

**Macroeconomics**

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**DIRECTIONS OF FORMING
OF THE NATIONAL STRATEGY
OF ENTRANCE OF DOMESTIC ENTERPRISES
INTO INTERNATIONAL
PRODUCTION NETWORK OF EUROPE****Abstract**

The main partner countries of Ukraine and its sectoral priorities are defined. The basic directions of entrance into international production networks (IPN) in Europe. On this basis, the formation of the national strategy of domestic enterprises' entrance into international production networks in Europe is suggested..

Key words:

International production network, sector priorities, strategy of entrance of domestic companies, partners (strategic, priority, potential).

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Introduction

At the present time a characteristic of the world globalization is internationalization of production. In this time actualized problems of formation of international production networks (IPN) as a special form of industrial cooperation of different national belonging based on the partner relations. Bright evidence of this is the fact that the international production networks have already formed in Europe in all fields of industry, but this process is far from finish.

This problem is in the centre of attention of major international organizations, namely, World Bank, IMF, OECD. They predicted 78% of total world production of industrial products in IPN to 2020. Active involvement of Ukraine in European IPN gets priority in the formation of international competitive advantage of domestic industry as the basis for its future growth economic affordability. This direction of international economic cooperation will help domestic enterprises to overcome rudiment fragmentation of industrial structure of Ukraine, the raw material orientation of export and employment growth in industry, renovation of technology base, access to foreign markets.

Foreign and domestic scientists, in particular, N. Myhaylenko, D. Lukyanenko, V. Sidenko, S. Sokolenko, R. Jones, P. Dicken, B. Dluhosch, D. Kierzkowski, P. Krugman, K. Lankaster, R. Feenstra, G. Hanson, E. Helpman pay attention to different aspects of these problems.

1. Definition of partner countries and their sectoral priorities in cooperation with Ukraine

Any purposeful activity requires a strategy that provides a strategic purpose, goals, strict regulation of the conditions and motives of decision-making at all levels.

Thus we can talk about streamlining of all aspects of entering by domestic enterprises into the EU IPN in a single system, which will form the basis of Ukraine's national strategy of entering into the IPN Europe.

Effective implementation of this strategy is possible in a clear position of the Ukrainian Government to ensure effective and active network of our country's position in relation to the sectoral specialization of EU partner countries and their structural proximity to Ukraine. This will allow Ukraine to ensure effective implementation of the country's potential entrance into the European network of industrial structure by building a network of key determinants of effective interaction between companies in respective areas.

Table 1

Matrix of Country-Partners and their sector priorities

	«Core» machinery and equipment	«Core» chemical manufacturing	«Core» light industry	«Core» production rubber and plastic products	«Core» wood industry	«Core» production electro products	Index Salayi	Index Gatyeva
Number of enterprises in industrial activities	France United Kingdom Belgium	Italy Portugal	Italy Greece Spain France	Italy France United Kingdom Ukraine Czech Republic Hungary	Greece	Greece Poland France	Italy Latvia Lithuania Slovakia Ireland	Poland France Finland Hungary
Export of finished goods	Sweden Czech Republic Portugal Greece Slovenia Latvia	Belgium Sweden Portugal	Germany Ireland	Italy France UK Hungary Ukraine Czech Republic	Ireland Germany Spain	Britain Greece Lithuania	Czech Republic Hungary Slovenia Sweden Finland	Lithuania Poland Slovakia Estonia Latvia Slovenia
Imports of intermediate goods	Belgium Greece Ireland Finland Germany	Belgium Greece Ireland Finland Germany	Finland Greece Netherlands Belgium	Germany Belgium Netherlands Greece	Belgium Greece Ireland Italy Netherlands Finland	Germany Belgium	Czech Republic Sweden Finland France Hungary	Poland Portugal Czech Republic Hungary Lithuania Denmark
Imports of finished products	Czech Republic Estonia Latvia Lithuania Slovenia Belgium	Belgium Sweden Netherlands	Spain Belgium Netherlands Finland	Italy France United Kingdom Ukraine Czech Republic Hungary	Germany Slovenia Estonia Ireland	Britain France Greece Lithuania	Sweden Netherlands Lithuania Finland	Poland Lithuania Latvia Estonia Slovakia
Output	Germany Portugal Greece	Greece Ireland Italy Portugal Germany	Belgium Italy Hungary Latvia Lithuania Slovakia Slovenia	Belgium Italy	Ireland Portugal	Belgium Germany United Kingdom Poland	Sweden Netherlands Lithuania	Latvia Lithuania Slovakia Slovenia
Workforce	Germany Italy Portugal	Netherlands Germany Italy Portugal	Poland Czech Republic Italy Portugal	Portugal Italy France	Lithuania Portugal Slovenia	Germany Italy Portugal Spain	Hungary Czech Republic Slovenia	Slovakia Poland United Kingdom Lithuania

Source: author made

Therefore, the author propose to apply the methodology for determining the position of Ukraine network and on its base to form the priorities of Ukraine's participation in the process of IPN. So,

1) to determine sectoral priorities of Ukraine within the IPN, namely country-specific (strategic, priority, potential) on the base of formed industry activity core within the EU IPN;

2) to determine (strategic, priority, potential) for the structural similarity of EU countries groups;

3) to establish their positions and compare network with foreign economic priorities of Ukraine and its industrial policy.

Thus the matrix partners of Ukraine has formed (see Table 1) taking into account specific criteria for making decisions about joining the participation of Ukrainian enterprises in the IPN of individual EU countries due the similarity for these criteria. This matrix allows you to identify country-partners of Ukraine in each of the branches.

Thus, the results of this research in the sector of machinery and equipment the partners of Ukraine in the creation of IPN are France, Finland, Czech Republic, Slovenia, Lithuania, Latvia, Estonia.

In the sector of chemical manufacturing partner countries have become Sweden and Finland, in light industry: France, Finland, Netherlands, Lithuania, Slovenia, Slovakia, Poland, in the manufacture of rubber and plastic products for Ukraine, Hungary identified as a country - partner, Finland, Estonia and Slovenia is a partner for Ukraine in wood industry, except furniture; in the manufacture of electronic, electrical and optical products, France, Lithuania identified as strategic partner countries.

By grouping the EU countries the countries have identified (strategic, priority, potential) in the structural similarity. In particular:

- *Strategic*: Hungary, Slovenia, Sweden, France, Finland, Czech, Portugal, Poland;
- *Priority*: Germany, Netherlands, Slovakia, Greece;
- *Potential*: Lithuania, Italy, Ireland, Great Britain, Latvia, Estonia, Belgium, Denmark, Austria.

Comparing the areas and types interactions within the IPN the position as government and enterprises can be formed for the choice of cooperation forms with major companies, leaders of industry networks in the EU (see Table 2).

Table 2

Largest companies in Europe and the its countries

Sector	Enterprises	Countries
Engineering	FIAT	France, Italy, Spain, Poland Germany
	RENAULT	France, Slovenia, Spain Britain
	PSA	Czech Republic, France, Italy Portugal, Slovakia Spain, United Kingdom
	BMW	Austria, Germany, Britain
	Volkswagen	Belgium, Czech Republic, France Germany, Hungary Italy, Poland, Portugal Slovakia, Spain, Britain
Wood industry	XXXLutz	Austria, Germany, Czech Republic
	Jesper office A/S	Denmark, Ukraine
	Tableras de Fibrassa	France, the Netherlands United Kingdom, Portugal, Spain
	M-Real France SAS	Germany, France, Austria, Finland, Sweden
	Smurfit Ireland Ltd.	Italy, France, Germany, France, Spain, Portugal
	Metso Corporation	Italy, Sweden, France, Czech Republic
	Svenska Cellulosa Aktiebolaget SCA	Germany, Britain, France, Sweden
Chemical production	Stolt-Nielsen Sociedad Anonima	UK, Italy, Spain, Germany Netherlands
	OLA de Petroleos SA	Spain
	Totalfinaelf France	France, Italy, Netherlands
Rubber and plastic production	Ovako Steel AB	Sweden, Finland, Italy, Netherlands
	Continental AG	Germany, Slovakia, United Kingdom
	Master Plast Ltd.	Germany, Italy, Sweden, United Kingdom

Source: author made

It should be noted that according to the State Economic and Social development of Ukraine for 2010 and State Program of Technology in 2003–2011 one of the main directions of reforming the industry is using new strategies to control by the transition to the leading multi guides action. The scale of the industrial complex of Ukraine is capable to solve all the problems of the domestic industry within a single program. Therefore the process of forming a national strategy of domestic enterprises entrance into the international production networks should take into account the aforementioned issues and begin from the development of priorities to address key issues and fostering individual sectors and identify priority areas of industrial development.

In particular, one of the main tasks now is to increase production primarily technically sophisticated consumer goods and those goods that most stimulate domestic demand and increase private final consumption.

Concerning to many types of industrial production enterprises of different sectors have already announced themselves as competitive actors in the foreign market. However, their position is not yet stable enough due to internal problems, including lack of investment resources and fluctuations in world markets. Thus its efforts should focus in conducting industrial policy.

2. The main directions of joining the IPN Europe

Execution of the tasks of industrial development will be implemented through sector development programs that include:

- Stimulating the development of export and industrial production import substitution in areas that have favorable conditions for this;
- Development of free (special) economic zones, border and transactivation, including Euro-regional cooperation.

The main problem that indicated can be effectively solved within the national concept of Ukraine's joining the EU in the IPN, because such concept and a strategy should be closely integrated with the industry development in Ukraine. It is proposed to use the following strategy: strategy «persecution» («copy»), which is in the development of industry competitive products already produced in developed countries, particularly in the fields of wood production, manufacturing rubber and plastic production and electro. Strategy «lieder technology», which involves the use of their own achievements to create new products and technologies, demand for them and entering new markets in light and chemical industries. «Breakthrough» strategy is a creation fundamentally new product in the chemical industry and machines and equipment sector [9].

Thus it can be considered as a basis for partnerships that expand opportunities for Ukraine to use such forms of international economic cooperation:

1. Inclusion of Ukrainian enterprises in production systems in Europe under the subcontract, which deepens the international division of labor and can thus solve problems existing partners, partly due to the spread of innovation. It draws attention to the need to harmonize the interests of partner countries in the context of the existing regulatory environment of their activities;

2. Industrial cooperation as equal partnership. Currently, industrial cooperation as the basis for defining the modern world economy, accelerator development partner countries, which manifests itself in different forms such as licensing agreements and compensation;

3. Joint ventures as the highest form of integration deepening cooperation. So you can expect good access to financial markets, in particular the inflow of foreign investments, which in turn stimulates the flow of production technologies. Also achieved «economies of scale» for the market efficiency;

4. Inclusion of Ukrainian enterprises in the European corporate networks, making it easier to overcome barriers for EU entry and will provide economies of scale.

It should be borne in mind that the World Bank in its 2009 report emphasizes the system approach to industrial relations network that is focused on international (mezo), national (macro) and local level or at the enterprise level (mikro). According to this distribution should clearly delineate the strategic objectives under each of the levels and to ensure separation of powers and function of the institutional distributors offering an IPN of Ukraine in Europe, within the process.

So, implementators should be considered in the context of their functional membership, namely:

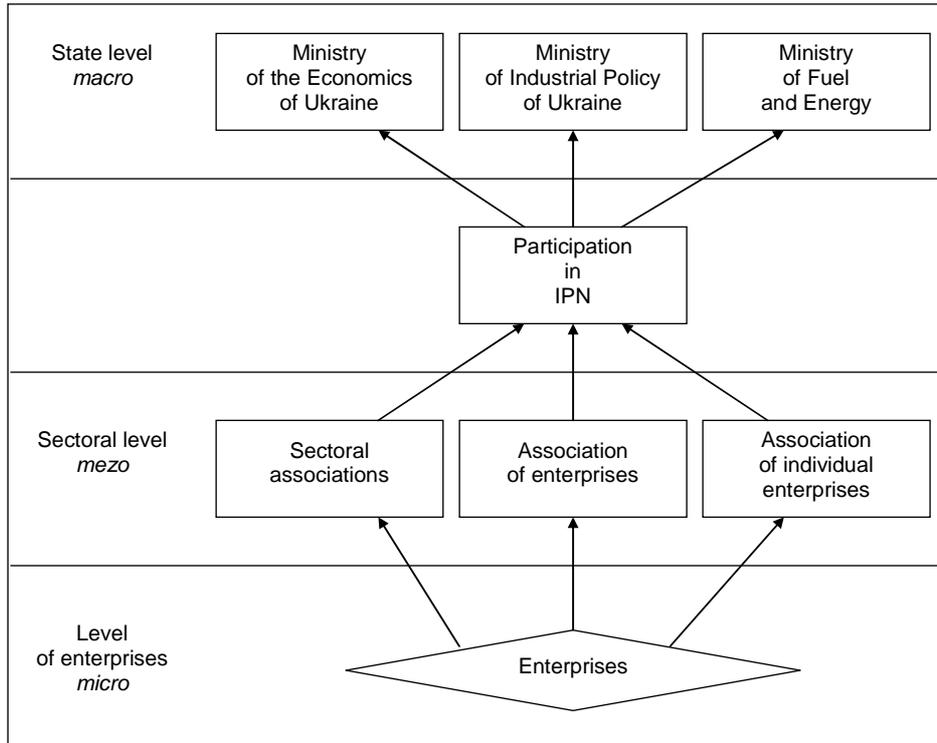
- *International level:* UNIDO, Ministry of Foreign Affairs of Ukraine;
- *National level:* Ministry of Economy of Ukraine: Department of the basic industries and industrial infrastructure (department of economics of coal, oil and gas industry, Department of Economics and ferrous and nonferrous metallurgy, Department of Economics, chemical and petrochemical complexes, Development Economics Department of Energy, Department of Economics and defense engineering complex; Department of Social Policy, which is part of the economy department of food goods and services), Ministry of Industrial Policy of Ukraine, Ministry of Machine Building, Military-industrial complex and conversion;
- *Enterprise level:* a) State committees of light and textile industries, b) Oil and gas coal industry, c) Chamber of Commerce, the regional administration.

Implementation Strategy of Ukraine joining the international production network provides a number of functions (actions) at different levels of implementation.

1) Improving existing promotion and strengthening of the functional orientation of interaction with the regions (countries);

Figure 1.

Multilevel interaction of entrance in IPN



Source: author made

2) Development of the new development and refinement of existing branch in the context of their consideration;

3) Development of annual, quarterly reviews (matrix network position of Partner of Ukraine) to establish effective cooperation between domestic enterprises and IPN Europe;

4) Development of national strategies and make her priorities for the strategic participation of domestic enterprises in international production networks in consideration of determinants;

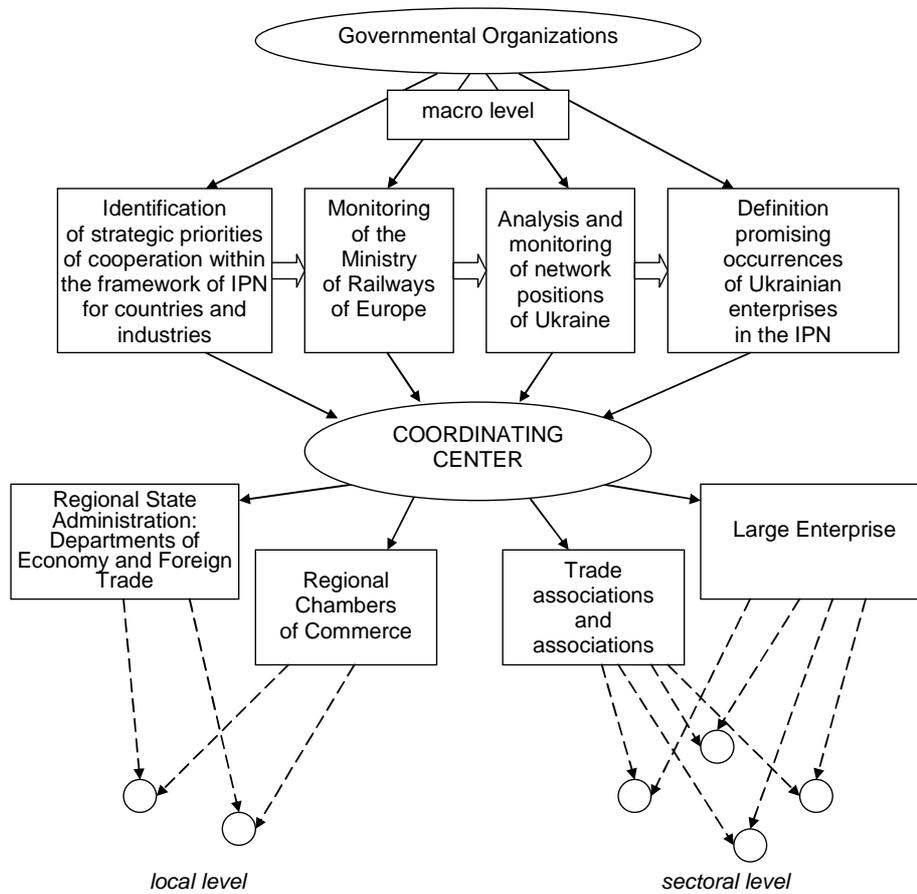
5) Promotion and monitoring and forecasting of network positions the country and its strategic partners and potential.

So, should be provided multi-institutional collaboration distributors offering an IPN Ukraine in Europe that would allow domestic enterprises to effectively implement its competitive capabilities in the EU branch networks (see Fig. 1).

Such interaction requires organizational information system that process (see Fig. 2). Under conditions of limited resources, we suggest creating a network system type, which will include existing institutional units (line ministries, organizations, governments, etc.).

Figure 2.

Scheme of institutional support and information for the process of accession of Ukrainian enterprises in the international production network in Europe



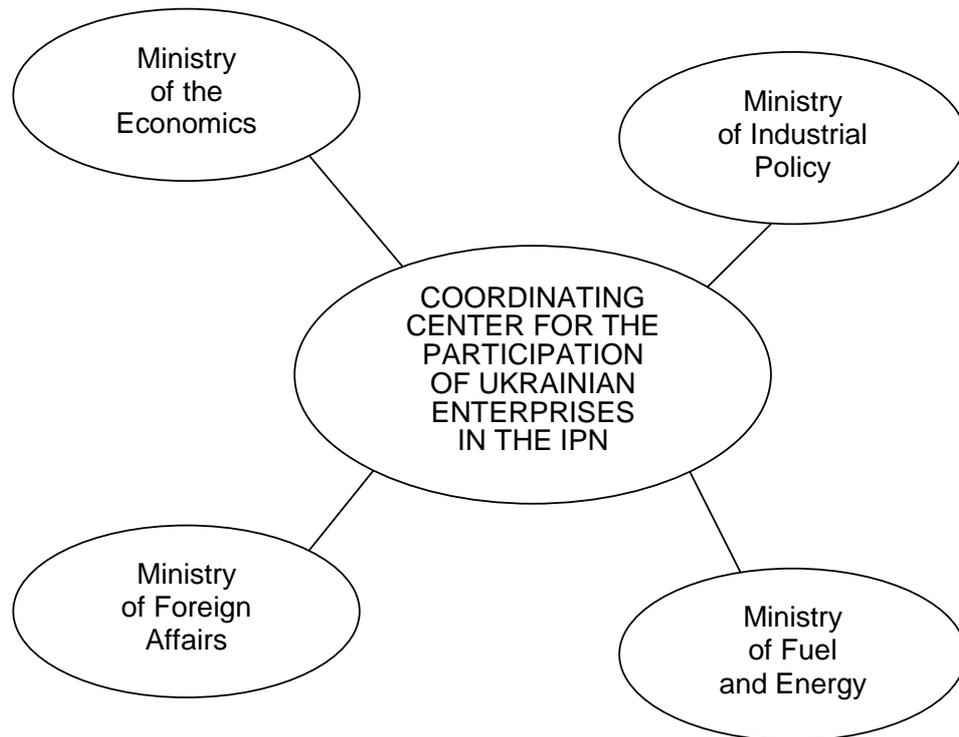
Source: author made

Accordingly, we propose to create a coordinating centre of Ukrainian participation of businesses in the IPN, which provide support domestic enterprises in the process of integration in the IPN provide information and consulting services, protect their strategic interests with national interests.

So, this center will synchronize the activities of ministries (see. fig. 3). In the part of those duties that are designed to ensure effective participation of domestic enterprises in the IPN.

Figure 3.

The scheme of synchronization and coordination of ministries



Source: author made

We begin the process of creating a national database of partners, international production liaison for Ukrainian enterprises in various industries, which would allow to quickly finding information about potential partners and possible forms of cooperation between them. Conceptual structure of such a database is presented in Fig. 4.

Figure 4.

Conceptual scheme of the database of potential partners IPN

	Country	Leading representatives (Enterprise)	Level of participation	Forms
Sector			<ul style="list-style-type: none"> • supply semi; • perform basic functions; • implementation of interim orders etc. 	<ul style="list-style-type: none"> • Concern • Alliance • Joint venture • Association • Production cooperation • Production Outsourcing etc.

Source: author made

Together ordered measures to organize an effective network of Ukraine's position and provided practical support international production ties domestic enterprises with foreign partners. It needs to initiate the development of national strategies occurrence of domestic enterprises in IPN as a component of its industrial policy.

Conclusions

The strategic directions for the effective participation of Ukraine in the IPN in Europe and developed a method of determining network positions for Ukraine, which helped create a tiered system of priorities of international industrial cooperation between Ukraine and EU and identify key partners in Ukraine joining IPN Europe by industry and forms of cooperation.

Formed set strategic directions to ensure effective participation of Ukraine in the formation of IPN in Europe and according to him, the priorities in imple-

menting the strategy of domestic enterprises in entering international production networks, subject to a number of functions of institutions, distributors of this strategy in the context of their functional levels of membership and networking opportunities for our country. Thus the primary task of the state should consider improving the mechanisms and instruments of state enterprises to encourage active participation in the process of IPN Europe that will enable future growth potential to restore the economy of Ukraine.

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