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RELEVANT PROBLEMS OF UKRAINE'S INTEGRATION INTO GLOBAL ECONOMY

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Abstract. *The purpose of this research is to study the main problems that prevent Ukraine from integrating into the global economy and to determine correct focuses of the foreign economic policy of Ukraine against the background of strengthening of globalization tendencies throughout the world. The bases of this research are bases of business development of the foreign economic policy of Ukraine and improvement of Ukrainian economy against the background of international integration. At the heart of the research methodology is a dialectical method of scientific knowledge and, besides, special methods of research based on modern scientific bases of economic, management and related to them knowledge: economic and statistic method – for the assessment of the modern state of foreign trade and investment activity of Ukraine; method of analysis and synthesis – for the determination of tendencies of development of integration processed in Ukraine; comparative analysis – for comparison of information concerning development of specific indicators of foreign economic activities in Ukraine. Results.* As a result of research, the main blocks of problems, which impede the integration of Ukraine into the global economy, and requirements for their complex solution are determined. Besides, interdependence and interdetermination of problems, which impede the integration of Ukraine into the global economy, and requirements for their complex solution are explained. Political and legal, economic, sociocultural, and infrastructural preconditions that are necessary for effective integration of Ukraine into the global economy are highlighted. *Practical implications.* Analysis of the existing problems related to the actual economy, investments, innovation processes gives the possibility to determine the vector of development of Ukraine's economy taking to account recommendations concerning its improvement for the purposes of integration into global economy. *Value/Originality.* Conducted research has provided the possibility to confirm the obtained results: integration of Ukraine into the global economy is impossible without the development of the main strategic directions of integration, without carrying out reforms that would be helpful in improving Ukraine's reputation on the international stage. It is confirmed that without correct, scientifically well-grounded, carefully well-reasoned and gradually implemented policy in Ukraine, any national strategy of economic and social development that makes provision for integration of our country into global economy cannot be successfully realized.

Key words: foreign economic activity, integration, global economy, economy of Ukraine, globalization.

JEL Classification: O19, O33, O52

1. Introduction

The modern stage of law and state formation in Ukraine can be referred to transformational one that is connected with solution of socio-political and economic problems concerning formation of completely new model of state management, development of civil society that could meet world standards relative to human rights, especially taking into account obligations undertaken by Ukraine according to the Contract of Association concluded between Ukraine, on the one

hand, and European Union, European Atomic Energy Community and their member countries, on the other hand. Together with the gradual integration of Ukraine into world legal terrain, need for improvement of national and international mechanisms of confirmation and enforcement of constitutional rights and human liberties also increases.

There can be no doubt that protection of vital interests of a person or a citizen, of society and state, assurance of the stable development of society depends to the certain

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extent on the financial condition of the state and on its economic development.

Today it is quite obvious that Ukraine is a state with a free market economy, however, further expansion of its participation in global economic integration and building its international market strength require determination of specific legal mechanisms of promotion in the global economy, determination of approaches to improving the competitiveness of the national economy.

2. Results of previous researches

As it is obvious from the results of analysis of scientific literature, the number of research papers dedicated to the investigation of the phenomenon of international regional integration of countries is rather small. World doctrine has a number of scientists-fundamentalists, who have laid the basis for terms, phenomena, and ties. We can find the main economic theories of international experience highlighted in works of: classicists – A. Smith, D. Ricardo, neo-classicists – E. Hecksher, B. Ohlin, E. Mundell, R. Johnson, J. R. Hicks, representatives of modern scientific concepts – S. Robocc, K. Simmonds, J. M. Siroen, K. J. Lancaster, S. Linder, J. Lafaille, F. Perroux, I. Kreivis, P. Samuelson. Besides, it is worth mentioning our Ukrainian researchers, in particular, O. Bilorus, I. Burkovskiy, A. Halchynskiy, Yu. Kozak, who have actually studied modern processes of the world economic globalization and range of problems concerning Ukraine as a part of it.

However, against the background of the realities of modern life, the problem of Ukraine integration into global market is complicated because of difficulties in the political and economic situation inside the country. During last years, the development of Ukraine's economy has been significantly influenced by external and internal imbalances and by long-lasting military conflict in Eastern Ukraine. Due to the financial and economic situation in Ukraine, necessary measures have been taken in order to prevent financial downturn and to provide preconditions for the economic growth, increase of budget revenues, and realization of actions concerning rational use of public funds, exclusion of loss of revenues and social protection of citizens according to the economic possibilities of the country.

In addition to the aforesaid, it should be mentioned that the ongoing issue of lack or insufficiency of funds in state budget results in the necessity of looking for new ways to solve this issue by using the international experience of overcoming the economic crisis and providing economic security of the country.

International cooperation is one of the actual directions of cooperation between countries that is caused by strengthening the role of the latter in providing the global law and order by means of international law. Economic, political, cultural or any other coexistence of our country with the European community and

with other countries throughout the world foresee the obligatory implementation of international standards in different fields of social interactions, which also includes economic field. Today's political and legal realities give strong arguments for the necessity of creation of practical legal mechanisms for such international cooperation.

3. Results of previous researches

Today the processes of international economic integration are dominant in the world economy's development. They come together with significant dynamic globalization processes.

In juridical science and in practice globalization is defined as a system, multi-faceted and multi-levelled integration of different existing all over the world state-legal, economic and financial, civil and political institutions, ideas, principles, moral and political, material assets, and variable relationships.

Under the influence of current globalization factors, such components of the Ukrainian state-legal institutions as a form of state and law; methods of state activity; principles of enjoyment of rights; area of public authority extension; state and law sovereignty undergo evolutionary changes.

Therefore, global processes have a great influence modifying the following functions of Ukrainian state:

- 1) under today's economic and socio-political conditions of functioning of the national state, some of its outdated functions, which have spent themselves, disappear and fall down (for example, commercial and organizational function, function of control over consumption area, cultural and educational function, etc.);
- 2) new functions appear or those functions, which have been secondary ones, develop and improve, – defence function, ecological function, demographical function, the social function of the state;
- 3) traditional functions of the state significantly change. This is primarily subject to economic function of the state. The state cannot be fully apart from the economic field and economic regulation; however, its influence has to be limited. The excessive interference of the state and overregulation of economic processes also have an injurious effect. For that reason, it is important to keep a balance between state interests and interests of business units, to determine rational legal boundaries of state interference into economic processes. Thus, in order to solve the problem of state and economy cooperation, there should be such an approach created that would give the possibility for the state to combine organically administrative methods of economic management and pure market methods of management (financial leverages of the state over economy, state budget, credit and financial, taxation, customs policy, state orders and national loans, direct financial support for subjects of business relationships, export and import policy,

etc.). Whereas, state control over natural resources and main economic fields, protection of domestic market and interests of domestic goods producers in the domestic market, prevention of financial speculations and the similar have to become those methods of implementation of the economic function under the conditions of globalization.

A particular attention has to be paid to the fact that an active development of globalization processes and international economic integration and, as a result, constant increase of the scope of international trade leads to the appearance of external threats to the national economy. The modern stage of development of the world economy is characterized by increasing influence of economic globalization, which is primarily characterized by a certain levelling of the meaning of state boundaries due to the fact that all international economic subjects perform their activity in the common open economic space.

As it is known, one of the main directions of the national policy of Ukraine is a support for the state integration into European political, economic, legal space with the aim to obtain membership in the European Union. Such a complicated social and economic process of building a close cooperation causes greater overall dependence of Ukraine, first of all, in the economic area, on other countries-members of the European Union.

Thus, under current conditions, integration of Ukraine into global economic space is performed in two ways: 1) by its belonging to existing international (global) organizations and 2) by building bi- and multilateral relations with separate countries and also with neighbouring regions.

Social and political changes in Ukrainian society and political and legal actions extensively performed by the state have determined the main vectors of development of the abovementioned integration processes.

Today Ukraine is a member of the International Monetary Fund, of the World Bank, of the European Bank for Reconstruction and Development, and of the World Trade Organization. Ukraine takes an active part in activities of the UN Economic Commission for Europe that encourages common European economic integration and cooperation of member states, provides sustainable development and economic prosperity. By performing its activity the UN Economic Commission for Europe initiates measures aimed at easing concerted actions for the economic development of European integration, increasing the level of economic activity in Europe, supporting and strengthening of economic relationships both between European countries and between other countries all over the world. Taking into consideration the fact that the UN Economic Commission for Europe sets regulations, standards and conventions to promote international cooperation in Europe and outside, Ukraine directs its activity to strengthen cooperation in respect of integration of

energy, transport, ecology, and economy. These actions are performed by means of political dialog, negotiations concerning international legal documents, drafting of laws and regulations, exchange and application of the best European experience (UNECE, 2018).

It is worth mentioning that the European Union works close with Ukraine in order to reach the greatest possible political association and the greatest possible economic integration according to the Global Strategy of foreign policy and security policy of the European Union.

In view of the abovementioned, it should be indicated that Ukraine takes an inconsiderable part in the economic activity of other countries because our country is beyond the international flow of investment costs and international currency relations. In the report about global competitiveness for 2017–2018, which provides a unique understanding of factors of their productivity and prosperity, Ukraine is on the 81st position among 137 countries (World Economic Outlook, 2017). Due to this, it can be stated with certainty that Ukraine is only on the initial stage of integration of national economy to the world structures and cannot become an equal partner in the global economy. Only having increased the competitiveness of the national economy, and having created favourable conditions in order to get foreign investments into the economy and to win strong positions in the international market, one can speak about the integration of Ukraine into global economic space.

It has to be separately noted that European experience convincingly shows that constant increase and improvement of living standards of any country's population can be achieved only by increasing productivity and by applying new better products and services that successfully compete in the marketplace. Taking into consideration all this, innovations, which are the basis for sustainable development and economic growth, are of great importance for modern competitiveness.

The situation in Ukraine shall be characterized taking into account these circumstances. In today's Ukrainian realities, one can observe decrease of investment and innovation activities, weakening of the system of state regulation and control in economic sector, instability of legal regulatory activity in economic relations, critical state in core industries of the state, "shadowing" of the national economy that lead to importance of development and fulfilment of the national programs for the economic, scientific and technical development of the state.

Thus, it is obvious that Ukrainian society has to deal with such main problems of deterioration of the economic growth:

- 1) exacerbation of the internal crisis,
- 2) critical slowdown of Ukrainian economic growth,
- 3) degradation of the main macroeconomic performance,

- 4) cutbacks in industrial production,
- 5) decline in economic activity, first of all, in investment activity,
- 6) loss of export revenues because of worsening of a conjuncture of traditional raw materials and commodity markets,
- 7) shortfalls to the state budget and need for additional borrowings,
- 8) insufficient availability of investment resources,
- 9) deterioration of human well-being (households) and increase in the level of unemployment,
- 10) increase on the debt pressure, mainly in the public sector,
- 11) increase in shadowing of economic activity,
- 12) high level of corruption and its entrenchment in all spheres of the state management.

The fourth IMF credit tranche gave Ukraine a possibility to implement necessary reforms, to enlarge gold and currency reserves, to postpone a default, to stabilize a macroeconomic situation by strengthening the confidence of partners, investors, and donors in the country. Relative business deregulation in 2017, especially in building industry, and optimization of state fiscal policy together with the improvement of service delivery for tax payers, in particular by implementing an electronic system for VAT return, have significantly increased a taxation base providing a surplus of state and local budgets and have encouraged reduction of shadowing economy share. As a result, information about improvement had a positive effect on the investment climate and has brought Ukraine to 76th Doing Business-2018 rating position (Doing Business, 2018).

Due to the existence of many problems, which restrain the economic growth of the country, the desire of Ukraine to build partner relationships and to cooperate with the European Union, and to get afterward a full membership in this organization come to nothing. This is because of the fact that according to the Maastricht Treaty the EU candidate countries have to adhere to the following accession conditions in order to eliminate differences and to bring together national economies of member countries:

- 1) price stability – the inflation rate in the candidate country should not exceed the average inflation rate of three EU countries with the lowest inflation rates by more than 1.5%;
- 2) public finances stability – the annual national budget deficit cannot exceed 3% of the gross domestic product. The level of the state debt cannot exceed 60% of the annual GDP;
- 3) the level of interest rates for long-term credits should not exceed 2% of the level that exists in three EU countries with the best results;
- 4) currency exchange rate should not exceed the margins of the defined in the EU fluctuation range for exchange rates. The devaluations are prohibited during minimum two years (Treaty on European Union, 1992).

Thus, taking into account these criteria, it should be mentioned that, being unassisted, Ukraine is not able to perform all necessary changes and, as a result of this, the integration of Ukraine into global economic space is slowed down because of the existence of negative factors for the realization of global trade. According to the information given by the International Monetary Fund the most problematic factors are: taxation rates (21.7%), corruption (16.4%), access to financing (10.3%), tax regulations (9.3%), ineffective government bureaucracy (7.2%), inflation (5.5%), political instability (5.2%), and crime rate (4%) (Global Competitiveness Index, 2017).

Moreover, stimulation of innovation activity in the country, increase in its innovative capacity, and increase in general effectiveness of the national economy are possible only by overcoming corruption that is the main barrier for the economic growth of many countries and essentially impedes the fulfilment of UN Programme for sustained development for 2030.

According to results of the research performed by international non-profit organization Transparency International acting against corruption and providing the analysis of the corruption in the world, Ukraine has taken the 131st position among 176 countries due to the level of corruption. At the same time, the EU candidate countries have taken the following positions according to the level of corruption: Montenegro – 64th, Turkey – 75th, Albania – 83rd, Macedonia – 90th (Transparency International, 2016).

It should be stated that the effective integration of Ukraine into the global economy requires certain political and legal, economic, sociocultural, and infrastructural preconditions.

Political and legal preconditions of integration consist of: the political certainty of Ukraine, assurance of territorial integrity and creation of an adequate system of national security, fulfilment of international obligations, formation of correspondent legal system and preparation of effective mechanisms and instruments for its fulfilment.

Economic preconditions for the integration are the following: development and realization of the well-founded programme of transfer to market relations by tending to denationalization and privatization, social protection of the population; assessment of the export capacity, development of the export-import mechanism for the regulation of foreign economic activities; solution to the problem concerning external debts.

The main social and cultural preconditions for the integration are: revival and upbringing of the self-respect, creation of conditions for the social and cultural life of Ukraine's population.

Formation of the infrastructural preconditions is associated with the development of transport communications (see, ground, air); development of modern information and communication systems and

their connection to the international systems of cross-border cooperation.

Parameters of the state budget have a great influence on the development of economic processes in Ukraine. By setting up incomes and expenses, the state budget influences a wide range of economic processes in our country and also serves as a guide mark for all subjects of the economy, affects their correspondent decision-making and their business behaviour. During the last years, the state budget of Ukraine has been estimated on the basis of the main macroeconomic indicators that have been approved by the International Monetary Fund.

Thus, for modern Ukraine that undergoes serious transformational processes, it is quite important to place special emphasis on the problematics of its integration into the global economy as the investigation of these issues is relevant not only for science but also is an urgent practical issue.

4. Conclusions

Summarizing the results of the conducted research, it should be mentioned that a range of burning issues, which appear during the process of Ukraine integration into the global economy, is not certainly limited only to those mentioned in the article. These and other problems are to be studied by scientists in order to develop effective political and legal mechanisms for this specified direction.

To provide further integration into the global economy, reforms should be performed in Ukraine, which would promote the improvement of the reputation on the international stage. It seems that integration of Ukraine into the global economy in the near future is unreal. Ukraine can become an equal partner of foreign economic relations and can take a rightful place in the global economy only after realization of a set of actions aimed at improving the competitiveness of the economy in the world market. Among these urgent measures, the following actions can be highlighted: reduction of the excessive budget deficit, decrease of the national debt; promotion of competition in the labour market by providing the conformity between salary level and labour productivity, on the one hand, and price stability, on the other hand, realization of the actions intended for the economic recovery suitable for price stability, improvement of the control mechanisms for the functioning of the competitive environment, development of the public-private partnership, stimulation of innovations by developing services concerning support for the innovative projects, creation of the innovation networks, increase in the state purchases of innovative goods and services, improvement of access to domestic and foreign financial resources, acceleration of the implementation of directives on the domestic market, and improvement of mechanisms for the implementation of the EU acts of legislation.

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