

## Chapter 5

# EXTERNAL DIMENSION OF THE NATIONAL ECONOMY MODEL OF UKRAINE

### **5.1. Economic development model of Ukraine adaptation mechanisms to modern globalization and civilization shifts**

Modern world is featuring previously unseen, enormous globalization and civilization shifts, which makes significant influence on state and corporate strategies and requires their performance model's adaptation to new challenges. The following simultaneous processes, the most crucial for global community, in terms of transformation, restructuring, domination:

firstly: globalization is growing, with global corporate capital hegemony and formation of international, regional, local, transnational integrated structures. Globalization is expanding itself to all spheres of economic and financial life as highest labour distribution form, economic life of international nature, cooperation and capital concentration on national level and single business activity subjects. Scientists and economists promoted globalization measures in financial institutions, labour markets, trade throughout the century. However, at the beginning of this process and especially today, there are consistent signs of warning that the global economy may not always be beneficial. Although economic globalization has contributed to the achievement of unprecedented prosperity levels in

many countries and has become a good thing for hundreds of millions of poor workers in China and other Asian countries, but this concept is based on weak pillars and does not offer long-term sustainable development [1].

*secondly*: in parallel with globalization process, the process of national self-identification and protection of national economic systems is intensified, which is usually accompanied by an increase in state pressure on a society that creates more and more tools for total human life control, not just in the social, economic, financial, information spheres, but also on the personal freedoms and personal values level, and decreasing the democratic principles. Because of that, discussions on the importance of democratic government and its effectiveness have intensified in the world. For example, in 2014 *The Economist* conducted scientific debates with expert essays and public opinion poll «Democracy: are worries about the health of democracy today are overblown?» [2].

Dani Rodrik, modern British economist, while describing mentioned above variously directed processes, expressed fundamental «trilemma» (*Rodrik's trilemma*): give too much power to a government, and you shall get protectionism; give too much freedom to a market, you shall get unstable world economy with insignificant social and political support for those who need it; he provides arguments in favour of strong, but not maximum globalization. So Rodrik actually questioned the fact that it is possible to simultaneously and successfully achieve the goals of economic globalization, national self-determination and democracy [1]. But such approach is debatable.

*Thirdly*: under globalization influence, the world moved from a bipolar organization to plural performance system in shape of multiple-civilization system; clear outlining of the essence-spatial boundaries of civilization entities is happening; basic civilization centres are being formed.

*Fourthly:* world economy is presently in second wave of global economic structural crisis conditions, which is, by its very nature, a manifestation of the decline stage of the great K-cycle, during which the transition from fifth to sixth technological mode takes place.

Fifth: the division of large number of countries (African, Asian, to some extent Latin American, and especially former Soviet republics in the Eurasian space, which are still not defined in their civilization development) has begun — states that accumulate wealth, and recipient states that have an undefined development model and are not able to independently carry out the process of extended reproduction. The second group includes so-called transitive countries that are in the transition phase from one economic system state to another. Many of them are inherent the following features: decreasing performance algorithm; the impossibility of rising to the highest point of its development, which has already been achieved in the past; The entropy of the main socio-economic processes. These countries, which can be described as "grey zone" countries, are now the battlefield between the basic civilization centres.

These processes are in dialectical controversial connection, complementing and mutually denying one another. Ukraine, which is organically intertwined in the globalization processes and belongs to the leading Euro-Atlantic civilization, in particular, its European branch, shaping the modern national economic development model (which is currently in transformation state), must take into account the above-mentioned civilization and globalization shifts in order to meet the efficiency and competitiveness criteria in international dimension.

There are numerous studies, carried out by foreign scientists, regarding analysis of modern globalization tendencies, and civilizations development and role of civilization approach in countries identification. In particular, this chapter will feature author's agreement or disagreement with theoretic positions on mentioned questions, expressed by such well-known American politologists, sociologists and economists as S. Huntington. A. Toynbee, E. Toffler, I. Wallerstyn, G. Wilkinson, P. Sorokin. It is a positive fact that lately several Russian (M. Danilevskiy, L. Semennikova, I. Shyrokova) and Ukrainian (A. Galchynskiy, O. Bilorus, V. Sydenko, O. Koppel, Y. Pavlenko, M. Mykhalchenko, N. Grazhevska, O. Parkhomchuk and others) scientists define internal development dynamics and external influence vectors of civilization-globalization processes on economic models of various countries as object of their study. But possibilities

and adaptation directions to mentioned geoeconomic processes of national development models, which concern Ukraine as well, remain out of scientists scope of study.

Keeping that in mind, we will try to identify and analyse the main vectors of civilization-globalization changes in the world economic space and their impact on national economies development; work out our own approach to classification and possibilities of modern civilizations development; we shall attempt to reveal the essence of the Euro-Atlantic civilization and the place of Ukraine in it; show probable adaptation mechanisms of the economic model of Ukraine to modern civilization-globalization shifts in the world order system and management.

### **5.1.1. Modern globalization-civilization transformation trends**

World economy development trends and the whole system of international economic relations at the beginning of the third millennium testify that the external environment, which is surrounding Ukraine, is becoming more dynamic, fast-moving, undergoing significant qualitative changes. We must state that a new model of world order and world economy is being shaped. This process takes place under the influence of three deep globalization-transformational shifts that have crucial geopolitical and geoeconomic significance.

**Firstly.** The positioning of global keynotes is changing: the bipolar world, with its inherent system of colonial connected subordinates, is being transformed into a multi-polar world with a system of heterogeneous neocolonial links. As it is well-known, throughout the second half of twentieth century the world was developing according to the imperial model, which functioned in the form of an antagonistic struggle between two world system-poles, in fact - empires. The United States of America were at the first pole, which controlled a number of satellite countries, dominions and protectorates, in the second - the Soviet Union as centre of world socialist system and united the corresponding states around the Russian Federation, including Ukraine. Economic power of the United States was based on the development of state-monopoly capitalism and transnational corporations and banks (American parent TNCs). The basis of economic power of the USSR was the state property system, exploitation of cheap natural resources and cheap (usually slave) labour and income redistribution in favour of the communist state. The American and Soviet imperial systems formed the basic axis of the bipolar world's architectural structure, and the rest of countries in one or another geopolitical and geoeconomic status were part of the influence area of

these two demierges.

The end of the twentieth century was marked by the destruction of one of the most powerful poles of the bipolar world - the Russian-Soviet empire, which in the past 350 years in various geopolitical and geo-economic formations dominated the Eurasian continent. Under its broken fragments, it "buried" virtually the entire world socialist system that developed in the twentieth century and especially after the Second World War. As a result of its collapse, a number of countries have restored their sovereignty in Europe and Asia. Ukraine is among them, which was in the status of a colonial country within the Russian-Soviet empire during more than three centuries. The main reason for the collapse of the Soviet Union and, accordingly, the world socialist system, was their inability and ill-preparedness to adapt to new challenges of the world development of productive forces and industrial relations. It was at that time precisely that the scientific and technological revolution entered a higher phase of the scientific and technological revolution, which then grew into a phase of mass computerization, information systems development and introduction of non-human technologies. The whole system of political, economic, social and spiritual relations, on which the power of the Soviet Union was based, was inadequate to this challenge. At the same time, the second part of world system (the United States of America in the centre), which is based on private property and market principles, was able to accept innovations for a qualitatively new stage in the development of productive forces.

As a result, the communist-socialist part of the bipolar world, having failed the competition, was destroyed. But it turned out later that no state was able to offer a new global paradigm. Although the United States tried to impose a mono-paradigm around the world, which was based on the liberal democracy doctrine, it was not accepted by many countries.

At the beginning of the 21st century, a qualitatively new global multipolar system was formed, which is diverse and multi-faceted. The collapse of the bipolar world's old system and the formation of new world order system and economic management became especially evident at the time of the most powerful world systemic financial and economic crisis that began in 2007 and coincided with the current cyclic and structural crises (raw materials, food, electric power crises, etc.).

**Secondly.** The process of geoeconomic globalisation as the highest form of economic life internationalisation is intensifying continuously. National economies are increasingly losing their closed circuit operation - they are able to function effectively only if they are optimally integrated into the global economic space, occupy a prominent place in the international

division of labour, and form appropriate organisational and institutional mechanisms for adapting the country's domestic economic development model to new geoeconomic challenges. According to I. Wallerstyn's forecast, current global system with its global economic and political processes is living through the most serious crisis, and significant changes are expected, that may cause creation of fundamentally new world order [2].

**Thirdly.** Global integration contradicts the development of the opposite world process - the revival of nations and macro societies identification in the shape of civilization entities. The struggle between basic civilizations is intensifying nowadays. "Basaltic" matrix began to rise to the surface of human development - civilization genomes, which are based on qualitatively heterogeneous mental and spiritual codes.

The world is changing quickly not just technologically, scientifically, but in a civilization dimension as well. So it is possible to make logical conclusion that formation of any national model of economic development, and especially its geoeconomic component, should be based on such an important foundation as the country's value self-identification, that is, its affiliation to a particular civilization.

Civilizations are being determined rather variously: as «local communities» (A. Toynbee), as «cultural community» (S. Huntington), as «social foundation of community» (J. Wilkinson), as «economic type of society» (E. Toffler), as large «cultural super-systems» (P. Sorokin), as «cultural-historic types» (M. Danilevskiy) [4]. We are inclined to agree with position of scientists, who define civilization as a community of people who have common mental foundations, common basic spiritual values and ideals, as well as persistent special features in social-political organization, economy and culture [5].

A. Toynbee distinguishes 47 local civilizations of three generations, of which five "living" civilizations of the early twentieth century. S. Huntington relates the future development of the world with the interaction of seven to eight basic civilizations, namely:

- 1) Western;
- 2) Confucian (Chinese);
- 3) Japanese;
- 4) Islamic;
- 5) Hindu;
- 6) Slavic-Orthodox Christian (Ukraine is positioned here);
- 7) Latin American;
- 8) African (possible) [6].

In our opinion, if we take the above-mentioned signs as basis [5], then in

the world the following macro-communities / civilizations are clearly outlined (or in the process of becoming established in the world: 1) Euro-Atlantic, which has two branches - North American and European (white race civilization, based on Christian values, protection of human rights, freedoms and private property);

2) Japanese-Chinese-Korean (yellow race civilization);

3) Muslim (it is on the updating and enhancement stage);

4) Neo-Eurasian (it is currently being formed and may acquire an integral shape in the twenty-first century, its core is Russia, which is surrounded by countries such as Kazakhstan, Turkmenistan, Tajikistan, Kyrgyzstan and, to a certain extent, Uzbekistan; the prototype of the Neo-Eurasian civilization are Tamozhenniy Soyuz (Customs Union), the Eurasian Economic Union);

8) Hindu (established);

9) Latin American (established);

10) African (being formed currently).

As we consider the scientific approach, which defines civilization by religious features, too limited, we are disagreeing with S. Huntington point of view on the following: «The point where Western Christianity ends and Orthodox and Islam begins, is the point where Europe ends» [7, p. 244]. Orthodox Christianity is a branch of Christianity, so it is not correct to exclude those European countries from Euro-Atlantic civilization by this feature, where communities are professing Orthodox rite.

The assignment of the state to one or another type of civilization formations must be carried out, firstly, on the basis of its self-identification, and secondly, depending on the availability of the basic civilization genome. It is these two factors that should shape the basis of the strategies and development models of any country.

### **5.1.2. Euro-Atlanticism as civilization genome of national capitalism model**

Ukraine belongs to European branch of Euro-Atlantic civilization according to such objective criteria, as geopolitical position, spiritual, historic and cultural traditions. The Euro-Atlantic genome dominates in the heart of Ukraine as an European state, which must be strengthened in order to consolidate its place in the Euro-Atlantic civilization. So the national capitalism model, which is the only one acceptable for Ukraine, in our opinion, should have an external (geo-economic) dimension in the shape of Euro-Atlanticism.

The characteristic economic features of Euro-Atlanticism include:

1. Personal human freedom.
2. Economy's performance on the basis of market principles, competition and business ethics.
3. The priority development of the institute of private property, the medium of which is the middle class.
4. Strengthening the national bourgeoisie positions, which is most interested in Ukraine joining the Euro-Atlantic community to protect interests and unhindered business development.
5. Transparent, open management system (national and corporate), based on the established rules of economic processes management.
6. Prevention of clannish-corporate groups formation and monopolization of financial and economic activity.

Ukraine has already moved to a certain extent towards the achievement of the mentioned parameters of Euro-Atlanticism. First of all, this is confirmed by the fact that on December 21, 2005 the EU Council officially recognized Ukraine as a country with market economy; the same recognition was publicized by the US Department of Commerce on February 17, 2006.

The mentioned statements by international community practically mean the following:

- 1) hryvnia is freely convertible currency;
- 2) Ukraine has undergone a structural reform of property and the private property right is inviolable
- 3) Ukraine is open to foreign investment and ensures support and protection of investors' rights;
- 4) the business environment of Ukraine is developing independently and freely; the state does not interfere with the pricing mechanism, which ensures the market business nature in Ukraine;
- 5) the relations between employees and employers of Ukraine are based on a contractual basis, the independence of trade unions guarantees the effectiveness of their work [8]. At the same time, free competition principle in the Ukrainian economic environment is still being implemented to an incomplete extent, as clannish-corporate conglomerates dominate there, which impedes development of small and medium-sized businesses. So Ukraine has objectively formed a significant and diverse potential for its establishment in the system of Euro-Atlantic values. However, within the country there is still a subjective basis for choosing another model that involves Ukraine's integration into the Neo-Eurasian civilization community. There are political forces in Ukraine



that are actually trying to implement the theses programmed by Russian geo-politicians back in the 1990s, which are casting doubt on Ukraine's membership in the Euro-Atlantic community. For instance, prominent Russian analyst O. Dugin wrote in 1997: « Ukraine does not have any geo-political meaning as a state. It has no special cultural branch of universal importance, no geographical uniqueness, nor ethnic exclusiveness» [9]. At the same time, it is important to note that significant part of Ukrainian society is still under influence of stereotypes about common fate with Russia, despite the fact that geopolitical and civilization dimension of its development model is fundamentally different from that of Ukraine.

Post-communist (including post-soviet) European countries, have proved that the Euro-Atlantic development model is the most effective, since it creates mechanisms for the liberation, prosperity and growth of human well-being. This model is now being implemented by Poland, Slovakia, Slovenia, Czech Republic, Croatia, Serbia, Romania, Bulgaria, and Greece. The Baltic States and Hungary also joined the Euro-Atlantic community. So Ukraine has been shown the way to enter this system. And there can not be any antagonisms at the spiritual, national, ethnic levels. It is important to make a point here that exclusion of a country from European and Euro-Atlantic organization does not have to prevent its inclusion to Euro-Atlantic civilization. It should be noted here that not all Ukrainian researchers even believe that Ukraine is an integral part of the Euro-Atlantic civilization. Usually the theses are presented about the uncertainty of Ukraine's civilization identification, that it is not actually located in the epicentre of any civilization, or, alternatively, is located at the intersection of civilizations, between several gravity poles [10]. On the one part, such theoretic positions are justified in the view of special historic destiny of Ukraine, but on the other part, we must form a development model that will be oriented towards the future, and strategic priority of that future is establishment of our country in the Euro-Atlantic community. Analysing contemporary civilization trends, researchers make various emphases, highlighting those or other processes as priorities. For example, according to S. Huntington, with the Cold War finalised, the process of increasing civil disagreements becomes dominant, which will lead to conflicts and even clashes between civilizations in future. He is of the following opinion: "in the new world, the most widespread, important and dangerous conflicts will not be between social classes, rich and poor, or other economically determined groups, but between people belonging to different cultural communities" [7]. But majority of scientists believe that clash of civilizations is an

extreme form of relations between them and it should not be emphasized, because it only provokes conflicts, but it is necessary to increase partnership potential of local civilizations instead [4]. International organizations are also inclined to act in the same direction. In order to counterbalance inter-civilization conflicts that began to spill onto the surface (in particular, through intensification of the Muslim civilization that acts extremely aggressively), the UN, for example, announced the 2001 year as the year of the United Nations-sponsored dialogue between civilizations with resolution 53/22 of November 4, 1998.

In our opinion, the current world order is being increasingly formed on the basis of fairly tight competition between various system-based civilization centres. First centre - powerful Euro-Atlantic civilization, uniting two continents - European and North American, and therefore has two relevant branches; second centre - Japanese-Chinese-Korean and Hindu civilization; third - Muslim (Islamic) civilization. Nowadays, as mentioned above, one can speak about formation of the fourth centre - the neo-Eurasian civilization. The destruction of the vassal relations system is happening currently, which connected the centre of certain world civilizations and countries under its control. Now, at the geoeconomic level, the competition is stronger than ever between so-called civilization leaders that are focused on a cumulative development model (the most powerful of them are the USA, Germany, China, Japan, India, Chile, Brazil, Argentina) and countries-outsiders (losers), focused on the consumer development model and carnival existence mode. Complete and rapid exhaustion of spiritual, material, human, natural potential, national wealth in general is characteristic for this group.

Those civilization leaders countries have the purpose to build another model of the modern world - in essence, a new civilization, globalised world. This is clearly seen in the example of the "big twenty" (please notice - no longer "eight") of the most highly developed states (G20). The world core of countries-leaders did not expand just quantitatively, but was transformed qualitatively also.

Formation of the G20, which includes both Euro-Atlantic and Muslim countries, means that transition to a geo-economic model, which is based and is evolving according to various civilization paradigms, is taking place.

Now basic civilizations began to compete for control over "grey zone" countries. Our research shows that countries-leaders of civilization entities, which simultaneously occupy leading position in the globalisation system, create a transnational network, the basis of that are geo-economic enclaves. They are built in weak entropy countries-outsiders in the form of mini

replicas that copy the civilization matrix of metropolitan states. The global economic interest of the latter is to make “occupant” enclaves to conquer the outsider countries` economies, which serve geo-economic civilization centre.

Each geo-economic enclave is characterized by the corresponding set of economic-technological modes, determined by development level of basic civilization.

Our analysis shows that a number of geo-economic enclaves already operate in Ukraine:

1) Enclaves performing in the framework of Euro-Atlantic civilization and have the following features: presence of Western transnational corporations, the formation of appropriate economic systems of different directions, levels and technological complexity. For example, in the food industry of Ukraine the following companies are operating: «Coca-Cola», «McDonald`s», «Pepsi», beer brewing and tobacco companies. Western corporations are present in agricultural production and processing, production of light industry. Currently, transnational oil producing companies and oil refineries, representing the American (Texaco) and English-Dutch (Royal Dutch Shell) capital are trying to enter Ukraine for the purpose of shale gas extraction. The Euro-Atlantic civilization also forms geo-economic enclaves by engaging Ukraine in international European structures. The most characteristic in this context is Ukraine's negotiation process with the European Union, which is the centre of European branch of Euro-Atlantic civilization, for signing the Association Agreement between Ukraine and the EU. Bringing this decision to logical and successful conclusion will contribute to the final geopolitical and geoeconomic definition of our country as part of European branch of Euro-Atlantic civilisation. We are of opinion that this is the most perspective and positive process of Ukraine's development;

2) *Muslim (Islamic) basic civilization enclave*, which is characterized by violent nature, expansiveness, which sometimes transforms into aggression, entropy and other negative manifestations. Similar types of economic-mental enclaves are not natural for Ukraine, but they are being implemented and in the expansion process on our territory. The Muslim enclave is rapidly expanding in the east of Ukraine - in Donbass region, Donetsk region, where it is already rooted both economically and politically, in the south - on the Crimean peninsula, in Kherson, Mykolayiv, and also in Kyiv. It is structuring itself on spiritual and mental level in the form of Islamic religion (construction of mosques and other Islamic religious centres), through the formation of Islamic information system and spreading of Islamic ideology.

At the same time, the enclave penetrates economic life, especially in small and medium businesses sector, agricultural production, real estate. Subjects of Muslim enclave are attempting to take control of agricultural land, purchase real estate in significant quantities (for business and personal use) in cities;

3) *Chinese enclave with Korean and Japanese elements*. It is also very fast-growing in Ukraine, and today it functions both on the spiritual and business levels. The formation and expansive distribution of Chinese, Japanese, Korean restaurants, shops is happening nowadays, also taking control over powerful segments of trading markets, imposing Chinese products to the Ukrainian community, ranging from light industry goods, food industry to vehicles. In addition, Chinese (as well as Muslim) enclave wishes to acquire leading positions in the land relations sphere. The tendency towards the formation of the Chinese-Ukrainian and Korean-Ukrainian families that manage joint business, have children, etc., is growing, expanding zone of influence of the Chinese-Korean mentality;

4) *Hindu geo-economic enclave*. It enters the domestic economy through pharmaceutical and food industries, production of food additives, agricultural products processing, creation of computer modules system, etc. There is an invasion of Hinduism in the spiritual sphere through so-called studios, clubs, webinars for yoga studies, etc.;

5) African and Latin American enclaves, which are characterized by a corresponding set of economic and technological modes.

Presence of these basic civilization enclaves is extremely dangerous for Ukraine, as it breaks its national integrity and homogeneity, shreds and breaks Ukrainian society, which makes our country unable to compete in the face of increasing global threats and inter-civilization challenges.

It is worth mentioning that all countries, including the basic civilization centres, are being confronted with the problem of geo-economic enclaves formation, that have different civilization foundations and characterized by a multitude of economic and technological forms. Each country is trying to find its own way of solving this issue. Ukraine must develop an effective strategy to solve the problem, in order to get rid of the "grey zone" country, to keep its competitiveness and to choose a civilization development genome, which empowers to protect national interests, not just to survive in the face of global challenges.

Strengthening of the geo-economic model, mentioned above, is a danger to world order as it creates dividing lines between civilizations and increases the power of world civilization globalization centres. So civilization closed hierarchy may appear - a kind of civilization

neocolonialism, carried out as complete depletion of national economic wealth of outsider-countries, but also spiritual, intellectual, vital forces of controlled nations. Sooner or later, such territory becomes neocolonialism area (in shape of peripheral capitalism), where representatives of civilization metropolitan countries shall reside and carry out financial-economic activity.

So today is the time when a transition from a two-polar world structure to the domination of civilized metropolitan states is happening, and their power is based not only on the powerful basic maternal systems of the metropolies, but also on the developed network of their geo-economic enclaves in other countries, especially in outsider-countries. The most successful civilization leaders will be those countries that will be able to use effectively the latest achievements of the information, technological and computer revolution.

Given the modern world trends, Ukraine must form and implement such an external dimension of economic development model, which implementation shall empower the country to integrate organically into the new global, civilized world economic order. It is obvious that there are necessary prerequisites for this purpose in our country. First of all, it is located in the centre of Europe and belongs to Euro-Atlantic civilization in geographical sense and by its values, and secondly, it is located at the intersection of two geopolitical and geo-economic axes, namely: West-East (which has already exhausted itself to some extent) and North-South (development of this one is extremely perspective and urgent strategy).

### **5.1.3. Practical fulfilment mechanisms of economic development model of Ukraine**

The external component of the economic model of Ukraine can be adapted to modern globalization-civilization shifts in the event of introduction of such practical mechanisms.

1. First of all, it is necessary to set up tools in the economic model of Ukraine that will enable it to be integrated into European Union, an international structure, whose activities ensure the financial and economic basis for the development of Euro-Atlantic civilization.

The European Union is an extremely powerful economic entity in the global economic environment. The population of EU-27 is more than 503 million people (as of January 1, 2014), the annual GDP is about \$ 15.993 trillion (2013) [11]. The EU countries are predominantly developing according to national capitalism economic model, the carrier is middle class, small and medium national bourgeoisie, which is makes for 60

and 82% of the population. Small and medium enterprises in these countries make up 70 to 90% of all business entities [12].

The basis of the EU member states successful operation is eurointegration (integration into European system) precisely, which is characterized by formation of single, integrated European market and creation of common institutional forms and structures for increasing the interaction effectiveness. European Union today, in fact, has single currency market; in most countries, the single currency is Euro.

They have formed a common labour market with common standards. The common market of real estate, land market, production market and sales of production means, single insurance market, integrated stock market, single market of gold, which is combined with the global gold market (linked with world market) and allows maintenance of stable liquid money market, single market for industrial infrastructure, common standards for road infrastructure for auto transport, air service, railway transport, marine transport, river transport, strong logistics services market – those all were formed to considerable extent. So qualitatively new process is gaining speed, when foreign trade market becomes a single market of all the EU countries, actually, becomes their domestic trade market.

Eurointegration is powerful driving force now that allows European countries to maintain stability, achieve considerable growth of gross domestic product and population welfare, even in context of global structural financial and economic crisis.

Eurointegration (integration into European system) of Ukraine and formation of the relations system within Association Agreement between the EU and Ukraine can play an important role in achieving success on the way to change the current model of national economy and economic model of national capitalism. Eurointegration is precisely the mechanism which will allow Ukraine to get rid of the “grey zone” status, to dismantle the economic model of state monopoly capitalism of clannish-oligarchic type, to overcome the dependence on archaic forms of management and economic activity, significantly change the business environment - from current exploitation and robbery to open competition and mutually beneficial cooperation. Therefore, the number of existing domestic business entities, as well as the added value created by them, will increase in arithmetic. sometimes geometric progression, which is the key to formation of productive, prosperous society, where population in general is wealthy, but not just selected billionaires.

In our opinion, Ukraine should enter the formation process of the second division of the European Union as a regional economic organisation. An

example is union, which was formed by South-East Asia countries (Thailand, Malaysia, Singapore, etc.). Participation in this organization allowed them to become quite effective in competition with Australia, Japan, and other developed countries. Latin America countries are trying to overcome their transitional, indeterminate civilization and non-systemic nature (Argentina, Brazil, Uruguay, Paraguay) in the same way, who have created the MERCOSUR, international regional government organization. Taking into account this experience, Ukraine and Poland can act as the initiators of formation of a similar regional economic organization, performing in form of Baltic-Black Sea-Caspian Economic Partnership, the southern branch of that will be GUAM (Organisation for democracy and economic development; its headquarters is in Kyiv).

2. An important and relevant for Ukraine is revival of economic power of the North-South Axis (from the Varangians to the Greeks), our country has a strategic position there. We are convinced that geopolitical and geoeconomic resource of economic model effective development of Ukraine is, on the one hand, on the southern vector of this axis passing through the Black Sea to North Africa (western branch) and through Georgia and Azerbaijan to Iran, Pakistan, India, Bangladesh, Central Asia countries (eastern branch). Turkey is also a key country for Ukraine, through the territory of which we will have access to Persian Gulf and Iraq. On the other hand, our geopolitical and geoeconomic perspective is to create northern vector of Baltic-Black Sea axis, which, except for Ukraine, includes Poland, Baltic countries and Scandinavia. Strengthening economic relations with countries, located on southern and northern regions of Baltic-Black Sea axis are, in our opinion, important components of development model of Ukraine, its national and economic security.

Creation of Baltic-Black Sea Energy Corridor is promising for Ukraine. In the Black Sea region, after Baku-Supsa oil terminal was put into operation (April 1999), which annual capacity is 6.5 million tons (and may be increased to 10 million tons), the oil market is rapidly taking shape. Its supply through this oil pipeline to Ukraine will allow diversifying energy resources sources and securing energy security of our country. In addition, when Odessa-Brody-Adamova Zastava-Polotsk pipeline will start its operation in forward mode, another oil supply channel will be open for Ukraine - through the Baltic Sea. Such projects are extremely relevant and beneficial for our country, both from an economic and geopolitical point of view, since usage of traditional (in particular, Russian) channels of oil and gas transportation to Ukraine is becoming increasingly complicated.

3. Ukraine now has to take a clear stand on participating in geo-economic and geopolitical factions that have emerged in the post-soviet space. First of all, it is about the CIS (Commonwealth of Independent States). Ukraine's membership in Euro-Atlantic civilization and implementation of Euro-Atlantic model makes it problematic for our country as part of the Commonwealth of Independent States (CIS) and Edinoye Ekonomicheskoe Prostranstvo (trade and cooperation union, created recently). Ukraine should gradually distance itself from mentioned organisations, which demonstrate ineffectiveness and inability to work out common instruments to provide competitive development of its members.

4. Ukraine needs to work with North Atlantic Treaty Organization (NATO) more actively and gain membership in it, eventually. Nowadays, NATO is the most powerful international political, defence and scientific structure, whose activities are aimed at implementing Euro-Atlantic civilization paradigm. Last decade events have shown that presence of Ukraine in an uncertain state leads to increase in economic, political, social crisis in the country.

The current development of globalization and digital affairs of the economic space requires an appropriate security system that would become the basis for stable and secure economic development of the country. Such system has to be transparent, powerful, functioning as a complete organism, as an international organization whose activities are aimed at building democratic Europe, maintaining peace, stability and freedom. There is only one such organization in the world - NATO, which, in fact, also protects the system of Euro-Atlantic values.

Ukraine accession to values of the North Atlantic Alliance can give a tangible impact to the country's economy development, as it will contribute to: raising living standards of Ukrainian citizens and achieving common standards for the communities of all NATO countries; fast formation of powerful middle class as the main subject and carrier of Euro-Atlantic development model; increasing opportunities for economic development and attracting investments into Ukraine, and it is practically devoid of today; creation of conditions for diversification of oil and gas supply sources, as there will be no obstacle in the formation of joint energy transportation systems with Turkey, Poland, Slovakia, Hungary and other NATO member states; unhindered flow of capital, resources, technologies, information within Euro-Atlantic system [12].

5. Neutral status of Ukraine may be considered as temporary. In our opinion, the comparison of our country with neutral Switzerland,



Finland, Austria or Sweden is incorrect. In this context, we should recall that neutral Switzerland is within Euro-Atlantic civilization and has a unique status of financial and banking centre that ensures the stability of cash flows in the European continent over the past 400 years. Switzerland is also linked to Euro-Atlantic system, including the EU, with numerous partnership and joint ventures. Finland, Austria and Sweden, although not NATO members, are in fact protected by it, as they are European Union members. So, nowadays, no European country may be considered neutral *de facto*. It is quite difficult and dangerous to be a neutral country for Ukraine, which only recently regained its independence and remains at rather low level of economic development.

At the present stage, the priority objective for Ukraine in geo-economic sphere is the implementation of the program for acquisition of associate membership in the European Union. The experience of countries that have passed this road to EU, testifies to the positive results of such a course. At the same time, Ukraine is not yet ready for full integration into the European Union. In order to adapt to its basic requirements - undertake radical social, economic and political reforms, strengthen the society democratization, eliminate clannish-corporate groups, create conditions for freedom of speech by the state, open information access, formation of an independent judicial system, and also powerful middle class, small and middle national bourgeoisie - our country shall need at least 15 years.

So the current trends of globalization-civilization development of the economic and political planes of the world's space encourage Ukraine to form and implement an economic model that should be adequate to new challenges. The Euro-Atlantic orientation of this model will result in rather fast appearance of stability, growth and vitality signs of the national community and country's economy.

Ukraine can then position itself as powerful stronghold, outpost of the European branch of Euro-Atlantic civilization, which will resist the processes of destabilization and aggressive pressure threatening the mentioned civilization (and the region as a whole) from the East. Finally, a chain will be broken and rejection between Ukraine and Europe will be eroded - and then our state will become a full part of Euro-Atlantic community.

## **5.2. Implementation possibilities of geoeconomic model of Ukraine in Eurasian space**

The geoeconomic model of Ukraine is a set of directions, principles, mechanisms and tools for carrying out the geoeconomic potential of a country in the world economic space in accordance with its economic development strategy, determined on the basis of national interests of the state and society. The geoeconomic model is a constituent part of the general economic development model, which has not been fully developed in Ukraine yet, as the economic development strategy is constantly changing (in fact, with every new president of the state). In addition, our country belongs to the recessive group of transitive states, but not to key players in the international economic relations system, and that is why while performing geoeconomic positioning, it is compelled to take into account not only the general civilization-globalization tendencies of the world economic space, but also regional trends and interests of international leaders.

Considering this, the author aims to determine the essence and ways of implementing the geoeconomic model of Ukraine on the Eurasian continent, which are formed under the influence of internal and external factors.

### 5.2.1. Ukraine as regional leader on the Eurasian continent

Geopolitical (geographical, political, cultural, confessional) location of Ukraine certainly makes it a part of European (so Eurasian<sup>3</sup> as well) space, so it has to place itself in the rightful geoeconomic place in that space and perform appropriate geoeconomic role.

The geoeconomic status of Ukraine is determined by endogenous and exogenous factors. Among the exogenous influence factors, the most perceptible, in our opinion, are the following processes, which are currently unfolding in the Eurasian space:

- total spread of globalization as the highest form of internationalization of economic life and international division of labour;
- Development of influential international integration groups in Eurasian space (European Union, EurAsEC, ASEAN, EFTA, SAARC, Visegrad Group, Shanghai Cooperation Organization, Black Sea Economic Cooperation Organization, SES, GUAM etc.); strengthening of united players power in the geoeconomic forces balance; focus on further integration of Eurasian space, the creation of common security systems, free economic zones, etc. ;
- increase in regionalization indicators as a result of the implementation of a number of regional and subregional projects and initiatives (Central European initiative, «Eastern Partnership (EaP)», «GUAM», «*BLACKSEAFOR*», «Black Sea Harmony», Community of Democratic Choice, etc.);

<sup>3</sup> Eurasia is a large continent that brings together two of the three most advanced and economically efficient regions of the world, where geopolitical and geoeconomic interests of the most powerful international players intersect. Zbigniew Brzeziński, who dedicated second chapter of his book «The Grand Chessboard» to new geostrategic role of Eurasia, called it «geopolitical axis» for the world, noting that «dominance on Eurasian continent serves as cornerstone for world primacy» [14, p. 39].

- strengthening the geoeconomic role of a number of Central European countries that have chosen the European integration development vector and became EU members during the last three expansion waves;
- noticeable recovery of geoeconomic power and dominance claims by Russia as the largest state in Eurasia in the last decade;
- influence growth of large Asian states, in particular, China and India, in modern economic links system;
- powerful development of transnational Chinese and Russian companies and their expansion in Eurasian space;
- struggle between European Union, Russian Federation and China for acquisition «power centre» status in geoeconomic structures of Eurasian continent;
- new influential player in international economic environment – Iran, which is creating rocket and nuclear potential very fast, becomes dangerous and unpredictable geopolitic and geoeconomic subject in Eurasian space;
- change in balance between economic, political and military interests in international relations in favour of economic components.

At the same time, Ukraine has necessary and sufficient grounds for acting to achieve the reverse effect on the processes of transformation and formation of new influence and integration vectors in this mega-region as a full-fledged and large geoeconomic entity of the Eurasian space.

Key geoeconomic role of our country on Eurasian continent is conditioned by several endogenous factors [15]. The endogenous factors of influence should include the level of economic development, scale, status and quality of resource potential, as well as the geoeconomic priorities and national development strategy, determined by the state.

**First**, the territory of Ukraine is the place of the Eurasian geoeconomic coordinate system intersection, West-East (parallel) and North-South (meridian). The geoeconomic West-East vector is well-developed and functions intensively throughout last two millennia. The geoeconomic North-South practically ceased operations 750 years ago, when Orthodox Kyiv Rus empire was destroyed by Asian-Turkic (Tatar-Mongol) horde. So Eurasia has not been using such powerful geoeconomic resource of its well-being, as Baltic-Black Sea-Caspian axis, for centuries.

The current development stage of Eurasian countries is quite favourable for restoring this axis potential in the shape of Baltic-Black

Sea-Caspian partnership. This geoeconomic project can be especially beneficial for Ukraine and Poland, which are the pillar elements of Baltic-Black Sea geoeconomic system.

As far as the West-East parallel is concerned, its geoeconomic potential, in fact, is completely accessible for Ukraine and has no new prospects. The only thing that needs to be done within this framework is to achieve balanced, mutually beneficial relations with Russian Federation, which would be deprived of any dictate or pressure elements. It is worthwhile to mention Zbigniew Brzeziński (American scholar) here, that Ukraine is a new and important space on Eurasian chessboard («*geopolitical pivot*»), and its existence as an independent country helps to transform Russia. Russian Federation stops being an Eurasian empire without Ukraine [14, p.46]. Then, Ukrainian-Russian relations should be built on the peaceful coexistence basis, so Ukraine is not brought into Eurasian space through economic expansion policy from the Russian side.

Second, Ukraine owns one of the most powerful transit potential on the Eurasian continent. In goods transport, our country's territory can not be excluded from routes practically by any country - whether it is in the North, South, West or East. The geoeconomic space of Ukraine is saturated with transport systems that have transit features and transcontinental parameters. Goods and resources are being transported through our country from Europe to Asia and in the opposite direction. Ukraine has unique oil and gas transportation pipelines, gas storage facilities, large number of airfields, well-developed logistics system, extensive network of highways, sea and river ports, and transport control points across the state border. In addition, an important water “highway”, Dnipro, is on the Ukrainian territory. If it is connected to Daugava river (Lithuania) with a channel, then it would be possible to create a powerful waterway Baltic Sea - Black Sea. Then there would be new geoeconomic resource of the strategic level, which will directly involve Ukraine, Belarus and Lithuania.

Ukraine is the largest natural gas transit country in the world. It supplies Russian natural gas to 18 European countries - Austria, Bulgaria, Bosnia, Greece, Italy, Macedonia, Moldova, Romania, Germany, Poland, Serbia, Slovakia, Slovenia, Hungary, France, Turkey, Croatia and Czech Republic. Russian natural gas transit through the territory of Ukraine is carried out in accordance with the long-term contract between National stock company Naftogaz of Ukraine and VAT Gazprom regarding transit volumes and conditions during 2009-2010, and addition of April 21, 2010. At the same time, transit potential of Ukraine is not being used in full nowadays, actually, it is shrinking. This is supported

by the fact that in 2009 Ukraine transported (in transit) 95.2 billion cubic meters of natural gas, which is 24.4 billion cubic meters (20.4%) less than in 2008. In 2013, Ukrainian gas transit system delivered 83.7 billion cubic meters of Russian natural gas to European consumers, or 52% of Russian gas, which Gazprom sold to Europe this year.

According to Naftogaz of Ukraine's data, current potential for increasing transit volume through Ukrainian gas transportation system is about 47 billion cubic meters of natural gas annually. This is possible in case of construction of new Novopskov-Uzhhorod gas pipeline (which will allow an additional increase of 29 billion cubic meters of gas) and completion of the projected compressor stations on the Torzhok-Dolyna pipeline (system's capacity will increase by 24 billion cubic meters). There is also possibility of additional capacity increase of gas transportation system in the southern direction. In case of Talne-Ananiiv-Izmail gas pipeline construction and new compressor stations, transit to Balkans and Turkey will increase for almost 30 billion cubic meters annually [16].

Third, Ukraine is a powerful trans-border country. This status is defined by two main features:

1) our country has common borders with many countries of the world: Russia, Belarus, Georgia, Turkey, Bulgaria, Romania, Moldova (and Transistria), Hungary, Slovakia, Poland, five of them are EU members;

2) Majority (20 out of 27) of regional administrative-territorial entities are located in such a way so their border is the national border, not just regional: Chernigivska, Sumska, Donetska, Luhanska, Kharkivska, Khersonska, Zaporizka, Nikolaevska, Ivano-Frankivska, Odeska, Zakarpatska, Chernivetska, Rivnenska, Zhytomyrska, Kyivska, Lvivska, Vinnitska, Volynska regions, Autonomous Republic of Crimea and Sevastopol.

*Fourth*, two marine areas, Black Sea and Azov Sea, are important components of the Ukrainian territory, the geoeconomic potential of Ukraine is increasing substantially due to that. The Black Sea is the Eurasian gateway to the Mediterranean, to North Africa and further into this immensely rich continent. In addition, Black Sea provides Ukraine with access, through Georgia, to South Asia (India, Bangladesh, Pakistan, etc.) with huge natural resources and large domestic markets with potentially unlimited demand.

It is necessary to increase efficiency of all above-mentioned factors and ensure their integrated development, which shall empower achievement of positive integral result and synergistic effect, for Ukraine to be able to carry out its geoeconomic potential in the Eurasian space and obtain the

subregional leader status.

### **5.2.2. Geoeconomic model of Ukraine implementation paths in Black Sea region**

The Black Sea region includes not only those countries that have direct access to the Black Sea, but also those that are located nearby and have certain economic interests in the region. Most countries belong to different civilizations, have divergent models and development stereotypes, complex history of relations with neighbours, territorial ambitions. These factors undermine political and economic stability in the region, complicate integration processes and international cooperation progress, obstruct rapid adoption of economic decisions and launch of new joint initiatives. In addition, cooperation between the countries of Black Sea region is hampered by change in main features and nature of security environment in the region, which, according to O. Vlasyuk, is due to a number of events, among them: Russian-Georgian war (August, 2008), Russian-Ukrainian "gas war" (January, 2009), International Court of Justice decision on the Ukrainian-Romanian border dispute (February 2009) [17, p. 174], Russian ambitions for Ukrainian Black Sea territories (2013–2014).

Despite worsening of geopolitical situation, Black Sea region remains in scope of geoeconomic interests of Ukraine as a nation, and its regional components as well. Life of seven administrative entities of Ukraine (five regions - Odesa, Mykolaiv, Kherson, Zaporizhzhya and Donetsk, as well as the Autonomous Republic of Crimea and Sevastopol) is connected to the Black Sea in one way or another. This considered, Ukraine must form and implement an active regional policy in the Black Sea region. Its main directions, in particular, are proposed by a group of Ukrainian scientists at the National Institute for Strategic Studies [18].

In our opinion, Ukraine shall be able to maximize the geoeconomic model of its development in the Black Sea region, if it becomes a site of beneficial and active integrative cooperation of a large number of countries in the region, including our country. In order to transform the Black Sea region into a geoeconomic zone of stability and prosperity, but not conflicts, it must develop in the following directions:

1) powerful economic potential, concentrated in the region, must be activated, first of all, through closer cooperation between the states located in this area, in particular, within Organization of Black Sea Economic Cooperation (BSEC), does not aim for the creation of political or military

structures, but develops interaction mainly in economic and scientific spheres;

2) the priority tasks of the countries in the region should be complete exploitation of the ecologically associated resources of the Black Sea;

3) The Black Sea region should become a powerful recreational zone with well-developed infrastructure capable of ensuring the livelihoods of all the states located on its shores;

4) The Black Sea region should be considered as promising oil market for countries with direct access to the area, as well as the countries, bordering them;

5) The Black Sea region should be formed as a powerful transport market with ferry connections system, passenger and cargo transportation;

6) the Black Sea countries are obliged to realize the need to expand horizontal ties at the local self-government level.

Let us consider the fourth, fifth and sixth points and their significance for Ukraine as geoeconomic player in the Black Sea region.

Several energy, transport and communications projects have already been introduced within the formation framework of the Black Sea oil market, it is general knowledge. For example, Baku-Supsa pipeline was put into operation, which allows transportation of up to 9 million tons of Caspian oil to the Black Sea region. Sadly, Ceyhan-Samsun pipeline is yet to be constructed. In 1997, the governments of Ukraine and Turkey signed an agreement for transfer of 25 million tons of Iraqi oil from Ceyhan to Samsun. In the same year Turkey ratified this agreement. The Ukrainian party, during its ratification, withdrew an article, dealing with government guarantees of Ukraine for these oil volume circulation from the agreement. The absence of such guarantee made it impossible to implement the said project. Response for the failure was development and implementation of Baku-Tbilisi-Ceyhan project, which circulates 1% of world oil volume. Ceyhan-Samsun was driven to background.

However, regardless of the composition and ideological orientation of senior officials in Ukraine, it is our opinion that their attention should be on the Ceyhan-Samsun pipeline construction for oil delivery from the Gulf, Libya and Algeria to the Black Sea region, with subsequent transportation to Samsun, followed by tanker transportation to terminal in the South and further to Brody. The implementation of this project may significantly change the situation of crude oil supply for Ukraine, differentiate its sources. If it is possible to receive 25 million tons of oil through this corridor, then it will be enough for not merely meeting our domestic demand, but for export as well.



It was planned in 1998 that Caspian oil will be transported to Odeskiy oil refinery, and then to Europe. But Odeskiy refinery was sold to Russian company “Lukoil”, which gained control over Odeska oil area, Caspian oil was not permitted to our territory, that contradicts national Ukrainian interests. Next actions may be considered as failure as well. After completion of Ukrainian part of Odesa-Brody pipeline construction in 2004, the decision was made to begin its reverse operation and perform crude Russian oil linefill. Credit for necessary oil volume purchase was taken in offshore company *Collide Ltd*, where representatives of Ukrainian and Russian business had their interest. So Odesa-Brody pipeline was practically under control of Russian transnational groups, which was the main reason for making decision to begin reverse operation of the pipeline.

Nowadays Russia owns not only Odesa but also Lisichansky refinery, which was bought by Tyumen oil company for \$ 10 million, while its market price is not less than \$1 billion. Drogobychsky, Naddvyrnyansky, Kherson oil refineries were also controlled by Russian capital, but those are not operational at the moment.

Russia continues to pursue economic expansion consistently in Ukraine. In order to confront it, the state must develop new mechanism for international cooperation to create an oil market in the Black Sea region that would be in line with the national interests of our country. If this mechanism implementation succeeds, Ukraine shall be able to overcome the dependence on Russian low-quality oil. The following data means that there is such dependency. During 2009 oil refineries in Ukraine received 9 682,6 thousand tons of oil, and 2 500.9 thousand tons out of them — domestic production (25.8% of total supply), 7 181.7 thousand tons imported (74.2%), including: 6 397.8 thousand tons — from Russian Federation (66.1%). So, Russian share of the oil delivered to the refineries was 66.08%. Presently, Ukraine's dependence on Russia is decreasing. According to official data, at the end of 2012 oil refineries in Ukraine received 4 013.4 thousand tons of oil, including imported — 1 504.7 thousand tons, or 37.5% [19].

Increasing opportunities for geoeconomic model implementation of Ukraine within the framework of Black Sea basin will be greatly facilitated by creation and usage of international transport corridors. It is important to establish close cooperation with Turkey, which should address the issue of beneficial energy supply and access to North Africa and Asia markets. Ukraine is able to supply large volumes of food to these regions

- and Black Sea is an extremely important transport resource here.

The strategic cooperation with Georgia, which is a transit country, is of paramount importance for Ukraine's successful activities in Black Sea region. Our countries have signed Partnership and Cooperation Agreement, but its potential is not fully engaged today. By interacting with Georgia, Ukraine can effectively go to huge markets of Iran, India, Pakistan, Bangladesh. We may achieve significant effect through establishment of joint economic, financial and bank organisations.

It is extremely important for Ukraine to create favourable conditions for development of Trans-Caucasian railways and motor transport corridors that would allow large goods volume transportation through Georgia to Caspian Sea region and to Asia, in direction of Iran and other countries. First and foremost, it is necessary for Caucasus states to establish stability and democratic rule, the absence of that, as proven on practice, leads to stagnation and makes progressive economic development impossible. This is not only about Georgia, but about Azerbaijan and Armenia also, the cooperation with them will enable Ukraine to utilize the Caspian resource completely in our trans-border ties.

At the same time, in opinion of Y. Scherbak, Ukraine does not use all the opportunities for strengthening integration processes in Black Sea region, moreover, relations with Turkey and Azerbaijan, which are our strategic partners, do not meet proper development level and require intensification [20, p. 174].

In order to implement the geoeconomic model of Ukraine effectively, the Black Sea potential should be actively used through the development of transport corridors associated with the Danube. After the end of war in the former Yugoslavia, the Danube has been practically restored as an international water transport corridor. Today the project with goal of setting up the Danube-Black Sea canal operation would appear promising. As a result, Ukraine will have the opportunity to transport goods on the whole Danube and develop the southern region of the country.

Activation of cooperation in the Black Sea region is also important for us, because Ukraine should have an alternative way of energy resources supply that goes beyond the Russian territory, as relations with Russia are quite often volatile - from good neighbourliness to political and economic pressure, and vice versa.

So, Russian factor stimulates Ukraine to create mechanisms for full-size economic trans-border cooperation in Black Sea. The development of

economic resources and connections will result in emergence of financial resources for programs of Black Sea rehabilitation, humanitarian cooperation, etc.

### **5.2.3. Ukrainian experience of creation of trans-border economic cooperation mechanisms**

Ukraine was always the embedded country into parallel coordinates West-East system. However, today, as noted above, the era of meridian ties, in particular, the cooperative links along the North-South axis, is coming. Objectively, the time is coming when the restoration of the Baltic-Black Sea axis, destroyed almost eight centuries ago, will take place on the Eurasian continent. But in order to recreate the North-South meridian, at the present stage of internationalization of economic life, which is developing now in the globalization form, it is necessary to use the experience, accumulated in Ukraine throughout trans-border cooperation, comprehensively for the West-East vector.

Ukraine has strong, historically formed relations with a number of European countries - European Union members, especially Poland, Hungary, Slovakia, those we have a common border with. Relations between our countries gained new powerful impact after the restoration of Ukrainian sovereignty in 1991. That was the time when complex combination of different forms of trans-border cooperation arose and began to develop. They were particularly intense with Poland and Hungary. Ukraine became an active participant in the model of Euro regions.

According to our generalisations, several levels of trans-border cooperation have been formed already within North-South axis.

*First level — conceptual.* Conceptual, methodological work is an important background for developing a strategy for development of any country. Without developed, complete national concept of trans-border cooperation it is very difficult to solve practical interaction issues directly at the level of regions, districts, cities, separate economic entities of different neighbouring countries.

It is overwhelmingly positive that such conceptual cooperation model was developed and is operational within trans-european systems in Ukraine. It envisages creation of joint modules in economic and financial spheres in the border areas, which is an important tool for effective development of trans-border cooperation. Many theoretical developments have been successfully implemented within border relations framework of

Ukraine - Poland, Ukraine - Hungary, Ukraine - Slovakia, to a lesser extent, Ukraine - Romania, Ukraine – Bulgaria. And it is expedient now to extend the accumulated positive experience of trans-border cooperation with these states to relations with such Black Sea countries as Georgia and Turkey, as well as Azerbaijan and Moldova. In this regard, it is important for Ukraine to raise the issue of extending the current trans-border concept (which applies mainly to the border countries of Central Europe and Russia) to the entire territory of the country, transforming it into a trans-communication system that would combine eastern and western, northern and southern markets of the Eurasian geoeconomic space.

It should also be noted that a lot of joint ventures, wholesale warehouses appeared in such border regions of Ukraine as Zakarpattya, Lviv, Volyn. A major achievement was the creation of special economic zones, priority development areas with special investment regime in the late 1990s, which operated in the regions: Shatsky lakes, Kovel in Volyn region, Reni in Odesa region, Zhovkva near Lviv city.

However, the process of special economic zones operation, including investment ones, has been actually interrupted in Ukraine. This decision, in our opinion, caused great harm to the Ukrainian economy and slowed down market reforms introduction.

In particular, the experience of Poland, as there are 14 special economic zones, where the production and sales of goods are performed on preferential terms, testifies to usefulness of special economic zones for the country's economy. Creation of special economic zones started in 1994 with the adoption of the Act of 20 October 1994 on Special Economic Zones (SEZ) by the Sejm of the Republic of Poland, which is still operational.

Polish authorities are of opinion that SEZ create favourable conditions for investors, which allows them to rely on their long-term cooperation with the region, makes long-term investment planning possible, and also entrepreneurship development and obtaining of new advantages for a certain territory.

For example, the Legnica SEZ was created by Government of Poland on April 15, 1997, for 20 years period and it should be operational until May, 2017. The Legnica SEZ has good location - it is located in the centre of Europe, near German border and Czech Republic, as well as convenient connection with Western and Eastern Europe. Legnica SEZ is located near the A4 and A18 motorways, that connect the European Union with countries of the former Soviet Union.

International motorway E65 (national number 3) connects Poland to Scandinavia and Southern Europe [21].

*Second level* of trans-border cooperation develops within the boundary regions, which form links between two or more administrative-territorial units. In this case, the interaction between Ukrainian regions and Polish provinces that have concluded partnership agreements, may be used as an example. This is rather effective form, which involves not only economic and financial cooperation, but also cultural, scientific and technical cooperation, realization of joint projects aimed at forming mutual understanding between different segments of the population living in the border regions. Within the framework of partnerships, there is, for example, fruitful interaction, on the one hand - Lviv and Volyn regions of Ukraine, on the other - respectively, Polish territories with centres in Lublin, Krakow and Chelm. Chernivetska region cooperates with appropriate Romanian regions, has certain ties with Moldova (their further development, sadly, is barricaded by Transnistria problem). Cooperation with Bulgarian border regions is somewhat hampered by weak performance level of communication channels, absence of developed transport market in Black Sea region.

In order to achieve fruitful trans-border cooperation at the regional level, it is necessary to develop appropriate cooperation concept at national level. In this regard, an example of development of Ukrainian border links with Russia, which has established a cooperation model between border regions and their administrations at the legislative level, is positive. As a result, Sumy, Chernihiv, Lugansk, Donetsk, and Kharkiv regions of Ukraine have established direct partnerships with their Russian counterparts - Rostov, Belgorod, Kursk, Bryansk, Voronezh regions, and Kuban Territory. The decision was made within Ukrainian-Russian trans-border cooperation that provides possibility of border crossing simplifying and creation of single border control points system.

*Third level* — bipolar trans-border corridors in subregions that connect different groups of administrative districts. District administrations sign partnership agreements and work together in financial, economic, cultural, scientific and technical areas.

*Fourth level* — creating partnership network between border cities that establish direct bilateral ties. For example, the system of partnerships between Ukrainian and Polish cities is being formed very actively, and it shows high efficiency. The Institute of Society Transformation (IST, Kyiv) with Oleh Soskin`s inspiration and guidance developed Partnership model for Ukrainian and Polish cities in 2001, which

is being currently implemented, bringing actual sense into strategic cooperation between Ukraine and Poland [22]. IST began forming partnerships between Ukrainian cities and districts with cities and districts of Visegrad Group countries and Baltic countries. Nowadays, in line with the model developed by the Institute and its organization, coordination and methodological support, 18 partner couples-cities established relevant Agreements or Memorandums of Partnership, in particular: Sarny - Dlugolenka (Poland); Nizhyn - Swidnica (Poland); Severodonetsk - Jelenia Gora (Poland); Nicopol - Legnica (Poland); Myrgorod - Zgorzelec (Poland); Smila - Kendzyjin-Kozhle (Poland); Feodosiya - Kolobrzeg (Poland); Trostyanets - Kozhukhov (Poland); Konotop - Nova Suh (Poland); Shostka - Slubice (Poland); Romny - Zary (Poland); Romny district - Zharsky District (Poland); Belopolsky district - Zagan district (Poland); Vorozhba - Zagan (Poland); Gadyach - Kiyov (Czech Republic); Zolotonosha - Luchenets (Slovakia); Pyriatyn and Pyryatyn district - Komlou (Hungary); Vasilkov - Anikshay (Lithuania).

Complex model of vertical and horizontal links at district and city level that belong to them, developed by Institute of Society Transformation, became the next step in partnership system formation. The practical implementation of this project was the conclusion in 2008 of long-term cooperation agreement between Sumy region (Ukraine) and the Lubuskie province (Poland), which was accompanied by signing of relevant agreements between Ukrainian and Polish cities (see partnerships above).

The practice of cooperation between Ukrainian, Bulgarian and Romanian cities is also interesting. Unfortunately, the trans-border partnership with Belarus has not been developed extensively, as the central government in Belarus does not promote the intensification of cooperation between border cities, and those are very interested in cooperation. By the way, in Belarus city mayors are not elected by local communities (as in Ukraine), but get appointed by the central government.

*Fifth level* — the development of infrastructure and communication complex facilities that support border control points and provide faster border crossing for population and cargo transporting. Ukraine has accumulated significant experience in such activities. For example, an agreement was signed with Poland on the joint inspection of goods and population transferring (unfortunately, it is not operational at the moment).

Nowadays, a lot of aspects of trans-border cooperation should be reviewed, as Poland, Hungary, Slovakia, Bulgaria and Romania joined the European Union, therefore, certainly, they must adhere to the EU legislature. This fact complicates the development of trans-border

cooperation to some extent.

We must build our borders in line with European standards. At the same time, the state border should be an integral system, which implies the application of common approach to organisation of the western, eastern and northern borders of Ukraine. Firstly, this shall build foundations for equal cooperation with civilised Europe; secondly, it will promote the effective adaptation of geoeconomic model of Ukraine to the world economy requirements; thirdly, it will protect the country from dangerous external influences; fourthly, this will intensify the development of all border regions in our country.

Considering this, Ukraine, which intends to be heading in the direction of Europe, acquire EU membership (eventually), has to strengthen its eastern border, first of all. It is precisely from there that illegal immigrants, smuggled goods, weapons, drugs, which are the back side of the positive trans-border cooperation between Ukraine and Russia, are coming to our territory. These processes undoubtedly pose a threat not only to Ukraine, but to the European Union also.

It is possible to solve this problem through strengthening Ukrainian-Russian border, establishing farming zone along the border, where owners of those farms would be retired police and military officers (with private property rights, privileges, other beneficial conditions).

In our opinion, NATO, European Union and the United States should consider providing technical and financial support to Ukraine for its eastern and northern border equipment. This will protect not just our country, actually, but also EU territory from illegal migration, terrorist elements expansion, criminal groups, illegal weapons and drugs.

Moreover, one should not forget that Russia can not match the European Union market size, which is currently 25% of world trade. In the context of the globalisation of the European space, there is qualitatively new impetus for trans-border cooperation system activation - the international transport corridors. Their formation and development may become an important factor for Ukraine while entering geoeconomic space of the European Union, especially at city level.

The following international transport corridors (ITC) are on our territory:

three land pan-European 3, 5, 9 and one pan-European water route (7) Danubian [10]. In order to develop national network of international transport corridors, to improve their condition and increase capacity, to improve international transporting according to logistical systems, the decree of the Government of Ukraine № 496 of April 12, 2006 established Program of national network of international transport corridors development in Ukraine for 2006-2010.

Western pan-European transport corridor “3” is being built intensively nowadays, № 3 – A4 motorway (Berlin – Dresden – Wrocław – Lviv – Kyiv). German corporations modernised transport infrastructure of Eastern Germany and investing heavily in Polish system. It is logical to assume that they will start accommodating in Ukraine in 3-4 years. Construction of large eight-lane motorways will give significant impact to the economic potential development of territories in the 50-kilometre zone on each side of the A4 road. We believe that cities and other settlements of different countries, located in this zone, would benefit from connected partnership relations in single network.

One can not underestimate the possibilities of the southern pan-European transport corridor “5”: Trieste - Ljubljana - Budapest (Bratislava) - Lviv. It is assumed that Ukrainian part of this transport corridor should go through such cities as Chop, Stryi, Ternopil, Khmelnytsky, Vinnitsa, and reach Kyiv-Odesa highway.

By the way, the latter complements the A4 road system and provides access to the Black Sea. Passage along the Ukrainian territory of the transport corridor “5” will contribute to development of the southern regions of Ukraine, the expansion of our ties with such European countries as Spain, France, Italy, Slovenia, Hungary.

Pan-European Transport Corridor “9”: Helsinki - St. Petersburg - Vitebsk - Kyiv (Moscow) - Odesa (Kishinev) - Plovdiv - Bucharest - Alexandropolis (with 4 branches), which passes along the North-South axis, practically (almost) crosses ITC “3” and ITC “5” and links them to unified network.

Development of common infrastructure, which is created around pan-European transport corridors, empowers strengthening of integral connections and geoeconomic power of European continent, where huge amounts of people, resources, capitals and information are moving.

Ukraine's active participation in formation and operation of trans-



border transport systems will enable it to become powerful, modern, developed country in order to maximise its geoeconomic and transit potential.

The scientific and information revolution will lead to the fact that the physical place goods production will lose its importance in 21<sup>st</sup> century. A decisive factor will be the speed of goods promotion to the consumer, as well as capital flow, technology and information to different countries. Taking into account these moments, special opportunities arise for those countries that are located in the area of trans-border transport corridors (in our case the corridor “3”, A4 motorway, “5”, “9”).

Ukraine has huge potential here, its future will greatly depend on it. At the same time, one may consider such perspectives only if economic model transformation shall happen in the country.

So, in order to become a competitive power in the Europe centre, Ukraine must build a geoeconomic model that meets the latest challenges, needs, trends and opportunities of the modern world economic system development. For the effective realization of Ukraine's national interests in the Eurasian space, it is necessary, first of all, to work-out modern geoeconomic development model, the most important elements of which will be: Baltic-Black Sea partnership, multilevel system of trans-border cooperation, trans-border network of transport corridors, megasystems of partnerships between regions and cities of Ukraine and other countries, located both on the West-East axis and on the South-North axis (first of all, those with a common border with our country). Priority implementation direction of geoeconomic model of Ukraine in Eurasian space nowadays, in our opinion, has to become eurointegration direction, namely approval of updated Agreement with EU regarding partnership and cooperation in shape of EU-Ukraine Association; cooperation with EU in carrying out the Eastern Partnership initiative, creation of free trade zone between Ukraine and EU, etc.

1. *Rodrik D.* The Globalization Paradox: Why Global Markets, States, and Democracy Can't Coexist / Dani Rodrik. — Oxford University Press, 2012. — 368 p.
2. Democracy: are worries about the health of democracy today are overblown?: Debate [Electronic resource] // The Economist. — 2014. — Accessed mode : <http://www.economist.com/debate/overview/266> (in Eng.)
3. *Валлерстайн И.* После либерализма / И. Валлерстайн ; пер. с англ. М. М. Гурвица, П. М. Кудюкина, Л. В. Феденко под ред. Б. Ю. Кагарлицкого. — М. : Едиториал УРСС, 2003. — 256 с.
4. *Коппель О. А.* Цивілізаційна парадигма формування нового світового порядку в умовах глобалізації [Електронний ресурс] / О. А. Коппель. — Режим доступу : <http://helen-koppel.narod.ru/017.htm>
5. *Семенникова Л. И.* Цивилизации в истории человечества / Л. И. Семенникова. — Брянск : Курсив, 1998. — 340 с.
6. *Хантингтон С.* Новый світовий порядок у ХХІ столітті: глобальні тенденції та їх значення для України / С. Хантингтон // Національна безпека і оборона. — 2000. — № 7. — С. 7–8.
7. *Хантингтон С.* Столкновение цивилизаций / С. Хантингтон ; пер. с англ. Г. Велимеева, Ю. Новикова. — М. : Издательство АСТ, 2003. — 603 с.
8. Україні надано статус країни з ринковою економікою, 18.02.2006 р. / Офіційний сайт Кабінету Міністрів України. — Режим доступу : [http://www.kmu.gov.ua/control/publish/article?art\\_id=29340565](http://www.kmu.gov.ua/control/publish/article?art_id=29340565)
9. *Дугин А.* Основы геополитики / Александр Дугин. — М. : Арктогея, 1997. — 608 с.
10. *Коппель О. А.* Моделювання місця та ролі України в системі світових цивілізацій / О. А. Коппель // Міжнародна науково-практична конференція «Моделювання міжнародних відносин», Київ, 29–30 травня 2004 р. : тези доповідей. — К. : ІМВ, 2004. — С. 51.
11. Population on 1 January [Electronic resource] / Eurostat. — Access mode : <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1>
12. *Соскін О. І.* Модель народного капіталізму : стійкість та адаптивність до будь-яких викликів (на прикладі Австрії) / О. І. Соскін // Науковий економічний журнал «Актуальні проблеми економіки». — 2012. — № 6(132) — С. 16–29.
13. Вступ до НАТО — стратегічний вибір України ; за заг. ред. О. І. Соскіна. — К. : Інститут трансформації суспільства, 2008. — 192 с.
14. *Brzezinski Z.* The Grand Chessboard. American Primacy and Its Geostrategic Imperatives / Z. Brzezinski. — N.Y. : Basic Books, 1997. — 223 p.

15. *Соскін О.* Шляхи реалізації гео економічної моделі України в євразій- ському просторі / О. Соскін // Економіка та держава. — 2010. — № 7. — С. 4–9.
16. Транспортування природного газу [Електронний ресурс] / Офіційний сайт Національної акціонерної компанії «Нафтогаз України». — 2014. — Режим доступу : <http://www.naftogaz.com/www/3/nakweb.nsf/0/3375A8575C8884D0C22571010035B9D2?OpenDocument&Expand=2&>
17. *Власюк О.* Ризики та загрози безпеці у розширеному Чорноморському регіоні / О. Власюк // Огляд Міжнародної конференції, Київ, НППМБ, 25 вересня 2009 р. // Стратегічна панорама. — 2009. — № 4. — С. 173–176.
18. Україна у 2007 році: внутрішнє і зовнішнє становище та перспективи розвитку: Експертна доповідь. — К. : НІСД, 2007. — 264 с.
19. Нафтогазова промисловість. Статистична інформація [Електронний ресурс] / Офіційний сайт Міністерства енергетики та вугільної про- мисловості України. — Режим доступу: [http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=231058&cat\\_id=35081](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=231058&cat_id=35081)
20. *Щербак Ю.* Ризики та загрози безпеці в розширеному Чорноморсько- му регіоні / Ю. Щербак // Огляд Міжнародної конференції, Київ, НППМБ, 25 вересня 2009 р. // Стратегічна панорама. — 2009. — № 4. — С. 173–176.
21. Суть та характеристика спеціальних економічних зон у Польщі (на прикладі Легницької СЕЗ): Аналітичний матеріал, підготовлений Ін- ститутом трансформації суспільства. — К. : ІТС, 2008.
22. *Соскін О.* Партнерство українських та польських міст — реальний шлях євроінтеграції України / О. Соскін // Економічний часопис-XXI. — 2008. — № 3–4. — С. 35–36.
23. Мережа міжнародних транспортних коридорів на території України [Електронний ресурс] / Офіційний сайт Міністерства транспорту та зв'язку України. — Режим доступу : <http://www.mintrans.gov.ua/uk/show/transport.html>