UDC 338.43: 339.543 DOI: http://doi.org/10.31617/k.knute.2019-10-10.48

Fedun Igor,
Doctor of Sciences (Economics),
Associate Professor,
Kyiv National University of Trade and conomics,
Kyiv, Ukraine
ORCID 0000-0002-1012-9970,
ResearcherID M-4653-2016

CONTEMPORARY STATUS AND PROSPECTS OF INTERNATIONAL INTEGRATION FOR AGRARIAN SECTOR OF UKRAINE

The article deals with the investigations on the priorities and prospects of Ukraine's participation in international integration processes. The current status of Ukraine into the world-wide integration is characterized. The results of the analysis made it possible to distinguish agrarian integration as a separate object of study for international economic integration. The chronology of the stages of Ukraine's integration path is described thereafter. The perspective markets of the countries for the Ukrainian export of agricultural products are determined. The perspectives of the chosen integration way for Ukraine are considered and possible positive and negative features of this choice are analyzed.

Keywords: *Integration, international economic integration, agrarian integration, market, agri-food products, forecast, development.*

Федун Ігор. Стан та перспективи міжнародної інтеграції аграрного сектора України.

У статті досліджено пріоритети та перспективи участі України в міжнародних інтеграційних процесах. Охарактеризовано сучасне становище України у світовому інтеграційному просторі. Результати аналізу дозволили виділити аграрну інтеграцію як окремий об'єкт дослідження міжнародної економічної інтеграції. Описано хронологію етапів інтеграційного шляху України. Визначено перспективні ринки країн для українського експорту аграрної продукції. Розглянуто перспективи обраного інтеграційного шляху та проаналізовано можливі позитивні й негативні моменти цього вибору.

Ключові слова. *Інтеграція, міжнародна економічна інтеграція, аграрна інтеграція, ринок, агропродовольча продукція, прогноз, розвиток.*

Relevance of the research topic. Ukraine's economic integration is becoming one of the important factors of economic growth, improvement of the economic situation in the country and betterment of well-being for the whole population.

International economic integration determines a promising way of improving and expanding world processes in Ukraine's agri-industrial production. It is impossible to imagine integration without expanding the circle of partners and introducing the latest technologies and services. However, integrational processes are not always accompanied by positive consequences that require scientific grounding.

Formulation of the problem in general. Ukraine's international integration puts out new demands as for the domestic agricultural sector, which functions in conditions of fierce competition with manufacturersof much higher level of state support. Formation of competitive status and positive image of domestic manufacturersis one of the most important directions for promotion of agri-food products onto foreign markets. The domestic agricultural sector is characterized by positive growth dynamics. Ukraine is becoming a leading global exporter of certain types of agri-food products. However, further expansion of domestic agri-food exports requires analysis and systematization of current trends in foreign trade development and forecasting trade and economic cooperation.

Analysis of the issues researched and publications. Scientific researches of a number of scholarsare dedicated to the study of international economic integration as an important component of the function and further development of the national economy, as well as to the seeking for new ways of its efficiency improvement. Thus, the problems of European integration for agricultural sector of Ukraine are covered in the scientific works of B. Dukhnitsky, M. Pugachev, A. Melnyk [6], I. Kyrylenko [3], Yu. Lupenko [5], P. Sabliuk [4]. The authors consider processes of Ukraine's integration with the EU as a form of foreign economic policy in the agrarian sphere on the basis of rational use of agri-food export potential.

Despite the considerable amount of investigationsover these issues, research into the prospects for development of the agricultural sector of the Ukrainian economy at the current stage of international integration remains relevant. On the basis of scientific achievements of researchers there is a need to systematically study the problem of further development and functioning of the free trade zone in the conditions of increasing exports, institutional improvement of support for agriculture.

Presentation of main material. International economic integration is an objective process of contemporary stage of development of the world economy along with the processes of internationalization of production and trade, globalization and regionalization of economic life. According to the WTO data, in 2017 there were 446 integrational associations functioning throughout the world, 90% of which were Free Trade Zones (FTAs).

Ukraine is also an active participant in world-wide processes. Taking into consideration the diversity of definitions presented by scientists of the multifaceted and multidimensional process of international economic integration, international economic integration is urgently characterized as the harmonious development, convergence and complementarity of national economies within the interests of more efficient use of resources and meeting the needs of states-members to this process. The

economic basis for integration sets the place for legal equality of participants and mutually beneficial cooperation.

Methodological basis proposed for the level assessment of integration, which consists of several stages is being the characteristic feature of factors that promote or inhibit integration, threats to the development of integration, determination of integrated index, ranking of objects of integration by the level of benefits for Ukraine.

International economic integration is manifested in blurring the differences between the economies of different countries, introducing relations that are built on the absence of any form of discrimination against foreign partners in each of the national economies.

The goals of international economic integration are as follows:

- raising the level of national competitiveness, jointly combating the challenges of globalization;
- usage of benefits for «economy of volume» that expand the market, stimulate FDI inflows;
- promotion of structural reforms in economy;
- accession of a country to regional trade agreements of countries with higher levels of development;
- acceleration of access to financial, labor, material resources, new technologies to penetrate new regional markets;
- establishment of good neighborly relations between countries;
- increase of the impact on the world market;
- joint entry into international organizations.

Ukraine is a member of 16 international integrational groups covering the markets of 45 countries (about 800 million consumers), in particular: on September 1, 2017 The Association Agreement with the EU has come into full force; The FTA with Canada has been ratified and went into force on August 1, 2017. Negotiations are underway with Israel and Turkey to set up free trade zones.

Currently, Ukraine is at the first stage of integration – the formation of free trade zones, which are in their content being the system of preferential foreign trade liberalization within the framework of the agreement between the countries, based on the elimination of import tariffs as for the parties to this agreement. The functioning of free trade zones may occur in different combinations of their format, with the exclusion of certain goods from the free trade regime in accordance to national interests. The expediency of Ukraine's participation in customs unions is substantiated.

The most difficult element of international economic integration of countries is the secure of guarantee for the interests in agriculture and food industry. Negotiations on the establishment of free trade zones are complicated as for the agricultural sector of the economy indeed. The results of the analysis made it possible to distinguish agrarian integration as a separate object for study of international economic integration.

Agrarian integration as a component of international economic integration of the states is aimed at increasing competitiveness of the leading sub-sectors of the agro-

food sector of the domestic economy and the economic efficiency of agriculture, food and processing industry of Ukraine.

Agrarian integration studies allow us to trace the statistical and dynamic effects of Ukraine's international economic integration. The statistical effects of integration are reflected through the establishment of the trade (increase in trade flows between the participants of integration) and trade deviation(increase in trade and economic relations with third countries).

The formation of each international integration group presupposes taking into account some specific conditions of all participants of the negotiations, and finding out appropriate compromises. Therefore, when creating a free trade zone with Turkey, it should be borne in mind that the conditions for protection of markets of the countries are asymmetrical. Turkey has much higher level of tariff protection for its market and an average tariff protection of the most favored regime for agri-food products (42.7 in 2015), which applies ad valorem and combined duty rates.

The most protected agri-food products in Turkey are meat and offal (225%), dry milk powder and animal butter (180%), dairy products (170%), cheese (140%), otherkinds of sugar – lactose, glucose and fructose, maltose, syrups, artificial honey (135%), prepared and preserved meat products (121.5%), not for sowing cereals (130%), wine (70%). As a consequence, meat and dairy products, cereals and sugar are considered to be particularly sensitive to Turkish goods, and it is proposed to save the right to apply current tariff rates and rules for the import of agri-food products.

This is especially unacceptable for Ukrainian exporters, as Turkey applies an additional specific tariff (agricultural component) for certain agri-food products, which is calculated basically on the content of milk fat, the content ofprotein in milk, starch, glucose and sucrose, etc., and is subject to payment in euros forone unit net weight (100 kg).

The agricultural component is applied to import of confectionery, ice-cream, baby food, dairy paste, mixes and dough for the production of bakery products, biscuits, crackers, etc., which makes it impossible to export from Ukraine high value-added cost goods. Therefore, Ukraine's position in the negotiations with Turkey on the Free Trade Area should be aimed at creating new opportunities for domestic agrarian business within the framework of duty-free trade, with appropriate advocacy of national interests. The principles of its formation should be based on the principles of mutual liberalization of foreign economic relations and mutually beneficial access to the agri-food markets of the countries.

The international integration and European integration of Ukraine puts forward new requirements for the domestic agrarian sector, which activity takes place in conditions of fierce competition with manufacturers obtaining ten times higher level of state support, than in Ukraine [5].

An important direction of international economic integration is the European Union. This way is in the line with goals and objectives according to the Program of Activities of the Cabinet of Ministers of Ukraine, the Law of Ukraine «On the

Principles of Internal and Foreign Policy», which affirms that «implementation of integration for Ukraine into the European political, economic, legal space is the purpose of gaining membership in the European Union» [2]. In 2017 Ukraine delivered agri-food products to the EU for $ 5.8 billion USD, which exceeded the record highs of similar exports in 2012 and 2013 at $ 5 billion with the highest score. In the EU the largest buyers of Ukrainian cereals and grains are Spain, Italy, and the Netherlands. The main importers of oilseeds are France, Belgium, Greece and the Netherlands, and the largest buyers of agricultural food products in monetary terms are Germany, Austria, Poland and Hungary. Increase in volumes of export updates the prospect of mutual trade in the future [7].

The results of modeling for foreign trade turnover of agri-food products between Ukraine and the EU clearly show the significant impact of the economic growth of GDP of the European Union and Ukraine. To further improvementfor domestic exports it is advisable to intensify the negotiation process to increase the volumes of quotasfor agri-food supplies to the EU. Ukrainian exporters need to intensify their work on expanding their international relations and finding out new foreign partners, enhancing the competitiveness of their products, and first of all, their quality indicators.

Studies show that the demand for global food markets remains stable over the averageperiod of time in perspective, and Ukraine needs to take advantage of this situation and maximize the benefits of agri-food exports. Plans for expanding the volume and geography of agri-food exports in terms of international economic integration are based on projections.

The forecast indicates that developing countries are the main importers of agri-food production in the world. The growing volume of agricultural imports from these countries is caused not only by increased needs of the population that is growing in number, but also by the increase in purchasing power of people in these countries. While maintaining the share of these countries in the world market, their volume of imports by 2025 is going to increase in comparison to 2015. Forage grain will grow from 66.0% to 79.8%, oilseeds from 79.2% to 81.9%, meal from 51.6% to 59.2%, sugars from 71.2% to 47.7%, beef from 57.1% to 59.9%, pork from 53.1% to 62.8%, poultry from 75.2% to 78, 4%, and butter from 66.9% to 75.1%. The developing countries should be considered as promising destinations for the export of Ukrainian agri-food products.

Conclusion. Increasing Ukraine’s exports of agri-food products to the markets of economically developed countries is quite a challenge because of the high level of competition in these countries and the growth of their own production. More promising for Ukrainian exports are the markets of developing countries, especially China and India. These countries will constantly increase imports of agricultural food products. The forecast of changes as for the demand in the agri-food markets, the potential opportunities of Ukrainian manufacturers and farmers to export their products makes it possible to formulate recommendations on strategic directions for further international economic integration of Ukraine towards the countries of Asia and Africa.

Further studies of the international economic integration of the agricultural sector of Ukraine provide for scientific substantiation of the directions forimprovement of the regulation of foreign economic activity and import substitution policy, ensuring the competitive advantages of domestic agri-food products on world markets.

REFERENCES

1. European Commission. Agriculture and Rural Development. URL: https://ec.europa.eu/agriculture/index_en.

2. Food Outlook. Biannual Report on Global Food Markets. July, 2018 / Food and Agriculture Organization. 2018 URL: http://www.fao.org/3/CA0239EN/ca0239en.pdf.

3. Kirilenko I. G., Ivchenko V. E., Demyanchuk V. V. Food security of Ukraine in the light of current trends of the world economy. AIC of Economy. 2017. № 8, p. 514.

4. Lupenko Yu. O. Current status and prospects of international integration of the agrarian sector of Ukraine: tasks of agro-economic science /Yu. O. Lupenko // Economics of AIC. 2015, p. p. 6–10.

5. OECD/FAO (2018), OECD-FAO Agricultural Outlook 2018-2027, OECD Publishing, Paris / Food and Agriculture Organization of the United Nations, Rome. 2018. URL: https://doi.org/10.1787/agr_outlook-2018-en.

6. On approval of the Export Strategy of Ukraine («Road Map» of Strategic Trade Development) for 2017–2021: Order of the Cabinet of Ministers of Ukraine of December 27, 2017, No. 1017 p. URL: https://zakon.rada.gov.ua/laws/show/1017-2017-%D1%80.

7. Pugachov, M. I., Dukhnytskyi, B. V., Melnyk, A. O., et al. (2013). Perspektyvy rozvytku zovnishnotorhovelnykh vidnosyn Ukrainy z Yevropeyskim Soiuzom v ahrarnoy sfere [Prospects of development of foreign trade relations of Ukraine with the European Union in the agrarian sector]. Kyiv: NNTs «IAE» [In Ukrainian].

8. Pugachova K. M. Foreign trade relations of Ukraine with the EU / K. M. Pugachova, O. O. Sheremet//Economics of AIC. 2018. № 2, p. 85–90.

9. Sabliuk P. T. State and directions of development of agrarian reform / P. T. Sabliuk // Economics of APC. 2015. p. 6–10.

10. State Statistics Service of Ukraine. URL: http://www.ukrstat.gov.ua.

11. The Law of Ukraine «On the Principles of Domestic and Foreign Policy». http://zakon2.rada.gov.ua/laws/show/2411-17

12. United States Department of Agriculture, Foreign Agricultural Service. URL: https://www.fas.usda.gov/