – made Greece prefer German tanks «Leopard» to the Ukrainian tanks T-84 UD of similar quality. In addition to the initial shipment of 170 machines, German exporters obliged to set up a joint venture for tank unit assembling, repair, and technical maintenance in Greece, which would allow to create several thousands of jobs and, as a result, to decrease the state defense expenses.

The existing Greek and Ukrainian export structures are typical of the industrial and agrarian catching-up economies. During 1990–2000 the world trade exports share of the products which prevail in the Ukrainian and Greek commodity exports has been steadily decreasing. The world exports share of ferrous metals dropped from 3.1% to 2.3%, the share of farm products decreased from 9.3% to 7.2%, and the share of textiles – from 3.1% to 2.7%; at the same time, the share of exported telecommunication facilities and computerization equipment increased twofold – from 8.7% to 15.2%.

In 1996–2000 the share of transportation vehicles and facilities exceeded 40% of the world exports; in Greece and Ukraine it made only 10% and 13% respectively. In 2000 the shares of high technology exports were practically equal in both countries and equaled 10% in Greece and 11% in Ukraine (the highest, after Russia, index among the BSEC countries), which is half smaller than the average world index of 21% [12, p. 238–239]. Meanwhile, Ukraine has a rather developed scientific, technological, and industrial base compared to Greece. The annual average number of scientists and engineers employed in research and development, as well as experimental design, in 1987–1997 was three times larger than in Greece, amounting to 2,171 and 773 individuals per million of population respectively [13, p. 310–311].

Nevertheless, the index of economic power efficiency measured by the value of produced GDP per kilogram of the power carrier used (in oil equivalent) was five times larger in Greece than in Ukraine, constituting 5.7 and 1.1 $/kg respectively (in PPP $US) [13, p. 236–237]. The gap in labour efficiency in agriculture was even larger in either country. In 1997–1999 the value added per person employed in the agrarian sector made $12,711 in Greece and only $1,383 in Ukraine (in comparable prices of 1995). [12, p. 236–237].

Therefore, the power- and labour-intensive products constitute the exports base in Ukraine while the capital-intensive ones – in Greece. This conclusion does not change when the indices of power and labour effectiveness are adjusted to the scale of «black» economy not reported in the official statistics and equal to 40–60% of GDP according to expert evaluations [4, p. 424].

It is worth underlining that the peculiarities of Greek and Ukrainian exports indicated do not corroborate a well-known Leontyev paradox because capital and labour can not be viewed as homogeneous factors in countries with market and transition economies. The fundamental features of labour and capital (i.e. value, output capacity, level of education and professional preparation, efficiency, and risks) in Greece and Ukraine are essentially different.

In the years of the EU membership, the prices of production factors in Greece – capital, labour, land, and technology – approximated the international ones. In Ukraine, the Soviet period disproportions of the cheap labour and land, as well as expensive capital and technology, typical of the CIS region, have been preserved. This should be taken into account when planning international business operations and applying classical theories of international trade to analyzing the relations among the countries with different types of economies.

In spite of prevailing obsolete technologies and equipment in the majority of basic industries of the Ukrainian economy, the country has objective preconditions for speeding up the «catching-up» development of the economy as long as the national education system ensures high-quality human capital, which is required for rational application of the «technology diffusion» and «spillover effects» of the more – technologically and informationally – developed countries [14, p.31–32].

Improvement of the economic strategic management, creation of liberal and stable institutional environment, consolidation of the banking sector, introduction of the land market, and inclusion of the country into cooperative ties and marketing nets will allow Ukraine to realize its high social potential, to transit to the innovation-based model, and to become the country of endogenous development on the basis of implementation of national research and technological developments, which exceed the world standards in many aspects. To reach this objective, the growth in external trade turnover should correspond to stimulated innovation-based and import-biased production, diminished low-processed products and raw materials, and increased share of machines, equipment, and devices in both exports and imports.

The share of the BSEC countries in the external trade of Greece reached 18.2% of exports and 8.3% of imports, thus, surpassing the overall share of North and South Americas, Africa, and Australia considerably. International business liberalization in the post-socialist countries increased their trade turnover with Greece, and the expansion of trade with the countries of the Black Sea region significantly compensated for the decrease in exports to the countries of the EU and Asia. The removal of licenses and quotas on the majority of the Ukrainian exports, as well as low import tariffs, resulted in more than doubled in five years Greek-Ukrainian trade turnover, amounting to $244mln. in 1996 compared to $115mln. in the pre-reform 1990.

However, the imposition of high taxes and excises on the imported oranges, tobacco, beverages, and leather goods, along with appreciation of hard currency exchange rates in relation to hryvnya, caused more than tripled decrease in the Greek exports to Ukraine – from $139mln. in 1996 to $42mln. in 2000. Meanwhile, the volume of the Ukrainian exports to Greece increased. On the whole, Ukraine occupies the sixth position after Russia, Turkey, Bulgaria, Romania, and Albania in the Greek external trade turnover (Tabl.2).

It is worth noting that the idea of the increased budget revenues resulting from the increased import tariffs is wrong. High elasticity of demand for imports in the unsaturated Ukrainian market and low purchasing power induced consumers to switch from the products made in Greece and other developed countries, after they become too expensive, to Turkish, Vietnamese, and Chinese goods, which were of lower quality, but cheaper.

The introduction of excessively high tariffs means latent subsidizing of the inefficient producers at the expense of a so called «fine», which the consumers of the more expensive high-quality imported goods should pay, while the resulting «greenhouse» conditions allow the producers of import substitutes to manufacture low-quality uncompetitive products within the open market environment.

High duties lead to shrinking state budget revenues owing to the depressive impact of the customs barriers, first of all, upon legal imports. In trying to preserve reasonable prices for the imported goods, the importers find different ways of avoiding the excessively high customs duties (i.e. «shuttle» tourism, «gray» imports, and others). Consequently, according to expert estimations, no more than 85% of external commodity trade operations are declared in Ukraine [15, p.9].

Table 2.

External Trade Dynamics of Greece in 1996–2000,
in $US mln.

Regions and Countries	Volume, mln. $US[3]					Increase (decrease),%			
	1996	1997	1998	1999	2000	97/96	98/97	99/98	00/99
Commodity Exports									
World in total	11318	11128	10838	11027	1167	–1.7	–2,6	1,7	1,6
Europe	8697	8724	8430	8614	8746	0.3	–3.4	2.2	1.5
Asia	1472	1207	1147	1175	976	–18.0	5.0	2.5	–17.0
America	714	715	744	832	930	0.1	4.2	11.7	11.8
Africa	339	339	381	323	422	0.0	12.5	–15.3	30.7
Australia	97	144	137	83	93	48.9	–5.1	–39.6	12.6
EU	5930	5842	5824	5920	4988	–1.5	–0.3	1.7	–15.7
BSEC	1640	1785	1556	1526	2029	4.6	8.8	–1.9	33.0
Azerbaijan	2	17	11	–	3	643.5	–37.4	–	–
Albania	323	251	194	240	248	–22.3	–22.7	23.7	3.5
Armenia	5	10	9	13	47	62.8	–10.1	44.5	261.1
Bulgaria	324	319	441	410	450	–1.5	38.2	–7.0	9.7
Georgia	19	25	24	10	10	31.9	–4.8	–58.1	0.0
Moldova	10	9	8	13	14	–4.1	–13.8	59.3	7.7
Russia	361	418	266	247	249	15.8	–36.4	–7.1	0.7
Romania	174	176	200	214	384	1.2	1.1	13.6	79.3
Turkey	283	430	320	335	582	51.9	–25.6	4.7	73.8
Ukraine	139	130	83	44	42	–6.1	–36.3	–46.6	–4.5
Commodity Imports									
Worldwide	26333	26506	29098	29042	28918	0.7	9.8	–0.2	–4.3
Europe	19860	20631	22565	22750	21066	3.9	9.4	0.8	–7.4
Asia	3785	3459	3789	3757	5472	–8.6	9.5	–0.8	45.7
America	1423	1448	1837	1863	1416	1.8	26.9	1.4	–24.0
Africa	1213	905	842	607	889	–52.4	–7.0	–27.8	46.5
Australia	52	63	65	66	74	20.7	4.3	0.9	12.1
EU	17209	17784	18813	19936	17491	3.3	11.4	0.6	–12.3
BSEC	1597	1660	1563	1521	2388	3.9	–5.8	–2.7	57.0
Azerbaijan	–	2	–	13	23	–	–	–	71.6
Albania	36	36	37	30	42	0.6	1.9	–18.9	40.0
Armenia	1	–	–	–	3	–	–	–	–
Bulgaria	368	416	394	348	397	13.0	–5.3	–11.6	14.2
Georgia	7	3	7	12	12	–66.2	172.0	80.9	0.0
Moldova	7	7	4	2	3	0.0	–48.6	–36.1	50.0
Russia	694	634	488	471	1092	–8.6	–23.0	–3.5	131.8
Romania	144	204	197	208	297	41.8	–3.4	5.6	42.9
Turkey	235	299	369	363	394	27.2	23.4	–1.6	8.5
Ukraine	105	59	67	74	125	–43.8	13.5	10.4	68.6

Note: In current market prices. Volumes under $0.5 mln. are not reported in the table.

[3] A World Free of Poverty. Countries at a Glance/ The World Bank Group, Washington, D.C. – 2001.

4. The Priorities of Trade and Economic Cooperation between Greece and Ukraine in the Context of Integration Processes in the Black Sea Region

Comprehensive reformation of the economic legislation in Ukraine and the other post-soviet BSEC countries, its harmonization with international standards, is still far from being completed, which is one of the reasons for maladjustment of transition economies to the objective criteria of integration compatibility, hindering the expansion of international trade and economic relations. Moreover, on the contrary to the integration processes in the EU that are «initiated from the top», the interstate legal and contractual formation of the BSEC integration (i.e. the creation of free trade area among all of the 11 countries, etc.,) is prevented by political and economic contradictions among individual countries.

Presently, in the formation of the BSEC as a sub-regional integration grouping, the «initiative from the bottom» prevails owing to broadening and deepening of trade and economic relations among business entities. Therefore, the integration processes in the Black Sea area – one of the most unstable European regions including the Balkans and the Trans-Caucasus – so far are at the first, the primary level of micro-integration (i.e. establishment of joint production ventures, trade houses, banks with foreign capital, etc.).

Over the last decade, the economies of Ukraine and the other countries of the region except for Greece, which has been deeply integrated into the EU, have been interacting with other economies mostly on the basis of developing the traditional forms of international economic relations, i.e. external trade in commodities and services, and, to a lesser degree, international capital flows and interstate labour migration. Even though the total annual trade turnover among the BSEC countries amounted to hundreds of billions of dollars at the end of the XXth century, the volumes of interstate capital flows were an order lower [7].

The key priority of expanding the Greek-Ukrainian external economic relations within regional cooperation in the Black Sea area is to improve the coordinated interaction among the BSEC countries regarding sea traffic, maintenance, and repair of ships. On the initiative of the Greek Port Cities Association was the International Black Sea Club (IBSC) established that united maritime cities of Bulgaria, Greece, Russia, Turkey, and Ukraine.

In 1997 the IBSC received an advisory status at the UNO Economic and Social Council. The IBSC initiated long-term programs of the BSEC cooperation in economics, ecology, and culture; but due in absence of interstate agreement on unification of tariffs and customs procedures, the implementation of certain economic projects is long-pending. Thus, the launch of a ferry connection between Odessa and Piraeus is being delayed; likewise, the creation of a special economic area with its center in Odessa for bringing investments into modernization of the existing ones and establishment of the new joint ventures oriented at producing goods for exports, as well as for domestic market. Complicated bureaucratic procedures impede the Association of the Black Sea Countries' Ship-Owners in realization of its objectives, i.e. increasing sea traffic efficacy, attracting foreign investments, and finding a credit pool for building ships and reconstructing ports and terminals.

The Greek EU integration experience shows that the expansion of production links among the countries with different levels of economic development generates large effect on the national production growth. Therefore, the establishment of joint ventures as heterogeneous economic organizations in Ukraine and the other BSEC countries is one of the methods to remove protectionist barriers to international flows of products and services, to raise competitive capacity of national economies, and to increase gross domestic income through rational resource allocation, as well as standardization and unification of international production and trade. The expansion of production and trade cooperation through deepening economic ties among enterprises and corporations of the BSEC countries predetermines the creation of a regional free trade zone in the Black sea area.

Traditionally, Greek investors have been investing capital either in national production or in the US and the EU enterprises; though with the development of market reforms, they started to concentrate investments in transition countries. Worth mentioning are the scope and versatility of the Greek investments in the BSEC countries. For instance, a TNC Hellascom S.A. & OTE invested $17 mln. into the Ukrainian-Greek JV for construction and operation of a Black Sea fibre-optic cable telecommunications line. The METON – ETEP Corporation (construction, insurance, oil sales, agri-business) invested more than $52 mln. into agricultural, industrial, and trade joint ventures in Ukraine having, thus, created a full «production-processing-sale» cycle. The multidimensional Vardinoyannisov financial and production group, in addition to placing contracts for building a number of ships (over $1.1 bln. in 10 years) at the Ukrainian shipyards, invested $90 mln. into construction of the lubricant oils recycling plant in Armavir (Russia).

The GDP growth in Ukraine, which has started in 2000, resulted in growth of the investment ratings of many branches of the economy. With consideration to urgent requirements of the world and Ukrainian markets, Greek investors intend to extend the scope of joint production of mineral fertilizers, pharmaceutical produce, footwear, textile, furniture, and provisions, as well as to invest into construction of housing, hotels, and tourist complexes in Ukraine. Greek investors view shipbuilding, telecommunication, power, transport, chemical, and oil-chemical industries as the most attractive. The reduction of trade deficit is of the utmost priority for the Greek economy. The exports/imports ratio in trade with Ukraine reduced from 2.203 in 1997 to 0.336 in 2000, the deficit of trade amounting to $83 mln. (Table 2). Ukraine accounts for nearly 0.5% share in the Greece's external trade turnover, which does not meet either Ukrainian or Greek economic potential and needs.

The expansion of production and trade relations is hindered not only by the obstructing import tariffs, but also by long-lasting complicated bureaucratic procedure of certifying the products imported into Ukraine, which complicates the establishment of the network of sales and maintenance centers for Greek products. Many export operations can hardly be executed in Ukraine due to a normative requirement to repay currency within 90 days. Moreover, the absence of the Greek banks' subsidiaries in Ukraine, as well as of the Ukrainian banks in Greece, impedes long-term lending to national entities that conduct international operations and prevents operational costs of import-export contract financial providing from being decreased, thus leading to low profitability of external trade. Meanwhile, the experience of the previous decade proves that rapid growth of the Greek trade turnover with the Balkan countries of the BSEC was achieved due to a progressively developing network of the subsidiaries of Greek commercial banks in the countries of the region [10].

The priority direction of trade and economic cooperation between Greece and Ukraine is their joint participation in the realization of power and transportation projects of the EU and the BSEC. The EBRD, together with the Black Sea Bank for Trade and Development (BSBTD), provides loans for constructing oil and gas pipelines in south-eastern Europe and the Europe – Caucasus – Asia transcontinental corridor (Transportation Corridor Europe – Caucasus – Asia – «TRACECA»), networks of the Cretan trucking corridors, and circular ferry connection among the ports of the Black sea. However, the BSBTD investment potential is exploited inefficiently.

Thus, since the launch of the BSBTD in 1999, only four investment loans – $36mln. in total – out of the thirteen – $130mln. in total – approved within the frames of the BSEC multilateral cooperation have been used in three years. The $78 mln. compressor station «Tarutino» on the gas pipeline Ananyev – Tyraspol – Ismail, the exploitation of which was launched in 2001, allowed to increase the volume of Russian gas transit to Greece and the other Balkan countries to 4 bln. m^3 per year. For its construction, only $12 mln. were borrowed from the BSBTD, $40 mln. were borrowed from the EBRD, and $26 mln. were contributed by the shareholders of the Ukrainian – Russian – Turkish Gastransit company. Meanwhile, the BSBTD, which has $1.35 bln. of authorized capital, is able to issue loans amounting to $200 mln. annually for financing such huge projects as the integration of the national energetic systems into the Common Black Sea Ring, the development of regional transportation networks, the construction of optical-fiber communication lines, and the environmental protection in the Black Sea pool [16].

Both Ukraine and Greece have many other opportunities for increasing bilateral trade turnover. Greece is willing to increase the imports of Ukrainian metal and chemical products multifold in return for traditional Greek exports on the basis of inter-governmental agreements on volumes and terms of mutual shipments.

Perspective also is the employment of vacant capacities of the Ukrainian enterprises, which produce steel, self-propelled hoisting cranes, and other road building machinery on a compensation basis so that to realize the national program of reconstructing the transportation infrastructure aimed at transforming Greece into a strategic centre of all kinds of communications, which would connect the countries of the Northern, Central, and Eastern Europe, the BSEC, and the CIS with the Near-Eastern and Mediterranean countries by 2015.

The planned investment for construction of turnpikes, railroads, airports, sea terminals, tunnels, bridges between the isles, and other facilities is estimated to make up hundreds of $bln. Ukraine's industrial potential allows it to participate actively in these projects and become one of the major suppliers of metal structures and construction equipment on the Greek market while the Greek capital will get a new impetus for investing into the mining and machine building industries of Ukraine.

5. Conclusion

The economy of Ukraine, possessing rich natural resources, developed airspace, power producing, machine-building, mining, and ship-building complexes, as well as modern research and education system, has objective preconditions to become one of the most dynamic countries in Europe after its market transformation is over. The deepening and expansion of trade and industrial cooperation between Ukraine and Greece encourage the national economies to increase their competitive capacity and are a key factor of the development of the BSEC as a sub-regional integration union. Consolidation of the economic security of either country calls for transition from the passive catching-up development model to the active policy of the state stimulation of innovative and export production combined with further external trade increase along with the accelerated expansion of the domestic market and the import-biased growth.

Bibliography

1. Αγγελόπουλος Α. Κρίσιμα προβλήματα της διεθνούς οικονομίας και οικονομική πολιτική. Αθήνα, Εκδόσεις Παπαζήση, 1996. – 486 σ.
2. Μπαμπανάσης Σ. Οι επιχειρήσεις στην Ανατολική Ευρώπη. Μορφές, οργάνωση, διοίκηση επιχειρήσεων, μικτές επιχειρήσεις. – Αθήνα, Εκδόσεις Παπαζήση, 1995. –504 σ.
3. Tsounis N. The Static Effects of the Single Market Programme on Greek Manufacture //Economie Internationale. – 1999. – № 2. – P. 245-271.
4. Глобалізація і безпека розвитку: Монографія / О. Г. Білорус, Д. Г. Лук'яненко та ін.; Керівник авт. колективу і наук. ред. О. Г. Білорус. – К.: КНЕУ, 2001. – 733 с.
5. Білорус О. Г., Лук'яненко Д. Г, Гончаренко М. О. та ін. Глобальні трансформації і стратегії розвитку: Колективна монографія. – К.: Ін-т світової економіки і міжнародних відносин НАН України, 1998. – 429 с.
6. Пахомов Ю. М., Лук'яненко Д. Г., Губський Б. В. Національні економіки в глобальному конкурентному середовищі. – К.: Україна, 1997. – 237 с.
7. World Trade Organization International Trade Statistics. Geneva, WTO. – 2002.
8. Papandreou G. A. Prospects for the Development of Trade Relations and Co-operation between Greek enterprises and those of Eastern European, Balkan and Black Sea countries / Greek Exporters. Eastern Europe & Balkans Trade & Economic Bulletin. Athens, Publishing Comp. «European», 2002. – P. 10–11.
9. Tzen Yannis. H. E. P. O.: The main lever for export promotion and foreign exchange inflows //Greek Economy. International Greek Magazine for Trade and Investment, Issue 19–20/1997. – P. 170–176.
10. Greece – Eastern Europe & Balkans. Best Prospects & Leading Sectors for Trade Cooperation / Greek Exporters. Eastern Europe & Balkans Trade & Economic Bulletin. Athens, Publishing Comp. «European», 2002. – P. 16–66.
11. Страны мира: Энцикл.справ. / Под ред. С. А. Семеницкого. – Мн.: Миринда; Родиола-плюс, 1999. – 624 с.
12. World Development Report 2002. The World Bank. Oxford University Press, Inc. New-York, 2002.
13. World Development Report 2000/2001. The World Bank. Oxford University Press, Inc. New-York, 2001.

14. Verspagen B. A Global Perspective on Technology and Economic Performance // Dyker D. & Radoevic S. (eds). Innovation and Structural Change in Post-Socialist Countries: A Quantitative Approach. – Kluwer Academic Publishers, 1999.

15. Павлов А. Экспорт на грани нервного срыва // Бизнес. – 1997. – № 8 (215). – 4 марта. – С. 8–9.

16. Black Sea Energy Reviews. Black Sea Regional Energy Centre, Sofia. – 2002.

The article was received on August 1, 2003