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GROWTH DEVELOPMENT OF UKRAINIAN ECONOMY AFTER CRISIS WITH THE HELP OF BSEC

Annotation *Actuality of this theme is predefined with possibility of finding of new direction of economic cooperation of Ukraine with the purpose to defeat crisis influences. Today Ukraine feels the second wave of crisis, what shows us falling of economy and GDP, grows of unemployment as a result. A situation is heavy, but not critical, and the new wave of foreign investments would be able to fix our economy and bring back to life economic relations in the middle of the state. Being an actual member of Black Sea Economic Cooperation, Ukraine, during activation of own role in this association, would get long-awaited investments, new markets of sale of its products and increase of transit potential. It would allow Ukraine to back on the level of the highly developed states very soon.*

Keywords: BSEC, cooperation, project, crisis, investment, potential, transit.

Аннотация *Актуальность темы обусловлена возможностью получения нового направления экономического сотрудничества Украины с целью преодоления влияния кризиса. Сегодня Украина переживает вторую волну кризиса, в результате чего падение экономики, ВВП продолжается, а безработица растет. Ситуация чрезвычайно сложная, но не критическая, поскольку новый поток иностранных инвестиций мог бы укрепить экономику и приободрить промышленные связи внутри страны. Являясь действующим членом Организации Черноморского Экономического Сотрудничества, Украина, при активизации собственной роли в союзе, могла бы получить ожидаемые инвестиции, новые рынки сбыта собственной продукции и увеличение транзитного потенциала. Это позволило бы Украине выйти на уровень высокоразвитых государств уже достаточно скоро.*

Ключевые слова: ОЧЭС, сотрудничество, проект, кризис, инвестиции, потенциал, транзит.

Анотація *Актуальність теми зумовлена можливістю виявлення нового напрямку економічного співробітництва України з метою подолання кризових впливів. Сьогодні Україна переживає другу хвилю кризи, в результаті чого падіння економіки, спад ВВП продовжується, а безробіття зростає. Ситуація надзвичайно важка, але не критична, оскільки новий притік іноземних інвестицій зміг би зміцнити економіку та поживавити господарські зв'язки в середині держави. Являючись дійсним членом Організації Чорноморського Економічного Співробітництва, Україна, при активізації власної ролі в об'єднанні, могла б отримати довгоочікувані інвестиції, нові ринки збуту*

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нашої продукції та збільшення транзитного потенціалу. Це дозволило б Україні вийти на рівень високорозвинутих держав вже досить скоро.

Ключові слова: ОЧЕС, співробітництво, проект, криза, інвестиції, потенціал, транзит.

Ukraine is an actual member of Black Sea Economic Cooperation, or BSEC, however the size of relations between the states-members of association is not so big, as we could want. So, during activation of role of our state in BSEC, we would get long-awaited investments, new markets of sale of our products and increase of Ukrainian transit. Therefore important is research of processes of cooperation of Ukraine with other participants of BSEC and their tendencies.

Primary purpose of this work - to identify possibility of Organization of Black Sea Economic Cooperation to play the role of basic support of the Ukrainian economy at the end of financial crisis.

A world financial crisis had a considerable influence on the economy of Ukraine: in a 2008 growth of the real Gross Domestic Product was 2,1%. Deeper falling did not take a place only due to the considerable harvest of grain-growing.

The quick collapse of GDP took place at the end of 2008. GDP is real in a fourth quarter 2008 went down in comparing to the analogical period in last year on 8%. There are not so many countries in world, which have such deep falling after a crisis [1].

Negative balance of foreign trade made 419,7 million dollars. It is only official information, however in practice it is possible to say, that this numbers could be much higher. For today it is possible to fix Ukrainian economy in a few ways: to stimulate more close cooperation with EU, with Russian Federation, or to take new credits from IMF. Majority forgets, however, that Ukraine is an actual member of the Black Sea Economic Cooperation, and fully can use this institution for own interests [2].

initiative of the creation of Organization of black sea economic cooperation (BSEC) was founded 17 years ago. It was based on an idea, that the increase of economic cooperation among the countries of the Black sea will be an instrument of growth economic development and strength of stability in region. Since that time BSEC developed into mature regional organization with wide institutional basis. From 1999 it was transformed in regional organization.

Усього	38591,6	100,0
Кіпр	8201,7	21,3
Німеччина	6580,8	17,1
Нідерланди	3814,2	9,9
Австрія	2564,8	6,6
Сполучене Королівство	2348,5	6,1
Російська Федерація	2061,5	5,3
Франція	1589,6	4,1
Сполучені Штати Америки	1381,5	3,6
Віргінські Острови, Британські	1340,5	3,5
Швеція	1256,4	3,3
Італія	921,0	2,4
Польща	862,5	2,2
Швейцарія	825,8	2,1

Picture 1. Biggest investors to the Ukrainian economy

With the size of 20 millions km² and a population of 330 million person, BSEC has enormous economic potential. For today three members of EU and four members of NATO at the same time are the members of BSEC. Also seven countries of EU and also seven countries of NATO have status of observer in this organization. Thus, unavoidable this organization will remain an important actor at the process of subsequent integration of the black Sea region in more wide Euro Atlantic region [10].

Today there are 12 countries-members of BSEC: Azerbaijan, Alba-

nia, Bulgaria, Armenia, Greece, Georgia, Moldova, Russia, Romania, Serbia, Turkey and Ukraine [7], and 13 observers: Austria, Belarus, Germany, Egypt, Israel, Italy, Poland, Slovakia, USA, Tunis, France, Croatia and Czech Republic [9].

A region could be characterized for Ukraine, as untapped potential. Level of cooperation with members, such, as Greece, Turkey, Azerbaijan is considerably below, than would be in a prospect.

Investments could be a basic of side of cooperation between Ukraine and countries of BSEC. Looking through of all members of BSEC we could see such countries as Russian Federation, Turkey, which has a lot of backlogs for investing. Also such countries as Germany, USA et. has status of observers, accordingly, they have opportunity inlay facilities to Ukraine.

At the same time, investment from countries of region is not so big, as could be through potential, what could we see from this column, which demonstrate us 10 biggest investors to the Ukrainian economy .

Looking through 10 biggest investors to Ukraine, we could see, that none of the states of BSEC is present there. Actually there is only one stable partner with a tendency to growth of collaboration for us – Russian Federation. At the same time the size of the Russian investments to Ukraine has only 5 % from all investments, what is understated because of big role of Russia in the balance of Ukrainian foreign trade – 25%. Through the analysis of other members of BSEC, a situation seems very bad.

Direct investments from Greece to Ukraine make only 0,7% from the general volume of investing to the Ukrainian economy by the countries of EU. At the beginning of 2008 they made 151,2 million dol. (0,5% from the general volume of direct foreign investments into the national economy) [4]. Of course Greece today couldn't be a perspective investor in our economy, with their "beforedefault" situation, however much information of 2008 showed absence of any work in the case of improve of relations and bringing of investments from fully happy country in that time. An alike situation is with investments from Azerbaijan, Romania, Bulgaria, and other members of BSEC. It is possible to consider the cooperation of Ukraine and Turkey as the unique exception. For today the Turkish investments in Ukraine attained almost 1 milliard dollars [3].

At the base of this information it is possible to do the row of conclusions:

1) Ukraine absolutely don't use investment potential of region and ignores possible dividends from a cooperation.

2) Our state have the hidden backlogs for an exit from a crisis, which, with the correct policy of demonstrations of own advantages can transform the crisis Ukrainian economy in prosperous already now.

Speaking about the economic relations of Ukraine with the states of region, for today their size also is not important in the general structure of balance of foreign trade. Actually, dominant country in the relations of Ukraine and BSEC presently is Russian Federation. At the second picture we could see geographical structure of foreign trade of Ukraine with the countries of BSEC at the year of 2008. The biggest size of export were carried out to Russian Federation — 23,4% (with an increase to the previous year in 24,2%) from the general volume of export, Turkey — 6,9%, with an increase to the previous year in 27 % (it is expected from data of official statistic of Ukraine; see picture 2). In trading of goods with Turkey Ukraine traditionally continues to have most positive balance among all foreign trade partners, which in 2008 makes 2 milliards and 683 million dollars. Also we could watch that the value of export to Bulgaria (on 99,6%), Greece (on 53,4%), Azerbaijan (on 44,3%) was substantially increased.

Quick devaluation of the Ukrainian hryvnya resulted in the yet greater rates of growth of value of import. In particular a supply was increased from Georgia (on 91,3%), almost twice -

from Turkey, very little more than in 2,4 time, from Azerbaijan, and at 2,9 time - from Albania [8].

At the same time, as we could see from the table of trade at the region, the rates of growth are much higher than average, accordingly, it is possible to draw a conclusion, that limits of cooperation are not less than, with the countries of EU. With the governmental support of relations the situation of more than 500% increase of foreign trade balance of Ukraine and BSEC after few years could be real. And the sale of own products will mean the stable receipt of facilities into our budget.

Table 1. Geographical structure of foreign trade of Ukraine with the countries of BSEC, 2008

	Export		Import		Balance
	Thousand dollars	in % to 2007	Thousand dollars	in % to 2007	
All	67002502,8	135,9	85534445,7 -	141,1	-18531942,9
Countries of the CIS	23819222,7	128	33569461,8	131,3	-9750239,1
Azerbaijan	910572,5	144,3	75694,2	243,4	834878,3
Armenia	263681,5	122,6	25456,2	71,1	238225,3
Georgia	655988,4	124,3	191582,6	191,3	464405,8
Moldova	1178142	129,3	169569,7	100,8	1008572,3
Russia	15739123,5	124,2	19414249,7	115,3	-3675126,2
Albania	80405,6	77,3	407	291,4	79998,6
Bulgaria	1105978,1	199,6	239398,5	141,2	866579,6
Greece	339036,6	153,4	171837,2	146,5	167199,4
Romania	670502,7	106,7	1171079,9	150,4	-500277,2
Serbia	560455,6	—	87942,4	—	472513,2
Montenegro	2703,5	—	997	—	1706,5
Turkey	4633417,2	127,1	1950342,8	200,6	2683074,4

Another aspect of cooperation of Ukraine and BSEC is project activity. The attracted in the various projects of organization at the period after crisis would play a determining role in dynamic growth of domestic economy. Actually, today this sphere also can be described, as untapped potential. But the better expression in this case could be lost potential. Today Ukraine little carries on project activity of BSEC.

First of all it is important to mark the black “Sea synergy” which was founded by European Union for more close connections with a black sea region.

BSEC is a useful platform for a dialog and collaboration in all of region. Now, European Commission has a position of monitoring of economic processes in BSEC, using observing status [6]. Black sea Synergy included for itself the plural of measures on the most priority from the point of EU spheres of cooperation: democracy is in a region, control after the custom moving, observance of safety and decision of the “frozen” conflicts, transport, energy et [10]. For today Ukraine actually is not involved to the Black “Sea synergy”, first of all through the declared financial insolvency of our country to take part in the different spheres of project. A Black “sea synergy” is planned so that financing is carried out not only from EU but also from participant on parity principles, which did not find support from the Ukrainian side. The primary task of new government is forming of necessary documents for European Commission in relation to

bringing of facilities for educational, transport, scientific, technical, and, first of all, energetic projects. It is necessary also to build relations in the case of development of shelf of Black Sea for the purpose of a presence there considerable beds of oil and gas within the framework of the this program.

BSEC has considerable transit potential, which is shown from great interest from the side of EU in the questions of transit of gas and oil from the countries of the Persian bay, Azerbaijan (member), Russian Federation. That happens because of Ukraine, which is proved for european partners not from the best side and did not show necessary stability for a subsequent cooperation in the sphere of transit of oil and gas. Transit was the most geoeconomic advantage of our state before most countries of Europe, including BSEC. Using of this advantage would be the catalyst of future growth of the Ukrainian economy after crisis.

Early in 2005 the first project of the transit system of gas and oil was formed to EU by BSEC and was called Nabukko. In 2008 from the side of Ukraine was thrown out suggestions to creation of gas pipeline the White stream. Such pipelines as Blue stream-2, Caspian, accumulator of which was Russian Federation were also designed. Today the White stream is defective through absence of any the prospect, and in all other pipelines the role of Ukraine is or minimized, or absents, that can show a most catastrophe for a domestic economy.

At the same time, at the beginning of planning of Nabukko Ukraine was among the states which would be attracted in a gas pipeline. Building of 300-kilometre gas pipeline (by power after finish building in 2020 with 31 milliard m³) was begin in 2009. Azerbaijan (14 milliards m³), Iran (20 milliards m³), Egypt (14 milliards m³) and Iraq were examined as potential suppliers of gas.

Experts were usedr two basic possible scenarios of Ukrainian role in this project:

1. Complete integration of Nabucco into the gas-transport system (GTS) of Ukraine;
2. Building of bridge between Nabucco and Ukrainian GTS (it is possible also to use gas pipelines which today transport gas in direction of Turkey and Balkan countries in the case of taking out from Nabucco to Ukraine [6]. But modern realities are such, that Nabukko walks around Ukraine in behalf of Romania and Bulgaria.

On January, 28, 2008 in Brussels on meeting of committee on questions of foreign affairs of European Parliament was told a suggestion of prime Minister of Ukraine Timoshenko about new gas pipeline. She called to make more deep relations between Ukraine and EU because of building of gas pipeline the "White stream" (GUEU-White stream) from Turkmenistan through Azerbaijan, Georgia and Ukraine to Europe. At that time this project of gas pipeline the «White stream» had two variants – Ukrainian and Romanian. Also this gas pipeline played a considerable role exactly in development of shelf of the Black sea which would give, as the result, export of Ukrainian gas to the EU[6].

In 2008 this initiative had great support in Brussels, however now, when there was nothing done at last 2 years from Ukrainian side in this direction and basic future pipelines – Nabukko, North Stream and Caspian are in the different degree of completeness, situation with White Stream is catastrophic. However, each of them is in the stage of building. And gas, which was going to be used through the White stream already well moved to Nabukko. However today it is only beginning of building of Nabukko, so there is possibility to plug Ukraine in the list of transit countries of project. Actually, in the case of exception of our state from all of these gas pipeline projects, Ukraine will loose the high advantage before all of members of BSEC and the countries of Europe: transit.

Ourdays we have a union of international transport transportations inside of BSEC. Here Albania, Armenia, Georgia, Moldova, Romania, Serbia and Turkey take part[5]. In this groupment

Ukraine also has no role, as a potential participant through the poorly developed transport net. Speaking to prospects we could say, that after heavy winter, when all of roads in Europe are in the identically terrible state our state would interfere in this segment of cooperation of BSEC using Euro-2012.

BSEC is a serious capital base. High investment potential and considerable gold-value backlogs which have countries and observers of association would bring our aftercrisis economy of Ukraine on a new level. Using their investment, by the grant of tax deductions, within the framework cooperation or possible creation of Free Trading Zone would be an optimum decision to defeat the crisis phenomena for our state.

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