

**Prospects for European Integration  
of the Ukrainian Economy:  
Views from the In- and Outside**

Kostyantyn FLISSAK

**INTERNATIONAL COOPERATION  
AS AN EFFECTIVE FORM  
OF MODERN ECONOMIC COOPERATION**

Intense development of inter-economic relations on the international level in the context of world economic globalization activates scientific researches which are to define the priority trends of Ukrainian foreign economic policy and the place of the country in the global economy. Integration into the European structures will break new grounds for effective cooperation between the EU members and Ukraine. Broader opportunities are implied for capital flows and movement of qualified labour force, as well as other cooperation areas which can have a positive effect on all the partners. As far as the European integration prospects are concerned, it will be expedient to dwell upon the issue of international cooperation. The major forms of cooperation under present conditions include foreign trade, international investment activity, and finance and credit partnership. But in addition to the named forms of cooperation, there is, in fact, yet another realized – international cooperation. It is corroborated by the practice of foreign economic relations, including that with Germany.

Nevertheless, we find both theoretical developments and practical measures of cooperation rather scarce. First of all, the connotation of this term itself is rather contradictory; therefore, the cooperation [including the one among the subjects on the international level] is generally viewed as production cooperation. Even the Law of Ukraine «About Foreign Economic Activity» interprets it as purely micro-level production cooperation [1].

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Flissak Kostyantyn, Candidate Student, Department of International Economics, Finance and Credit Relations and Marketing, Ternopil State Economic University, Ukraine.

Underestimation of this form of international cooperation can produce undesirable results, including, *first*, limited search for scientifically substantiated directions of Ukraine's role intensification in new trade and investment segments of the globalized area and, *second*, disuse of opportunities provided by state support to subjects of entrepreneurial activity in the area of international cooperation.

The logic for development of the mechanism of cooperative relations should flow from clear definition of the economic phenomenon considered to practical realization of the relevant model.

Having studied the definitions of international cooperation [1; 2, 11; 3, 361–362; 4, 100–102], we think that it should be interpreted as free consolidation of efforts of the **managerial subjects** and **different regions of countries**, as well as **countries** as a whole, with the aim of economic activity directed at reaching a positive economic and social effect.

In this case cooperation will conduce to additional positive effects, which result from foreign trade, international investment activity, and finance and credit interaction. As Germany's international cooperation experience shows, this will generate the synergetic effect.

A maximally full legislative definition of international cooperation [proceeding from the fact that legal documents are a critical vehicle for realization of foreign economic policy and its practical manifestation in foreign economic activity] could be regarded as a primary precondition for comprehensive security of this important form of international cooperation in Ukraine *de jure*. It is particularly important under conditions of dynamic processes of economic internationalization and subsequent development of international division of labour both at the present time and in strategic perspective.

At that, such forms of common international activity as integration and cooperation should be distinguished. These economic categories have both common and distinctive features.

The integration of manufacturing, production and technological processes, production complexes, and regional production organizations of different countries could be primarily viewed from the position of concentration of material, labour and financial resources. However, in most cases, integration implies combining efforts and resources through **uniting**. If the integration is carried out on the inter-governmental level, at the final stage «the national economies are pooled resulting in a single integrated economy» [5, 14]. That is, the countries in this case lose a part of their independence in a number of areas and delegate some of their authorities to supranational bodies.

In conditions of intensifying competition, integration forces companies to search for ways of joining their potentials and cooperating to survive or to occupy new markets. Thus, «the wish to achieve deeper integration was manifested in the latest decade, in particular, in the powerful outburst of operations in corporate and banking mergers in the USA, Europe and Asia, both in terms of

the quantity and value of mergers». [6, 88]. Consequently, **integration** on the level of enterprises usually implies **taking one business structures over another**. This results in creation of transnational companies, big incorporated businesses, and other associations. The recent merger of the *Citibank* and the *Travelers* banks, telecommunication companies *WorldCom* and *MCI*, motogiants *Daimler* and *Chrysler*, oil companies *British Petroleum* and *Amoco* can best exemplify this process.

On the other hand, cooperation is described as **pooling of efforts and resources, but with juridical and financial independence of the relevant business structures**. The named position, proved by Federal Ministry of Economy and Technologies of Germany, is one of the key models of cooperation in the system of economic relations in the country [7, 5; 8, 48; 9, 1]. It is of great importance especially for international cooperation in the conditions of an open economy, since the opportunity is being provided for equal partnership cooperation among the companies of the countries with individual traditions, requirements of national legislations, given the national economic interests of cooperating partners are not violated.

At present, the effective *de facto* realization of international cooperation is urgent for foreign economic activity in Ukraine. But before, a complex of actions should be taken to promote economic reforms to change the forms and methods of work at the international market both on the level of enterprises, and the state as a whole.

As far as GDP in Ukraine is highly dependent on exports [about 60% of GDP is made from export] [13], it is expedient to change the forms and methods of entering foreign markets, as well as the structure of foreign trade. Among the effective trends of meeting the existing challenges could be the introduction of the model of cooperation relations, which is successfully implemented in Germany [7; 10].

Because Ukraine has lately paid little attention to the European markets of highly technological products, there is a weak connection between export operations and investing. Thus, Ukraine's direct investments into the world economy on January 1, 2005, made \$175.9 mln., and on January 1, 2006, – \$218 mln. (increase of \$42.1 mln.), while the volume of direct foreign investments in Ukraine on 1.01.2005 reached \$8353.9 mln, and on 1.01.2006 – \$16375 mln. (increase of \$8021.3 mln.) [11]. At that, the amount of Ukrainian exports in 2005 made \$34 286.8 mln., and imports made \$ 36 141.1 mln. [12]. In 2005, each dollar of imports accounted for 0.22 dollar of direct foreign investments, while each dollar of Ukrainian exports in the similar period of time accounted for only 0.0012 dollar of Ukrainian investments. Therefore, minor investments into foreign companies deprive Ukrainian firms of the opportunities to build effective sales and service networks, as well as to develop production cooperation in the area of high technologies.

The insufficient development of cooperation relations between Ukraine and the EU countries generates a number of problems in the foreign trade. It is

worth noting that not only traditional Ukrainian export areas are facing the «sensitive» EU markets, such as the markets of agrarian, metallurgic produce and textile. The preferences granted by the EU to its members limit the access of Ukrainian producers to the market even in the segments where they produce compatible goods, for example, cargo and transport-type aeroplanes. The EU countries are interested in involving Ukrainian specialists in high technology industries; nevertheless, they are not getting a move on the development of production cooperation with Ukrainian businesses and research and development organizations.

In our opinion, encouraging the development of effective cooperation on the international level by employing the instruments of foreign trade, investment, finance and credit interaction could become the practical filling of the mechanism for open economy functioning in Ukraine.

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