

THE EVALUATION OF INTEGRATION OF UKRAINE WITH CIS COUNTRIES

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Summary: The integration of Ukraine is a rather dicey term. According to current economic and political circumstances the integration of Ukraine with CIS countries has a big interest for scientists. The degree of integration development is defined basing on calculations of index of intrasectoral trade. The processes which currently take place on the territory of Ukraine are described.

Key words: index of intrasectoral trade, cooperation, CITSC, CIS, external turnover.

Анотація: Інтеграція України є досить невизначеним поняттям. У сучасних політичних та економічних умовах, особливий інтерес проявляється в інтеграції України з країнами СНД. Ступінь розвитку інтеграції визначений на основі розрахунків індексу внутрішньогалузевої торгівлі. Описані процеси, що мають місце на території України в даний час.

Ключові слова: індекс внутрішньогалузевої торгівлі, кооперація, УКТЗЕД, СНД, зовнішній товарообіг.

Аннотация: Интеграция Украины является весьма неясным понятием. В современных политических и экономических условиях, особый интерес представляет интеграция Украины со странами СНГ. Степень развития интеграции определена на основе расчетов индекса внутриотраслевой торговли. Описаны процессы, имеющие место на территории Украины в данное время.

Ключевые слова: индекс внутриотраслевой торговли, кооперація, УКТВЭД, СНГ, внешний товарооборот.

Despite the number of tries of cardinal reformations, currently CIS is just a virtual integrate unification with sophisticated badly manageable bureaucratic structure.

To deal with the processes which were taking place on the territory of CIS countries exactly after USSR collapse, we are supposed to discuss disintegration which was highly speeded every year and was shown in the decrease of external turnover sign between CIS countries and also in the reduction of CIS countries' share in the whole external turnover in favor of the third countries.

In spite of the fact that the former union republics were characterized by the number of features that should be the stimulus for economic integration, the stable deferent tends were observed. The main factors of these trends became:

- The implementation of the idea of economic integration under the circumstances of increasing economic recession among all CIS countries and the fact of the breakdown of a single nation's economic gear.
- The occurrence of tangible differences in terms, rate, nature and ways of implementation of market transformation, the building of home market and price setting, one's own currency and budgetary-financial systems and, at last, the degree of external economic relationship liberalization [1, c. 23].

To date if we talk about the attitude to the integration it is a little different from the one which was prevailing for the first 10-15 years on the territory of CIS countries. If at that time the achievement of their own political and economic

sovereignty was the core aim for most countries, in addition to any other achievements, and the economic integration went by the wayside, nowadays the integration processes are cared the most.

A lot of scientists who were researching the integration processes on the territory of CIS countries suggested different approaches analyzing chronological frames or spatial frames (observing intraregional consolidations). The aim of the essay is to evaluate the condition of economic integration of Ukraine with CIS countries based on the signs of intrasectoral trade.

Firstly, it is necessary to highlight sufficiently high bench of Ukrainian external trade orientation on CIS, which on average is 39% for 5 last years [3].

Observing the whole situation in CIS we may say about the tendency of increasing turnover. However the financial crisis of 2008 also had the impact on the forming of this tend and led to the considerable decrease of export/import dimension [4]. This situation is very similar with the developing of the economic relationships with every country except Kazakhstan and Turkmenistan. The turnover with these countries goes on decreasing even after the crisis. Based on the turnover benches, the shares of countries in the external turnover of Ukraine with CIS countries were also worked out (Attachment 1). They can be the foundation of the detection of core trade partners (if the country's share is more than 10% we can call this country "core partner"). No doubt, Russian Federation is the leader in external turnover of Ukraine. Meanwhile its RF's share reached the pick of last 7 years in 2010 and is the same with the bench of 1998 year – 77% [1, p. 115]. This fact shows the invariable Ukrainian dependence on Russian Federation and cannot be evaluated as a positive (for economic integration) feature, as it resulted in "tug-of-war" by RF and other countries in the region don't have any chance to build manufacture relations. It should be mentioned that the calculation of countries' share in the external turnover revealed only one "core partner". The only country which can aspire to the role of "core partner" is Belarus as its share in the external turnover reached the boundary number of 10% (Attachment 1).

The fact of the existence of turnover increase between Ukraine and CIS countries cannot be considered as a positive one and be the evidence of economic integration development. For more objective evaluation the bench of intrasectoral trade should be worked out. It shows the existence of stable economic relations between the countries, the development of cooperation and specialization (Figure 1).

Figure 1

Index of intrasectoral trade between Ukraine and CIS countries

Country/ year	Azerbaijan	Belarus	Kazakhstan	Uzbekistan	Kyrgyzstan	Moldova	RF	Tajikistan	Turkmenistan
2004	0,05	0,16	0,06	0,01	0,01	0,08	0,23	0,01	0,00
2005	0,05	0,16	0,06	0,01	0,01	0,08	0,23	0,01	0,00
2006	0,05	0,16	0,04	0,00	0,01	0,09	0,26	0,00	0,00
2007	0,04	0,17	0,03	0,01	0,02	0,08	0,27	0,00	0,00
2008	0,02	0,13	0,04	0,00	0,02	0,09	0,33	0,00	0,00

2009	0,01	0,11	0,01	0,00	0,02	0,07	0,23	0,00	0,00
2010	0,01	0,11	0,01	0,02	0,01	0,09	0,24	0,00	0,01

Considering that for faint inclination to the intrasectoral trade the bench should be higher than 50%, we can say that Ukraine doesn't have intrasectoral trade with the CIS countries. Basing on this fact we can claim that Ukrainian international trade is explained by the theory of comparative advantages, which does not indicate the existence of economic cooperation and this means the absence of modern economic integration.

To provide more objective evaluation the intrasectoral trade index was calculated for each section of SITC for three countries which have the largest share in external turnover with Ukraine [2]. They are Russian Federation, Belarus and Kazakhstan. The results of last two countries are not of a particular interest as the index of some sections of SITS is only slightly higher than the average national index. It is ranging from 0 to 50%, but not more. This fact completely denies the existence of intrasectoral trade. The situation with Russian Federation is a little bit different which we can find out from the Figure 2.

Figure 2

Index of intrasectoral trade between Ukraine and Russian Federation
calculated for each section of SITC

SITS section	Year						
	2004	2005	2006	2007	2008	2009	2010
A	2	3	4	5	6	7	8
I	0,09	0,09	0,34	0,24	0,14	0,20	0,17
A	2	3	4	5	6	7	8
II	0,07	0,07	0,06	0,05	0,13	0,07	0,07
I	0,15	0,15	0,22	0,10	0,12	0,26	0,15
V	0,36	0,36	0,36	0,36	0,36	0,28	0,96
V	0,05	0,05	0,01	0,02	0,15	0,11	0,14
I	0,21	0,21	0,20	0,20	0,19	0,21	0,24
II	0,50	0,50	0,53	0,48	0,47	0,47	0,47
III	0,34	0,34	0,25	0,31	0,20	0,18	0,26
X	0,28	0,28	0,32	0,38	0,47	0,40	0,28
X	0,21	0,21	0,21	0,20	0,19	0,23	0,24
I	0,23	0,23	0,22	0,23	0,26	0,26	0,27
II	0,50	0,50	0,29	0,23	0,21	0,12	0,21
III	0,50	0,52	0,48	0,45	0,50	0,37	0,36
IV	0,15	0,08	0,44	0,41	0,32	0,31	0,43
V	0,34	0,34	0,33	0,38	0,48	0,34	0,34
X	0,50	0,50	0,46	0,44	0,41	0,32	0,35

VI							
VII	X	0,29	0,29	0,45	0,47	0,45	0,41
VIII	X	0,77	0,77	0,67	0,66	0,77	0,75
IX	X	-	-	-	-	-	-
X	X	0,53	0,52	0,52	0,51	0,46	0,34
I	X	0,03	0,03	0,30	0,01	0,10	0,20

According to Figure 2 we can claim that there is a stable intrasectoral trade in the XVIII section (optical tools and apparatus for photography or cinematography, measurement, control, medical and surgical aids, watches, musical instruments and their parts). In addition, the reduction of the index in VII, XIII and XIV sections shows us the destruction of the cooperation relationships between Russian Federation and Ukraine since USSR collapse.

All the calculations we have done allow us to talk about the flaccid nature of the integration processes in the CIS countries. All countries are characterized by the high degree of economic dependence on other countries. And the potential of CIS countries can be effectively used only in collaboration teamwork, the persistence of community facilities which are based on close cooperation relations, common transport communications and power lines and on the willingness to preserve and expand their presence on the market of other countries market. All CIS countries possess a huge number of problems, the main of which is poorly defined market nature of integration and too high orientation on the development of intergovernmental relations.

The evaluation of Ukraine's integration with CIS countries was based on the working out of the index of intrasectoral trade. According to the results obtained, we can speak about the absence of modern economic integration and the destruction of economic cooperation between the countries which is shown in the decrease of intrasectoral trade index calculated for every SITC section. So we can say that 20 years after of CIS existence, real economic integration between Ukraine and CIS countries is absent.

References

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Attachment 1

External turnover of Ukraine with CIS countries

Country/ year	RF		Kazakhstan		Uzbekistan		Kyrgyzstan		Moldova		Tajikistan		Turkmenistan		Belarus		Azerbaijan		Armenia		CIS
	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$	Share	million US\$
2004	20260	0,74	853	0,03	348	0,01	37	0	763	0,03	52	0	2757	0,1	1830	0,07	317	0,01	110	0	27327
2005	20260	0,74	853	0,03	348	0,01	37	0	763	0,03	52	0	2757	0,1	1830	0,07	317	0,01	110	0	27327
2006	22099	0,72	1654	0,05	571	0,02	43	0	793	0,03	44	0	2557	0,08	2477	0,08	458	0,01	157	0,01	30853
2007	29691	0,68	3074	0,07	401	0,01	78	0	1079	0,02	56	0	5270	0,12	3005	0,07	660	0,02	250	0,01	43564
2008	35006	0,66	4267	0,08	1926	0,04	93	0	1348	0,03	83	0	4132	0,08	4915	0,09	984	0,02	287	0,01	53041
2009	21486	0,6	3058	0,09	2867	0,1	88	0	746	0,02	84	0	3157	0,09	2951	0,08	909	0,03	193	0,01	35539
2010	32886	0,77	2066	0,05	309	0,01	81	0	787	0,02	78	0	240	0,01	4457	0,1	1519	0,04	218	0,01	42641