

THE IMPACT OF THE EUROPEAN NEIGHBORHOOD POLICY ON TRANSFORMATION OF CROSS-BORDER TRADE

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Abstract: This paper examines essentials of the European neighborhood policy impact on the transformation of cross-border trade under globalization.

Keywords: European neighborhood policy, transformation, cross-border trade, world flows of goods.

Introduction

The impact of the European neighborhood policy on transformation of cross-border trade has grown in importance now. Examining essentials of the transformation of cross-border trade showed their global and highly dynamic changes. The cross-border trade is quite elastic to fluctuating general economic conditions and demand within industries, which is reflected, in particular, in changing directions of world flows of goods. Diversification of world flows of goods and services is taking place, which significantly influences economic relations between neighboring countries. At the same time, the world market is highly dynamic, stably demonstrating rapid growth.

Materials and methods

Current development of cross-border trade is strongly impacted by the European neighborhood police, growing monopoly, international financial risks, various trade regulations, economic and political relations of neighboring countries, formation of new geo-regional groups and distribution of considerable shares of the world market of goods and services across developed countries.

Among scientific papers investigating the impact of the European neighborhood policy on transformation of cross-border trade, we highlighted research conducted by V. Budkin, A. Hal'chyns'kyi, I. Zhurba, V. Sidenko, A. Filipenko, A. Shnyrkov and etc. Analysis of changing geopolitical environment and the European neighborhood policy is a significant aspect of stimulating the cross-border trade, which is the reason for examining the impact of the European neighborhood policy on the cross-border trade.

The aim of this paper is to support the impact of the European neighborhood policy on the cross-border trade under globalization.

Results

The European Union expansion and the appearance of common Ukraine-EU border led to favorable economic and political conditions for Ukraine and opened various opportunities of integration and transformation at cross-border and the EU levels. Participation in the integration process at stated above levels should be considered an indispensable prerequisite and an element of national development as well as one of key factors of pursuing national interests in the cross-border trade.

The cross-border trade impacted by the European neighborhood policy should be directed on the development of not economically advanced border areas, improvement of living standards and protection of the environment across them (Budkin, 1993).

The purpose of the impact of the European neighborhood policy on the cross-border trade is to solve social problems arising on both sides of the border, eliminate political and administrative barriers between neighboring countries, establish social and cultural infrastructure along with common government and business bodies and use Ukrainian transit opportunities through involvement of international flows of goods into the national logistic hubs.

In this regard, it is worth analyzing the transformation of Ukrainian cross-border trade under integration into the EU. The model lack of the integration elements reflecting in the globalization and regionalization dominants cannot be considered adaptable, acceptable and constructive. The growing number of the EU members does not provide rationale for reviewing the Ukrainian policy of European integration but does stimulate specific corrections for intensification of Ukrainian integration efforts (Budkin, 2006).

The EU expansion has not supported the pessimistic prognosis about reducing trade turnover between Ukraine and new EU members. However, the dynamic of the cross-border trade remains stable, and organized lobby in the EU provides Ukraine with perspective to enter into the dialogue with the united Europe (Filipenko, 2010).

One of consequences of the EU expansion has been significantly changed EU external policy, which was reflected in the proclaimed foundational principles of the EU neighborhood policy expected to solve common economic problems of partner countries, in particular, foster the cross-border trade.

The depth of this relationship will depend on how effectively countries will apply European norms of rule of law, public administration, strengthening democracy, civil society, human rights, in particular, the rights of minority, good neighborhood, market economy and development of the cross-border trade in their internal life. The problems of the EU-Ukraine relationship should be solved through specific projects in the field of international trade, safety of border areas, social and economic development as well as regional and border cooperation. It is important that the EU neighborhood policy provides various advantages and opportunities for the EU neighboring countries through the trade expansion, intensive integration into the EU internal market and acceleration of structural reforms in all industries.

The European neighborhood policy ensures gradual transition from traditional trade and partnership to closer integration the EU and Ukraine. The higher level of interdependency and reforms related to it will encourage the long partnership between the EU and Ukraine. Such policy provides the EU and its neighbors with gaining four freedoms (human mobility and free flow of capital, goods and services). It will encourage the EU and Ukraine in their common goal to transform their relations from partnership and cooperation to integration and association practically.

The organization of the free trade zone covering Ukraine and the EU will be one of important steps towards gaining four freedoms. Ukraine has been granted a status as a country with market economy by the EU, which ensures the organization of the free trade zone in practice. One of prerequisites for negotiating the free trade zone should be provision of considerable progress in Ukraine and achievement of compatibility between Ukrainian and the EU standards and rules. Otherwise, due to the non-tariff restrictions, the free trade zone will appear to be one-sided flow of goods. Another prerequisite is to open markets asymmetrically, as in the case of countries located in the Central and Eastern parts of Europe. Only compatibility in standards and asymmetrically opened markets will provide the free trade zone beneficial for Ukraine (Hal'chyns'kyy, 2006; Herasymchuk, 2009). The achievement of the market economy status has not radically changed conditions of entrance to the EU market for Ukraine since too small amount of goods is exported from Ukraine with anti-dumping duty in total amount of exported goods from Ukraine to the EU.

In the context, it is worth pointing out that the share of goods exported by Ukraine in the total amount of goods imported to the EU remains small – less than 1%. Benefits of further trade liberalization depend on the extent of lowering tariff and non-tariff barriers for the trade in most important industries for Ukraine. Asymmetry and protectionism negatively influence the access of Ukrainian goods to the EU market (Budkin, 2006), in particular those providing competitive advantages for Ukrainian economy (black metals, iron ore, textile, chemical and agricultural products).

The European neighborhood policy is economically aimed at attracting large foreign investments and stimulating economic growth due to compatible legislation providing easy access to the EU markets, in particular cross-border one, and transparent business environment with simplified administrative procedure. Thus, indicative national programs of the European neighborhood and partnership along with the cross-border ones are considerable financial and economic instrument for solving various problems of the cross-border development.

Building competitive and strong cross-border economy is a dominant direction in developing the EU-Ukraine cross-border partnership through the harmonized promotion of tourism, favorable environment for SMEs and huge internationally recognized infrastructure objects encouraging world flows of goods through Ukraine. However, building competitive and strong cross-border economy is not possible without specific facilities including improved transport infrastructure for crossing the border, the system of the environment protection and instruments for common cooperation. In the context, the border management and accessibility of borders are an important prerequisite for further building the competitive cross-border economy (Zhurba, 2012).

Pay attention that the cross-border cooperation in the field of the environment preservation has \$130 million invested in the sustainable development and emergency projects (Zhurba, 2008). The partnership “person-to-person” occupies the third place among directions of the EU-Ukraine cross-

border cooperation and covers €76.8 million that is 21% share in the total investment pattern. This priority cooperation could be found due to cultural and art projects aimed at promoting folk traditions.

The EU-Ukraine-Belarus partnership is very important since it opens perspectives for economic integration and cross-border cooperation through wider range of instruments for interconnection. It ensures opened and integrated market at the EU level functioning on the basis of compatible standards and providing various economic and political benefits for Ukraine and Belarus. Therefore, there is a need to coordinate actions around the agreed neighborhood and partnership, unite human and financial resources for the intensification of the cross-border trade across Ukraine, Belarus and Poland, taking into account elements of border regional integration in the context of the EU-Ukraine dialogue about associated membership of Ukraine in the EU (Zhurba, 2011).

The indicative program of Hungary-Slovakia-Romania-Ukraine cross-border cooperation, which also applies to the territory of the western regions of Ukraine, is based on joint planning of all four participating countries and aims to create a framework measures expected to lead to more intense and deeper social and economic cooperation between regions of Ukraine and neighboring countries.

The program of the cross-border trade cooperation will be executed through the implementation of measures grouped into priorities: 1) the development of international trade, 2) promotion of economic growth and social wellbeing; 3) preservation of the environment; 4) efficient border management; 5) creation of modern infrastructure in the border areas.

The budget of the program for seven years is €68.6 million, but the total value of projects submitted for consideration may not be fully funded by the European Commission. Besides, the funds granted by the European Commission may not exceed 90% of the total project cost. The difference (10% co-financing) should be financed from own funds of the applicant and its partners or other funds, except funds of the EU budget and the European Development Fund. If the applicant or its partner are registered in the EU member-country taking part in the program, maximum 5% of the total project cost (which is 50% of the total co-financing) will be funded from national budgets of countries that are members of the EU. The remaining 5% (which is additional 50% of the total co-financing) must be financed by applicant's own or by its partners. Such financial sharing among participants supports positive attitude and greater responsibility for the program of the cross-border trade development.

The aim of Romania-Ukraine-Republic of Moldova cooperation program is to assist the border regions to overcome the common challenges of development and cooperation, find effective mechanisms for the creation of a single economic space, use transit potential, resolve environmental issues and improve emergency preparedness. The program also promotes interaction between people and communities living in the border areas.

One of areas for improving the cross-border trade is the Eastern European Partnership that encourages Ukraine to enhance greatly its European prospects, particularly in attracting international flows of goods, integrating national infrastructure into European one. This initiative is designed to establish closer political and economic ties between the countries of Eastern Europe. It is important to understand cooperation features while reforming key industries, in particular agriculture, heavy industry and logistics. Coming changes will positively impact the cross-border trade conducting by neighboring countries, sustainable development and foundation for beneficial neighborhood.

Conclusions

The analysis of how the EU neighborhood policy impacts the cross-border trade revealed the following points.

Firstly, the policy provides opportunities for significant benefits to the neighboring countries by strengthening the cross-border trade, entering the EU internal market, attracting international flows of goods in Ukraine and accelerating structural reforms of national economy.

Secondly, the EU expansion stimulates and strengthens competition since the European market attracts more business partners playing according to the rules of the EU common commercial policy. In this case, to strengthen the position of cross-border relations, our country has a significant advantage, particularly because Ukraine is a member of the WTO and received the status as a market economy. The introduction of uniform standards for domestic products has made them competitive in the European market.

Thirdly, the EU expansion could potentially lead to a reduction in the cross-border trade, particularly through shuttle trade. However, the border regions will be able to combine their efforts in solving common environmental problems and launch regional infrastructure projects. Quantitative and qualitative development of economic relations between Ukraine and the EU can take place without official recognition of Ukraine as a potential member of the European Union by the EU. This European

policy impacting the cross-border trade is an important factor in accelerating world trade flows through the network of international logistics facilities.

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