

UKRAINE

LITHUANIA

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**Current priorities of
economy: Lithuania-Ukraine**

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LITHUANIA

Area - 65,301 km²

Population – near 2 million 793 thousand people

UKRAINE

Area - 603,548 km²

Population – near 42 million people

Ukraine and Lithuania are countries with different government, economic development which is determined by its specializations, population and area, GDP per capita. Economic potential of these countries is aimed at improvement of the population living standards.

Lithuania is a member of European Union and it represents the creative industries including tourism. Ukraine is integrating into European Union; it is a country with great potential of food security and tourism as well.

Current priorities of economy: Lithuania-Ukraine

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3. Strategic priorities of the food industry: a conceptual approach

The modern development of the food industry is influenced by transnational, geopolitical and domestic challenges, the growing openness of the national macroeconomic environment encourages strategic changes of the approaches to the development of segmental components of the industry, taking into account a systematic and integral approach based on the concentration of the resources.

С Sectoral strategic management assumes that its subjects independently determine their key positions for the future depending on the priority of goals and objectives. Sectoral strategic management is a type of management activity, which consists in the management by authorized institutions of a system of similar economic entities that form an industry in the social and economic complex of the national macroeconomic environment, taking into account all relevant external and internal conditions. Strategic management involves the allocation of key positions for the future depending on the priority of goals and objectives.

Theoretical and methodological aspects of the formation of strategic priorities of the macroeconomic environment in changing conditions are reflected in the scientific works of I. Ansoff, F. Kotler, M. Meskon, M. Porter, O. Pushkar, R. Fatkhutdinov, Y. Safonov, G. Grigorieva, O. Poberezhets, Y. Melnyk and other researchers. The practical experience of strategies choice for the development of food industry entities confirms that there are general purposeful approaches to formulation a strategy and general framework in which the strategies operate. Any strategy is a general direction of purposeful actions of the subjects of the branch, the passage of which in the long run should ensure the solution of the set tasks, which will ensure the

achievement of strategic goals. This understanding of the strategy is valid only when considering it at the top level of sectoral management. The process of selecting an industry strategy includes:

- objective clarification of the current strategy of functioning and development of the food industry;
- research of branch business portfolio;
- choice of strategy of food industry entities and its evaluation.

Objective clarification of the current strategy for the operation and development of the food industry is important, because it is not possible to make adequate decisions about the future without a clear idea of the condition of the facility and what strategies it implements.

The main position of the sectoral strategic management is due to the transition of the food industry in an open global space, which provides a sense of disciplinary influence of the environment, which in modern international realities forms a decisive factor in the effectiveness of management in the industry. Objective clarification of the current strategy of functioning and development of the food industry encourages a strategic study of the internal and external environment, as well as mandatory consideration of market factors in making sound management decisions related to the production and sale of food products. As the practice of food industry entities confirms, the system of sectoral management, which is based on the achievement of current goals or short-term goals in modern economic conditions, is inefficient and threatens economic security, both at the micro and macro levels. The current strategy of functioning and development of the food industry should stimulate them to search for new technologies and forms of operational activities and meet the requirements of innovation and investment development of the national economy and its structural elements.

A large number of scientists studied the classification of strategies, including: G. Mintzberg, M. Porter, V. Savchuk and others. The classification of strategies for the operation and development of economic entities differs in the set, number and orientation of classification features.

Virtually all scientists provide a list of basic strategies, but in some sources they can be classified according to the life cycle of the entity: a growth strategy that has signs of intensity; a stabilization strategy that focuses on slow growth and a strategy to exit the industry market.

A. Thompson additionally identifies the following classification features of strategies of macroeconomic environment:

- in the direction of transformation;
- by the nature of the impact;
- by complexity.

Taking into account modern economic theory and practice, the author's structured system of classification features of definition of strategic priorities in the food industry taking into account the corresponding aspects of modern economy is offered.

It should be noted that the neoclassical theory that prevailed in the first half of the twentieth century systematically ignored the doctrine of the strategy of development of the subject, because it did not recognize the individualization of the subjects of the national economy.

The concept of strategy of the subject of the national economy has finally found its place and is reflected in the theory of imperfect competition, originates from the so-called industrial economy. The revision of the paradigm “industry structure - behavior – results”, noted by M. Porter, which suggests the potential impact of strategy on the market structure, allowed to consolidate the strategic perspective in economic theory.

Thus, the dominant view remains that certain market elements, or internal market barriers, administrative barriers, cross-elasticity of food prices determine the strategic outcome or set the framework within which businesses must separate an adequate strategy in proportion to their weaknesses and business strengths according to the disciplinary influence of the external macroeconomic environment. Strategic sectoral management must have a modern innovative set of solutions and tools that will ensure the formation and implementation of market development strategies in the food industry. Strategic industry management should have a systematic approach to managing strategic change in the food industry, including:

- positioning of the subject of the industry by planning its strategy and capabilities;
- prompt response to negative phenomena and processes in real time;
- systematic purposeful overcoming of resistance in the process of implementation of the branch strategy.

The main factors influencing the industry strategy:

- mission and goals of the food industry;
- scope of activity of food industry entities;
- criteria for distribution of resource provision;
- structure of investments by types of products;
- the degree of diversity of operating results and diversification of industry entities;
- structure and direction of economic activity of food industry entities for the last period;
- approximate capabilities of food industry entities;
- monopolization in the food industry market;
- attitude of food industry entities to financial risks, taking into account the real practice and the implemented financial policy;

- level and degree of concentration of efforts in innovation and investment activities;

- strategies of certain functional areas (operational, investment, financial, marketing and other activities);

- attitude to external threats.

Sectoral business portfolio research or portfolio analysis is an important tool for strategic industry management. This tool gives the impression that the individual elements of entrepreneurial activity are interconnected, and the business portfolio is significantly different from the sum of its parts and is more important for the food industry than the state of its individual components. By studying the business portfolio in the industry, it is possible to balance such important factors of business activity as risk, cash flow, business renovation, etc.

Sectoral portfolio analysis provides differences in the current state of the food industry with their priority status in future periods and clarify the reasons for these differences in order to invest resources in the most efficient areas of business and withdraw capital from projects that have negative profitability.

Industry portfolio analysis assesses the attractiveness of food markets and the competitive ability of industry to do business in those markets. The main criteria that are investigated in the industry portfolio analysis:

- growth rates of operating results;

- strength of intra-industry competitive position;

- stage of the life cycle;

- market share;

- attractiveness of the subject of the industry, etc.

The basic stages of industry portfolio analysis are:

- definition of sectoral levels for business portfolio analysis in the food industry, ie, it is necessary to determine the hierarchy of levels of

business portfolio analysis, which should begin at the level of a single product and end with the overall sectoral results;

- separation of segments of the internal and external environment of the food industry in terms of individual trends, opportunities and dangers;

- fixation of research elements used in positioning on the matrices of portfolio analysis of business; isolated elements differ from production elements and can cover operational results taking into account quantitative features (one, two, three, etc.);

- identification of the desired business portfolio that will most effectively contribute to the achievement of food industry entities of their strategic goals.

The business portfolio analysis matrices of the food industry are not a decision tool, they show the state of the business portfolio that stakeholders should take into account when making appropriate decisions. The choice of strategy of food industry entities is made by stakeholders based on the study of key factors that characterize their condition, but taking into account the results of the analysis of the business portfolio, as well as the nature of the implemented strategies of operation and development.

It should be noted that stakeholders must develop alternative scenarios for the dynamics of change of matrices. The first alternative scenario is based on extrapolation of existing trends in the food industry and industry, the second focuses on favorable features, the next scenario takes into account force majeure, and finally the final alternative scenario reflects the priority operation and development of the entity.

Visualization of the dynamics of change of matrices provides awareness of the adequacy of the transition of the business portfolio of business units to a new state, in order to achieve strategic goals of the food industry. To do this, stakeholders must assess the overall state of

the industry's business portfolio. Particular attention should be paid to clarifying the relevant characteristics of the projected state of the business portfolio of food industry entities:

- generates a portfolio of questions, ambiguities and other negative aspects;

- the portfolio has vulnerabilities in case of manifestation of negative aspects;

- weaknesses in the business portfolio of industry entities;

- includes a portfolio of a sufficient number of business units in attractive sectors of the food industry;

- the maximum number of effective results of operating activities in order to create promising and finance new business results

- provides a portfolio of cash flow generation of food industry entities;

- visualizes the reserves of potential opportunities in business activities of industry entities;

- provides the portfolio with the maximum efficiency of the food industry;

- the risks that are interrelated with the functioning and strategic development of the food industry are identified;

- identifies constructive or destructive measures to achieve the selected strategic priorities for the development of the food industry on the principles of coherence of actions and processes.

Therefore, depending on the objective and reasonable answers to a certain range of questions, stakeholders may see the need to form a new portfolio of results of operating activities of the food industry.

When choosing a strategy for the food industry, it is necessary to take into account the relevant factors that affect it. It is known that for any macroeconomic environment, the state of the industry and the position of industry entities play a significant role in choosing strategic

priorities for the operation and development of the food industry. In the food industry, leading economic actors must strive to make the most of the strategic opportunities created by their leading position and to strengthen this position in the context of enhanced international integration processes under the influence of globalization. Leading actors in the food industry choose different strategic priorities for operation and development, depending on the socio-economic status of the industry.

Practical experience confirms that if any industry is stagnant, it is necessary to focus on developing a strategy for diversification of operating activities, but if it is fast-growing and growing effectively, the choice is obvious - a strategy of priority concentrated growth based on the integration component.

The strategic goals of food industry entities ensure the uniqueness, originality and adaptability of the choice of strategic priorities in relation to a particular business entity. Strategic goals are the desired benchmarks of the entity, so if they do not involve intensive operation and maximization of operating results, then appropriate strategies can not be implemented, even if there are prerequisites for both the industry market and the potential of the entity food industry. The efficiency of the food industry is a comprehensive parametric assessment of the final results of the use of non-current and current resources and human capital in the food industry, over a period of time, under the influence of relevant factors of internal and external environment.

Business results, as a historical category, express a set of socio-economic relations that are mediated in monetary form and appear between business units at different stages of the life cycle and influence the formation of a strategy for the priority operation and development of the food industry.

Economic theory is based on the resource approach to the formation of results of activities laid three types of factors: labor, capital, land, while in the Marxist concept of exceptional importance was given to living labor, and other indicators were considered derived or dependent on it, in contrast to the claims of some scholars all three factors in the creation of value and the validity of the distribution of income according to the contribution of each of them to the product. The issue of the economic essence of economic results and their impact in determining strategic priorities is one of the most complex and controversial from a scientific and practical point of view in modern economic theory. Given the economic and economic nature, on the one hand, the result is the difference between cash receipts and cash payments, on the other - is the difference between the property status of the entity at the end and beginning of the reporting period.

When forming strategic priorities in the food industry, it is necessary to take into account the efficiency of the process of use and interaction of relevant resources used in the production of products (works, services) in the food industry. Main resources: capital, entrepreneurial and professional properties of stakeholders, labor and natural resources.

In an adaptive economy, each of these resources is a global resource market, which consists, respectively, of several markets for a particular resource. Given the fact that costs arise in the process of purposeful consumption of resources, it can be argued about the transformation of resources through costs into the final results of the food industry.

The financial resources of the food industry have a significant impact on the choice of strategic priorities for the operation and development of the industry. Relevant changes in the behavior of industry actors, including access to international markets, the creation of

an innovative product, require significant financial costs, so the entities that have the appropriate investment support or easy access to it, in determining strategic behavior are in the best position. provisions and have a much larger number of strategy options to choose from than entities with limited investment opportunities.

The strategic development of the food industry is possible provided that the subjects of economic units at all levels of government perform their duties properly, taking into account the potential opportunities and threats, as well as the strengths and weaknesses of their activities, respectively. Therefore, human capital (employee skills), as well as financial resources, are a limiting factor in choosing the strategy of priority functioning.

Commitments to previous strategies, which create inertia in the functioning and development of the industry, are important in setting strategic priorities. It should be noted that it is impossible for food industry entities to abandon previous commitments in connection with the transition to new strategies, so when determining strategic priorities it is necessary to take into account the fact that commitments of previous periods continue to operate and may affect (deter) mechanism for implementing new strategies. In order to minimize the impact of the negative aspects of past commitments, they should be taken into account when choosing new strategies and ensure their implementation in the implementation of the new strategy.

For the food industry, the degree of dependence on the external macroeconomic environment significantly affects the choice of strategic priorities for their operation and development. Quite often, the external dependence of economic entities can play a more significant role in choosing its strategy. As a rule, external dependence can be caused by legal regulation of the behavior of food industry entities, socio-economic restrictions, conditions of interaction with state institutions,

environmental impact, political instability and other aspects. The timing factor is also important when choosing a strategy for the operation and development of the food industry, because threats to businesses and planned changes have a certain time frame. Therefore, when implementing the strategy it is necessary to take into account the calendar time and duration of the stages of its implementation. It is important to remember that the food industry can only implement the strategy in a favorable environment.

The procedure for evaluating the chosen strategy for the operation and development of the food industry is focused on the achievement of the entity's strategic goals.

If the chosen strategy meets the strategic goals of the entity, then its further evaluation is carried out in the following areas:

- compliance of the chosen strategy with the requirements of stakeholders, ie it is checked whether the strategy meets the requirements of the main stakeholders;
- how factors of dynamics of the branch market and dynamics of development of a life cycle of a product are considered;
- the impact of the strategy implementation process to the emergence of new competitive advantages in the industry market;
- impact on the development of the national macroeconomic environment of the country, etc.

When assessing the compliance of the chosen strategy of capacity development and capabilities of the food industry, it is necessary to determine how the chosen strategy corresponds to other strategies (intra-corporate, intra-industry, intersectoral, etc.).

An integral part of any strategy is the economic processes that ensure the functioning of the food industry. Economic processes have certain characters, conditions, parameters and guidelines, which in the market environment are constantly influenced by many factors of

influence: production, technical, technological, social, environmental, financial, economic, political, integration and others. Therefore, the constant presence of such variables of influence in the economic activity of the food industry involves taking into account the risks in implementing the chosen strategy. Risks reflect the phenomena that have many inconsistent and quite opposite real bases of realization of the chosen strategy. A risk is an extraordinary event or group of related unforeseen events that can cause any harm to a food business operator in implementing the chosen strategy.

Assessment of the justification of risk in the food industry in the implementation of the chosen strategy is carried out in the relevant areas:

- objective realism of the preconditions underlying the choice of strategy for the functioning and development of the subject of the industry;
- the scale of the negative consequences for the food industry in the implementation of the chosen strategy;
- the probability of failure of the strategy and its consequences;
- socio-economic efficiency, taking into account the impact of relevant risks.

Risks in the implementation of the chosen strategy have both tangible and intangible consequences.

The basic goal of the chosen strategy is to reduce the degree of risk from its implementation, which is due to the uncertainty of achieving strategic goals in the context of many factors that can be both accidental and unpredictable for industry. When implementing the chosen strategy, the tasks of risk-related coordination include:

- substantiation of the policy of intra-industry risk management;
- determining the probability of risk associated with the implementation of the chosen strategy;

- quantitative measurement of risk intensity;
- identification and identification of risk factors that are exposed or not affected.

The formation of strategic priorities in the food industry, taking into account the risk involves the implementation of certain sequential actions:

- identification of factors that increase or decrease a particular type of risk to achieve strategic priorities in the industry;
- diagnosis of the identified indicators in terms of the strength of the impact on risk;
- analysis and adequate assessment of a specific type of risk;
- establishment of a controlled objective level of risk;
- assessment of individual components of strategic priorities in terms of compliance with the acceptable level of risk;
- development of appropriate measures to reduce risk in order to achieve strategic priorities.

Thus, the risks of adverse events associated with the implementation of the chosen strategy of operation and development of the food industry is an important issue and a basic parameter of danger to the industry.

The high level of intra-industry and intersectoral competition, the development of technology and innovative technologies require food industry to form strategic priorities and develop modern effective strategic behavior that will maximize the socio-economic results of management. Therefore, subject to certain conditions, the food industry seeks to transform potential competitors into partner entities to provide more favorable conditions for operation and development. Among the existing models of increasing competitiveness, integration strategies for the development of food industry entities are quite significant, which in turn affects the strategic priorities of the industry.

Examining the peculiarities of the functioning of integrated business structures in the industry, we note that the main reasons for the development of integration at the level of food industry are increased competition, concentration of capital, resource base, the need to minimize transaction costs by establishing optimal interaction with contractors and others.

Prominent researchers A. Thompson and A. Strinkland insisted that “the main reason for integration is to strengthen the competitive position at the market”. The integration of food industry has the characteristics of a corporate strategy and affects the increase of their viability, economic stability, increase the efficiency of operating activities, diversification of business activities to reduce risks, and so on. Under the integration industry strategy we propose to consider the establishment of such relationships between the food industry, which provide long-term convergence of priority strategic goals of the integrating and integrating entity of the industry and solving all tasks identified through industry strategic planning.

Taking into account modern theoretical and practical aspects of economics, the author's structured system of the main tasks of the integration branch process is offered, which should be aimed at increasing:

- results from operating activities;
- results from financial activities;
- results from investment activities;
- target results;
- intermediate results;
- exogenous results;
- endogenous results;
- economic results;
- financial results;

- social results;
- environmental results;
- quantitative results;
- quality results
- innovative results;
- intellectual results.

Thus, the author proposes to use these indicators to investigate the effectiveness of the implementation of integration strategies, using matrix tools of industry portfolio analysis. Matrices are a convenient tool in comparing various food industry entities that carry out business activities within one market, as well as different areas of activity.

The sectoral strategies inscribed in the matrix are presented in the order of their strategic priority. Food industry players with high growth rates and weak competitive position, quadrant II, should determine why the negative result is obtained, what needs to be done to strengthen intra-industry competitive position, as well as calculate their opportunities to update the competitive strategy, taking into account significant growth industry market.

Thus, the strategy of functioning and development of the food industry is a set of targeted measures, approaches and actions that are characterized by strategic features and are considered appropriate in a competitive environment, taking into account existing trends in the national economy, technology, human capital and stakeholder needs. under the influence of internal and external factors. The sectoral strategy should be permanent and gradually adjusted to take into account personal responsibility.

The speed of response of food industry entities to external challenges and risks depends on the timeliness and completeness of monitoring and diagnosis of their impact on sectoral economic activities, which is reflected in the receipt of appropriate expected results. For the

food industry, certain changes in the external environment may lead to a radical overhaul of the developed strategy of operation and development of the entity. Constant changes in the external environment complicate the formation of the optimal strategy.

The sectoral strategy must comply with the principles of management of general and special nature, have an effective sequence of processes and actions, providing a competitive advantage in terms of innovative development of the macroeconomic environment. The development of modern market economic systems in the conditions of constant transformation and reform of socio-economic processes indicates the need for dynamic changes in the industry segment, which will ensure the permanent growth and development of the food industry. Note that any strategy provides an opportunity to benefit from the proposed changes that will ensure the priority development of the industry.

Sectoral strategy is a long-term well-balanced priority area of functioning and development of food industry entities in terms of scope, tools, methods, mechanisms and models of their activities, the system of interconnected internal processes, as well as the industry's position in the macroeconomic environment. Accordingly, ensures the implementation of strategic goals. A definite interpretation of the strategy excludes determinism in the behavior of the subjects of the industry, as the strategy forms the priority of the development of economic entities and leaves the freedom of permanent choice taking into account the changing factor environment.

4. Ukraine's trade partnership with the EU

The creation of a free trade zone with the EU has intensified the entry of Ukrainian producers into the world and regional markets. As a result, Ukraine is becoming the world's leading exporter of agri-food products. Further increase in domestic exports requires analysis and systematization of current trends of foreign trade, forecasting the development of trade and economic cooperation between countries based on the usage of effective tools of economic and mathematical modeling.

The works of many scholars is devoted to the study of international economic integration as an important component of the further development of the domestic economy and the search for ways to increase its efficiency. Thus, the problems of European integration of Ukraine and increasing the efficiency of agriculture on its basis are covered in the scientific works. They mainly consider the processes of Ukraine's integration with the EU as a form of foreign economic policy in the agricultural sector based on the rational use of export agri-food potential. Despite the significant number of works on this issue, the study of prospects for the development of the agricultural sector of Ukraine's economy at the present stage of integration is relevant. Based on the scientific achievements of researchers, there is a necessity for systematic study of the problem of further development and functioning of the free trade zone in terms of increasing exports, the formation of a new institutional system and support for agriculture and more. The European Union is an important trade partner of Ukraine, its share in Ukrainian exports was near 33% in 2016, imports - 41%. For many years, raw materials cover the lion's share of Ukrainian exports to EU countries. Its main commodity items are cereals, iron ore and metal products. The focus on the export of raw materials is an important factor

in the economic instability of the country. Instead, Ukraine imports fuel resources, machinery and equipment (30%), as well as chemical products (primarily pharmaceuticals and mineral fertilizers). In 2017, Ukraine exported \$ 5.8 billion worth of agri-food products to the EU. US, exceeding the record figures for similar exports in 2012 and 2013 by 5 billion dollars. USA and reaching the highest rate. In the EU, the largest buyers of Ukrainian grain are Spain, Italy and the Netherlands, and the main importers of oilseeds - France, Belgium, Greece and the Netherlands. 3most buyers of agri-food products in monetary terms were Germany, Austria, Poland and Hungary. Increasing export volumes updates the forecast of mutual trade in the future.

The gravitational model is one of the important tools of economic and mathematical modeling. It is characterized by a high level of objectivity, has a solid theoretical basis and provides forecasting of foreign trade. Theoretical validity and high empirical accuracy of the gravitational model determine its usage for the evaluation of foreign trade and the study of export-import operations of international trade entities. The adequate gravitational model contributes to the understanding of export mechanisms and restrictions on bilateral foreign trade flows between countries, it helps to determine the factors of further development of trade and economic cooperation between the participants of integration.

In general, gravitational model is a tool for identification and assessment the key factors influencing the development of mutual trade. In the context of describing foreign trade flows between countries (including their bilateral trade), this idea is transformed into the following: the strength of interaction between economic entities (integration entities, countries, regions, etc.) is directly proportional to the product of their significance (economic potential) and inversely

proportional between them. Standard gravitational explanatory variables (significance of economic objects and distance between them) are concerned in classical and modern specifications of the gravitational model. At the present stage of development of the world economy, many interpretations of this model have been made depending on the goals of modeling.

The results of the foreign trade turnover modeling of agri-food products between Ukraine and the EU clearly demonstrate the significant impact of economic growth in the GDP of the European Union. With an increase in EU GDP by \$ 1. The United States is projected to increase bilateral trade by \$ 1.47. USA. The impact of Ukraine's GDP growth rate has a much smaller impact that can be explained by the difference of the EU and Ukrainian economies' sizes.

The state authorities should intensify the negotiation process to increase quotas for the supply of agricultural products to the EU. Ukrainian exporters of agri-food products need to intensify work on expanding international ties and finding new foreign partners, increasing the competitiveness of their products, especially quality. At the state level, it is advisable to develop and start implementing an import substitution program in the agricultural sector, which will stimulate the development of domestic production of those groups of goods that can be produced in Ukraine.

5. Ukraine in the process of European integration

For the current stage of the development of the world economy, an increase in the number of international integration groups and their participants is characteristic (one country may be a member of several free trade zones or customs unions). Integration contributes to the development of foreign economic relations, the growth of commodity circulation and welfare, and increases the level of international cooperation. An example of the EU, which today is the economic union of independent countries of Europe, is the highest form of integration in the world and the largest market, is illustrative. For Ukraine, as in any country, the opening of this market is very important.

The European Union is a political and economic union, which currently includes 28 European countries. The principle of association of countries within the EU is considered unique. There is no doubt that the formation of both economic and political unions has its own characteristics, and they are manifested in the interests of their participants. At the same time, political interests in integration encourage countries to intensify economic transformations within the country in accordance with established requirements. That is, the relevance of a political desire determines the intensity of economic transformations that the integration process itself requires, so it is possible to reduce both the time of adaptation of domestic legislation to the requirements of the union and the reduction of successive types of integration.

It is clear that this or that form of economic cooperation, to which the country claims, is determined by the partners, as it is in the relations between Ukraine and the EU. It involves a certain institute of regulation of mutual obligations, in particular concerning mutual trade and the sphere of agrarian

economy. Formation and regulation of bilateral relations in a certain mutually beneficial direction is the result of the country's good political and economic will in realizing the specific goals and strategies of economic development, which requires the process of adaptation of law, economy and social standards.

The EU's main priorities are to support peace and stability in Europe, respect for the common values of the EU and the well-being of the peoples of the member states. The fundamental principles of the EU are to ensure the free movement of people, goods, services and capital between member states. All countries of the European Union share common democratic values, ensure respect for human rights, the rule of law, and the protection of the rights of minority communities.

The experience of other countries shows that the processes of integration begin gradually from those forms that, in certain political and economic conditions of world or regional development, are most effective for its participants. The choice also depends on what tasks are set by a country that claims to be part of an already existing alliance of countries. Such goals for the participants as newly created integration associations and participation in the existing alliance may be the innovative restoration of economic potential, accelerating the development of individual branches of the economy, consolidating the positions of individual commodity groups in the world market, etc.

The main stimuli of integration are common economic interests, which together with the principles of mutually beneficial relations form the basis of the agreement. The goal of the agreement is to eliminate barriers to trade, create conditions for fair competition, increase the expediency of

investing, jointly protect intellectual property rights, establish an effective mechanism for cooperation and resolve conflicts, and develop regional multilateral cooperation. In this regard, on March 21, 2014, the signing of the political part of the Association Agreement between Ukraine, on the one hand, and the European Union and its member states, on the other hand (hereinafter - the Agreement, the Association Agreement), was signed on June 27, 2014, and signed the economic part of the Agreement, which ensures the functioning of an in-depth and comprehensive Free Trade Area (hereinafter referred to as the "Free Trade Area"). These events are the most important in the current decade for the development of Ukraine.

European integration is an unchanged strategic priority of the state policy of independent Ukraine and is dictated by the fact that it belongs to European civilization. The Ukrainian people deliberately made their choice in favor of European integration and intend to gain membership in the EU. To this end, the strategy of Ukraine's integration into the European Union has been adopted and consistently implemented in the state.

The dynamics of the process of European integration of Ukraine is determined by:

- willingness and ability of the Ukrainian society, business and the state to carry

out the necessary socio-economic and democratic transformations, moving closer to European standards and norms, real implementation of European values and legal field;

- favorable economic and political situation in the international environment of our state, in particular transatlantic relations, development of mutually beneficial partnership, formation of security and development of cooperation.

The consistency and persistence of Ukraine, its future

successes on the path of economic and political reforms, the real rapprochement of the country to European political, economic and legal standards will allow in the future to gain membership in the EU. The main positive achievements in relations with the EU are the possibility of successful implementation of the provisions of the Association Agreement and the formation of the CEFTA. For Ukrainian consumers, the creation of PPZVT will increase the range of products, increasing the supply will reduce the prices of domestic producers, especially for imported products. EU goods will stimulate Ukrainian producers to improve their production, processing and storage technologies.

Difficulties may arise due to technical barriers, the need to harmonize domestic standards with European ones. The main risk of the free trade zone for Ukrainian commodity producers is the lack of readiness of the current regulatory framework for the requirements in the area of sanitary and phytosanitary measures of the EU. This is most important for livestock products, fruits and vegetables and ready-made food products. In addition, the underdeveloped infrastructure of the market can also hinder the export of domestic products. The problem of changing the geographical names of goods due to the implementation of obligations to comply with historical indications of products originating in the EU countries remains relevant.

Economic benefits will also be secured by macroeconomic stability, additional foreign investment, a positive trade balance surplus, and so on. Creating favorable conditions for producers can provide a synergistic effect for the entire Ukrainian economy. A capacious domestic market will help consolidate the tendency to increase the competitiveness of products.

The Association Agreement between Ukraine and the

European Union allows the parties to move from partnership and cooperation to political association and economic integration. An integral part of the Agreement is the creation of an in- depth and comprehensive Free Trade Area between Ukraine and the EU, which, among other things, provides for an integrated program of adaptation of the regulatory norms in the field of trade to the relevant EU standards.

The Association Agreement clearly defines two main objectives: first, it is a political component of integration for the purpose of the next EU membership and, secondly, an economic component. Article 1 of the task on economic integration provides for “the introduction of conditions for strengthening economic and trade relations, which will lead to the gradual integration of Ukraine into the EU internal market”, including through the creation of PPZVT. This task also involves supporting Ukraine's efforts to complete the transition to a market economy, including through the gradual adaptation of its legislation to EU law. In this regard, the dominant component of the Agreement is its economic part, and above all, the place of the agricultural sector of Ukraine's economy in the processes of integration.

The Association Agreement text has more than 1000 pages of preamble, 7 main sections, 43 annexes and 3 protocols.

The preamble regarding economic integration states that:

- the political association and economic integration of Ukraine with the European Union will depend on progress in the implementation of this Agreement, as well as on the achievements of Ukraine in ensuring respect for common values and progress in approaching the EU in the political, economic and legal spheres;

- Such an in-depth and comprehensive free trade area associated with the process of wide-ranging adaptation of Ukrainian legislation should contribute to further economic integration into the EU internal market, as provided for in the Agreement.

However, this absolutely does not guarantee and is not a sufficient condition for Ukraine's integration into the EU, which is also taken into account in the preamble, namely, “this Agreement does not define in advance and leaves open future development of Ukraine’s relations”. Although one of the objectives of the Agreement is to create conditions for enhanced economic and trade relations that will lead to the gradual integration of Ukraine into the EU internal market, including through the creation of the IERE and supporting Ukraine's efforts to complete the transition to a functioning market economy, including through gradual adapting its legislation to EU membership.

The agreement consists of the following sections:

I. General principles

II. Political dialogue and reform, political association, cooperation and convergence in the field of foreign and security policy

III. Justice, Freedom and Security

IV. Trade and trade related issues

V. Economic and industrial cooperation

VI. Financial cooperation and anti-fraud regulations

VII. Institutional, general and final provisions.

Section I “General Principles” states that the principles of a free market economy will form the basis for EU-Ukraine relations. And among the main principles of strengthening the relations between them is the rule of law, the fight against corruption, and so on.

Section II “Political Dialogue and Reforms, Political Association, Co-operation and Convergence in the Field of External and Non-Pectoral Policy” focuses on issues of political dialogue, foreign and security policy.

Section III “Justice, Freedom and Security” contains provisions on the rule of law and respect for human rights, cooperation in the field of migration, as well as addressing issues such as smuggling of goods, economic crimes, in particular in the field of taxation; corruption in the private and public sector, etc.

Section IV “Trade and Trade-related Issues” outlines the terms of trade and the application of trade policy instruments, namely, the abolition of customs duties, fees and other charges, non-tariff measures, technical barriers (including labeling and labeling), sanitary measures (the procedure for certification and protective measures is also outlined), as well as specific provisions on goods, administrative cooperation and cooperation with third countries, protective measures of trade (global protective protections anti-dumping and countervailing measures), etc.

At the same time, in Chapter 5 “Customs and Trade Facilitation” separately, issues related to relations with the business community, fees and payments, customs valuation, customs cooperation, in particular the creation of a subcommittee on customs cooperation, approximation of customs legislation, etc. were considered.

Also, the establishment of business, trade in services and e-commerce, current payments and capital movements, the creation of a subcommittee on geographical indications (GI), patents, protection of intellectual property rights, competition, trade in forestry and fishery products, trade in energy carriers, etc. are also stipulated.

Section V “Economic and Industrial Cooperation” contains provisions on cooperation in the field of energy, including nuclear energy, public finance management, taxation, statistics, agriculture and rural development, the environment, trans-regional and regional cooperation, transport, space, science and technologies, industry and entrepreneurship policy, mining and metallurgy, financial services, founding and operating legislation Society, Information Society, Tourism, Consumer Rights Protection, Education and Training, Culture, Participation in Programs and Agencies of the European Union, etc.

Chapter 17 “Agriculture and Rural Development” refers to cooperation for the development of agriculture and rural areas. Cooperation should promote the promotion of modern and sustainable agricultural production, but taking into account the protection of the environment and animals, in particular through the spread of organic production methods; improving the competitiveness of the agricultural sector, market efficiency, investment climate; promotion of quality policy for agricultural products, etc.

As a result of the creation of a free trade zone, the process of rapprochement of the economies of Ukraine and the EU member states and the consistent development of trade rules will be based on EU trade procedures and technical regulations adopted by the EU. The Parties establish each other the most favorable trade regimes in certain sectors of the economy, commodity groups and tariff quotas, which will lead to the abolition and reduction of customs duties.

In particular, for agricultural products, the European Union immediately cancels most import duties (83.1% of tariff lines), sets transitional periods of 37 years at 2% of tariff lines, while the wide application of duty-free tariff quotas (14.9% of

goods). Ukraine, in turn, will reduce tariffs more gradually, first by 35.2% of tariff lines and preserve non-zero import duty rates for individual products, but will apply tariff quotas only to several product groups (sugar - first 30 thousand tons, after 5 years - 40 thousand tons, pork - 20 thousand tons, poultry - at first 18 thousand tons, in 5 years - 20 thousand tons).

Within the limits of the quotas Ukraine is allowed to export to the EU 1.6 million tons of grain in the first year with an increase of this volume to 2 million tons in five years (including wheat - from 950 thousand tons to 1 million tons, corn - from 250 to 350 thousand tons, barley - from 400 to 650 thousand tons, oats - 4 thousand tons, barley groats - from 6,3 to 7,5 thousand tons, bran - from 16 to 20 thousand tons, sunflower seeds - 100 thousand tons), meat (including beef - 12 thousand tons, pork - 40 thousand tons, poultry - from 36 to 40 thousand tons), milk and cream - from 8 to 10 thousand tons, dry skim milk - from 1.5 to 5 thousand tons, butter - from 1.5 to 3 thousand tons, eggs - 3 thousand tons, m d - from 5 to 6 thousand tons, sugar - 30 thousand tons, sugar syrups - 27 thousand tons, garlic - 500 tons, mushrooms - 1000 tons, processed tomatoes - 10 thousand tons, apple juice - from 10 to 20 thousand tons, grape juice - from 10 to 20 thousand tons.

Section VI “Financial Cooperation and Anti-Fraud Regulation” stipulates the issue of EU financial assistance to Ukraine through the application of appropriate instruments and mechanisms. In order to combat corruption and fraud, the parties will use effective methods through mutual administrative assistance and cooperation.

Section VII “Institutional, General and Final Provisions” refers to the creation of an Association Council that will monitor the implementation of the Agreement, discuss it at special summits, and so on. It also provides for the creation of a

Committee and the Parliamentary Committee of the Association.

The annexes of the Agreement provide a schedule for cancellation of export duties, information on cancellation of duties, an indicative set of tariff quotas for import into Ukraine, geographical indications of agricultural products and foodstuffs, etc. It is also noted that the Agreement provides for its review, analysis and the possibility of introducing certain protective measures, if necessary.

Along with the positive factors of integration, the free trade area with the EU carries significant challenges for Ukraine's economy, which are related to the complete or partial loss of traditional foreign markets, primarily on domestic products, which is currently not competitive on the markets of EU member states. The solution of these problems will facilitate the successful adaptation of domestic business to the conditions of the EU and minimize the losses of the Ukrainian economy. The Free Trade Area will stimulate the influx of foreign investment into Ukraine, the creation of new businesses and jobs, faster implementation of European standards and the development of transport and logistics infrastructure, which will ensure the growth of production and export of not only raw materials, but also products with higher added value.

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