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ІМЕНІ ТАРАСА ШЕВЧЕНКА
ІНСТИТУТ МІЖНАРОДНИХ ВІДНОСИН**

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**РЕДАКЦІЙНА КОЛЕГІЯ ЗБІРНИКА НАУКОВИХ ПРАЦЬ
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ПОЛІТИЧНІ ПРОБЛЕМИ МІЖНАРОДНИХ ВІДНОСИН

УДК 327

ALGERIA: IS THERE A WIND OF CHANGE AFTER THE ELECTIONS OF 2017 AND THE REVOLUTION OF 2019?

АЛЖИР: ЧИ БУДУТЬ ЗМІНИ ПІСЛЯ ВИБОРІВ 2017 РОКУ І РЕВОЛЮЦІЙНИХ ПОДІЙ 2019 РОКУ?

АЛЖИР: БУДУТ ЛИ ПЕРЕМЕНЫ ПОСЛЕ ВЫБОРОВ 2017 ГОДА И РЕВОЛЮЦИОННЫХ СОБЫТИЙ 2019 ГОДА?

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Abstract. *The top oil and gas producer Algeria with a huge land area is of strategic importance for Europe because of the proximity to this continent. However, this country remains frozen in time with undeveloped oil-dependant economy, considerable state subsidies and omnipresent security apparatus. Being surrounded by unstable Tunisia, Libya, Niger, Mali, and by regional adversary Morocco, Algeria has no choice but to devote considerable funds to defense purposes. It is important to state that such budget allocations were acceptable when international prices of crude oil were substantial. Now, in order to fulfill various social obligations, the government has to use extensively forex reserves. The former President Abdulaziz Bouteflika had been ill since 2012 and the country was clandestinely ruled by the alliance of his brother Said, Bouteflika, party leaders of National Liberation Front and the military brass. Today after the People's revolution of 2019 they have to make a choice – to continue with the current policy of de-facto military rule and face another revolution or slowly liberalize from the top. The author makes an attempt to analyze how Algeria is trying to cope with the most recent challenges without major reforms.*

Key words: *Algeria, Morocco, the Russian Federation, China, subsidies, oil and gas, military spending, pipeline, reforms.*

Анотація. *Алжир із колосальною площею території має важливе значення як виробник нафти і газу, адже він розташований поруч із Європою. Однак ця країна продовжує існувати ніби у минулому, будучи недостатньо розвинутою і покладаючись на енергоносії, субсидії для широких верств населення та на потужний безпековий апарат. Перебуваючи в оточенні нестабільних Тунісу, Лівії, Нігеру, Малі і головного регіонального суперника Марокко, алжирська політична еліта не має іншого вибору, окрім як*

продовжувати політику значних оборонних видатків. Але варто зазначити, що вона могла витратити ці кошти без обмежень, коли ціни на нафту на світовому ринку були високими. Нині для того, щоб виконати соціальні зобов'язання, уряду доводиться робити значні запозичення з золотовалютних резервів. Колишній Президент Абдулазіз Бутефліка мав низку серйозних захворювань з 2012 р., тому країною від його імені фактично керували його брат Саїд Бутефліка, партійні функціонери Фронту Національного Визволення, а також впливовий генералітет. Після революції 2019 р. вони повинні зробити вибір: чи продовжувати нинішню політику і провокувати цим самим ще одну народну революцію, чи здійснити повільну лібералізацію політичного та економічного життя власними силами. У своїй статті автор з'ясовує, як Алжир намагається впоратися з різноманітними викликами без проведення докорінних перетворень.

Ключові слова: Алжир, Марокко, Російська Федерація, Китай, субсидії, нафта та газ, видатки на оборону, трубопроводи, реформи.

Аннотація. Алжир с колоссальной площадью территории имеет важное стратегическое значение как крупный производитель нефти и газа на севере Африки, который расположен недалеко от Европы. Однако он продолжает существовать как бы в прошлом, будучи относительно отсталой страной и опираясь на энергоносители, субсидии для широких слоев населения, а также на мощный аппарат госбезопасности. Находясь в окружении нестабильных Туниса, Ливии, Нигера, Мали и своего главного геополитического соперника Марокко, Алжир не имеет иного выбора, кроме продолжения политики существенных бюджетных расходов на оборону. Но следует подчеркнуть, что страна могла использовать средства без ограничений, когда цены на нефть на мировом рынке были высокими. Ныне для того, чтобы выполнить свои социальные обязательства, она должна заимствовать ресурсы из золотовалютных резервов. Президент Абдулазиз Бутефлика был тяжело болен начиная с 2012 г., поэтому страной от его имени управляли брат Саид Бутефлика, партийные функционеры Фронта Национального Освобождения, а также влиятельный генералитет. В конце концов, они должны сделать выбор – или продолжают нынешнюю политику и провоцировать этим самым еще одну народную революцию, или осуществить постепенную либерализацию политической и экономической жизни «сверху», собственными силами. В статье автор пытается ответить на вопрос, как Алжир может справиться с различными вызовами без осуществления важных преобразований.

Ключевые слова: Алжир, Марокко, Российская Федерация, Китай, субсидии, нефть и газ, расходы на оборону, трубопроводи, реформы.

The current problem. Algeria is the largest African country with considerable oil and gas deposits. However, as the rest of North African neighbors, it faces challenges of prevailing and inefficient state economy, restless young and unemployed population, the necessity of food import in huge volumes and the omnipresence of military officers in public life. Algeria that had experienced a violent civil war between 1992 and 2004, luckily avoided the events of the “Arab Spring”, but people are impatiently waiting for radical political and economic reforms from the old establishment. Are the Parliamentary elections of 2017 and subsequent People’s Revolution that brought down only President Abdulaziz Bouteflika and his inner circle can be considered a game-changer or the situation will remain the same?

The author believes that oil-rich Algeria, where ruling elite created a vicious circle of subsidies and overwhelming reliance of the population mainly on state employment, should immediately undertake the number of liberal reforms in the fields of mining extraction, oil industry, agriculture and tourism (visa regime) in order to attract international investors and remain competitive in comparison with Morocco.

The aim of the article – to find out why since 1962 Algeria is ruled by the same political elite, what are the main internal and external regional consequences of this and what is the capacity to change.

The analysis of the latest publications. The sources of information, accessed by the author, are derived from regional mass-media outlets “*African Business*”, “*Med Africa Times*”, “*The North Africa Post*”, “*Middle East Monitor*” and “*Al-Monitor*”. Several Ukrainian writers like P.Bovsunivskiy, I.Krasnyuk, V.Makuh and S.Troyan devoted their scientific works to the issues of the «Arab Spring» or to the policy of the EU towards the Maghreb in general, but did not pay particular attention to Algeria as a separate country. The Russian scientist *E.Bogucharskiy* claims that in 2001 Algeria became the very first strategic partner of the Russian Federation among all Arab countries and since 2006 both sides intensified their military cooperation, what led to considerable expenses of Algerian budget [*Bogucharskiy*, 2008: 123-136]. *M.Kurakin* points out that during the “Arab Spring” A.Bouteflika cancelled the state of emergency that has been in place since 1992 as well as import duties for essential goods. Those measures were necessary to calm down the situation, but low oil and gas prices may endanger the stability of the country in the long run [*Kurakin*, 2016]. On the other hand, there are no scientific works on the post-Soviet space that provide a comprehensive overview of Algeria’s foreign and internal policies.

The text of the article. Algeria is the largest country in Africa with a land area of 2,38 million square kilometers. Many inner districts are occupied by lifeless sands of the Sahara Desert and the hills of the Atlas Mountains. It shares borders with all state actors of North Africa with the exception of Egypt, and strategically situated to sell oil and gas straight to southern regions of Europe. With 41,7 million residents Algeria is competing for the sake of regional leadership with the neighboring Kingdom of Morocco [3].

The country is characterized by significant Berber minority, since at least 13 million citizens are Berbers that speak Tamazight. In 2002 it was adopted as the national language of the Republic and introduced in schools. Later, in 2016 the Parliament proclaimed Tamazight as the official mean of communication on a par with Arabic for the use in state documents and governmental institutions [4].

Algerian economy heavily relies on the export of gas and oil. Those commodities account for the lion’s share of state revenues and totally dominate in foreign trade. The country remains the third largest supplier of gas to Europe after the Russian Federation and Norway. In 2018 it sent abroad 51,5 billion cubic meters of natural gas [5]. Moreover, Algeria was the first in the world to export LNG commercial cargo following the opening of the “Arzew” plant in 1964 and today such type of gas transportation provides a great flexibility. During the same year British ship “Methane Princess” for the first time carried Algerian lignified gas from the port plant “Camel” in Algeria to Great Britain and thus introduced a new epoch in the world of energy [6]. Today Algeria is only world’s 9th largest exporter of LNG with 10,3 million tones, since it is located too far away from the top East Asian markets of Japan, China and South Korea [7].

Algeria also possesses some 12,2 billion barrels of crude oil. Hassi Messaoud in the East is the most promising area in the country, since it provides the largest share of production and directly supplies the largest oil refinery “Skikda” with the capacity of 355 thousand barrels per day. This is important, if to take into consideration that together all six refineries of Algeria produce oil-related products from 651 thousand barrels of crude oil. In general, in 2018 local and foreign corporations extracted some 1 million barrels per day and sent abroad 571 thousand barrels [8].

The biggest African state company is Algerian “Sonatrach” with 120 thousand employees. It was created in 1963 in the wake of the independence and today controls 80 per cent of oil and gas production in Algeria. Under local law, this enterprise should be the owner of 51 per cent stake in joint ventures, while foreign multinationals are responsible for exploration, initial drilling of oil rigs and construction of pipelines as minor partners [9]. As a result, there are a number of Western, Russian, African and Chinese companies in this field of economic activity, but they are only assistants of “Sonatrach”.

Agriculturally Algeria can be divided into two zones: northern coastal plain with a mild Mediterranean climate and hot windy lands of stony Sahara to the South that are not suitable for cultivation with predominantly date palm trees growing in a few desert oases. Both wheat and barley are grown mainly in northern regions, but only 3 per cent of land area of the whole country is arable, what defines the need to import the foodstuff like beef, milk and grains at a large scale [10].

Algerian soils are saturated with phosphates, iron ore, limestone and clay, but only phosphates represent the most promising mineral, because they are found in abundant North African belt that includes Morocco and Western Sahara. The reserves exceed 5 billion tones and agricultural countries like India, China and Indonesia are interested in this rock that is crucial for the development of agriculture [11].

Shockingly enough, Algeria, situated so close to Europe, does not develop international tourism. The old town of Algiers, known as Kasbah, was declared a World Heritage site by UNESCO in 1992 because of the concentration of traditional old white-washed houses and mosques on the mountain near the Bay. There are also some French white colonial buildings in two central streets running parallel to the coast of the capital. Some important Roman ruins in Tipaza, Timgad and Djemila are also worth visiting outside Algiers. The historic city of Ghardaia located 600 kilometres to the South from the coast is regarded as “The Door of the Desert” and entry point to several traditional fortified towns in M’zab valley known as ksours. In general, 6 cultural and one mixed zone in this country are under the protection of UNESCO organization as World Heritage sites [12].

Despite this, tourist industry of Algeria is suffering because of several factors. The civil war of 1992-2004 forced international tourists to stay away from the most dangerous country in the region. Subsequent events of the “Arab Spring” of 2011 in neighbouring Libya and Tunisia also added to a bad publicity of North Africa. Because of the “oil curse” and reliance of growing population on the state employment, Algeria, like many other oil-dependent countries in developing world, has failed to create a vibrant and competitive private sector of owners of small and medium hotels. As a result, it is next to impossible to find a decent private accommodation with a moderate price. The country with 100,000 available rooms attracted only 2,7 million tourists in 2017 [Doggrell, 2018]. The data for 2018 is not available. As we all know, in 2019 Algeria faced another revolution, what hindered the development of this industry even more.

Moreover, from the personal experience one should say that Algeria practices a restrictive visa regime because of hostile neighbors and the threat of Islamic fundamentalism. French language is the most popular in the country and only some people speak English. The official exchange rate of convertible currencies to Algerian Dinar remains unfavorable and many tourists are trying to get local currency at black market. As a result, foreigners are visiting in hordes Morocco and Tunisia, but stay away from more striking Algeria.

Despite all this, Algeria enjoys one of the largest defence budget in Africa, which exceeded in 2018 9,6 billion dollars. Simultaneously the main regional competitor Morocco allocated a modest amount of 3,5 billion [14]. Why to spend so much while the country is suffering from numerous economic problems? Back in 2011 NATO-led military campaign in Libya created the instability in the region with bordering countries of Egypt and Algeria as the main victims of it. The weaponry of Muammar Qaddafi’s armed forces were robbed by different militant groups and smuggled to the rest of the Maghreb. Southern neighbours of Algeria Mali and Niger are considered the hotbeds of Islamic fundamentalism. As a result, a tense geopolitical situation forces Algerian leadership to keep numerous forces in border areas. Moreover, the defence budget is likely to remain at the same level, since this country continues to compete for the sake of regional leadership with Morocco.

Considerable oil prices on the world market in 2003-2014 helped Algeria to amass the largest currency reserves in Africa. However, the subsequent drop in the value of energy commodities in 2014, unabated population explosion and the need to finance a huge security apparatus along with regional arms race forced the political leadership to spend heavily in order to save the stability of the country. Back in 2014 Algeria boasted 193 billion dollars of forex reserves,

but in March of 2019 this amount was equal only to 75 billion dollars [15]. The value of national currency Algerian Dinar also continues to decline at a quick pace because of the growing trade deficit and decreasing reserves of Central Bank.

So, what is the mystery of relative political stability in Algeria and the absence of regime change after the “Arab Spring” that was typical for the country until 2019? Probably the painful experience of “Dark Ages” of civil war of 1992-2004 with 200,000 casualties, a huge and omnipresent state security apparatus along with generous food and gasoline subsidies temporary left Algeria out of trouble. Algerian police force with 209,000 members was among the largest in the world and even exceeded the French counterparts that fielded 143,000 policemen or Morocco’s police apparatus with 46,000 law-enforcers [Gustafsson, 2016].

Moreover, the former President Abdelaziz Bouteflika, who also was a legendary Minister of Foreign Affairs of the post-colonial Algeria, was widely respected by population for the peaceful settlement of civil war. Till the second of May of 2019 he served his record fourth term despite the stroke in 2013 and inability to move on his own. His younger brother Said was considered the force behind the throne to reckon with. The majority of state positions in Algeria were occupied by the representatives of the “old guard” – politicians, who carried out the struggle for independence from France. During Parliamentary elections of 2017 the National Liberation Front together with allies won 261 seats out of 462, what allowed the ruling political party to continue the current policy of regime’s conservation [17]. But the dissatisfaction of the population kept growing. In August of 2019 the country celebrated 25th week of mass protests, because local people are demanding the release of all political prisoners, the disappearance of generals from political life as well as free and fair elections of the President [18].

The protesters are emboldened by a sudden victory of national soccer team in Africa Cup of Nations in July 2019, what forced much more young people to take to the streets in order not only to celebrate this historic event, but also to demand the change of regime and to protest against rising levels of unemployment [19].

In regional dimension Algeria has the most important bilateral relations with Morocco. During the Cold War Algerian political elite tried to project the influence via Non Alignment Movement (NAM) and was relatively hostile towards France and the USA – the oldest ally of Morocco since 1777 [20]. Moreover, as it is widely known, Algerian leaders traditionally supported the liberation movement of Western Sahara “POLISARIO”, probably believing that independent Saharan state would be in the position to provide Algeria with a direct link to the Atlantic Ocean, substantial deposits of phosphates and rich fishery grounds in cold waters of the Canary Current.

Both neighbours share 1559 kilometres of borders that are closed to traffic since 1994, when Morocco introduced a temporary visa regime for Algerians after the bombing of “Atlas Asni” Hotel in Marrakesh and Algerian leadership replied by shutting down border passes [21]. The Arab Maghreb Union (AMU), created in 1989 in order to promote regional integration, does not function efficiently because of the tensions between Morocco and Algeria as well as Egypt’s geopolitical orientation towards Europe, the Middle East and relations with Ethiopia. As a result, the volume of trade exchange in North Africa constitutes only 3 per cent of the global trade of AMU members [Abinader, 2017]. In general, Algerian leadership is afraid of competition from more diversified economy of Morocco that is famous as a giant site of outsourcing for European factories.

The former President Abdelaziz Bouteflika also accused Moroccan side of turning a blind eye towards the pressing issues of hashish proliferation from the Rif Mountains to Algeria as well as smuggling of Algerian gasoline to oil - poor Morocco and tourist hotspot Tunisia. Algeria probably loses 2 billion dollars a year due to the contraband, since the price of gasoline is heavily subsidized for Algerian consumers and market-free in Morocco and Tunisia. It is estimated that 600 thousand cars in both neighboring countries are running on smuggled Algerian petroleum [23].

Such a long-lasting hostility causes the arms race between neighbours. Along with Egypt and Tunisia, Morocco is the one of three major non-NATO allies of the USA on the continent, and therefore heavily relies on sophisticated American weaponry like some 200 “Abrams” M1A1 main battle tanks as well as 24 F-16 “Block 52” fighters [24].

In order to win the arms race with Morocco, Algeria developed a special relationship with the Russian Federation that remains the principal supplier of tanks, attack helicopters and fighter jets. Back in 2010 Russia sold 185 tanks T-90SA with “Shtora - 1” jammers and in 2014 both sides agreed to assemble additional 200 tanks T-90SA in Algeria. As a result, the country became the second largest foreign operator of T-90s in the world only after India. The Russian leadership also agreed to write off 4,74 US billion debt, inherited by official Algiers from the Soviet Union, in order to help this African country to purchase expensive Russian military hardware in increased numbers [Saunders, 2015].

Moreover, Algerian army has ordered 1500 units of the best Russian anti-tank laser-guided missiles “Kornet”-EM that may prove extremely dangerous for relatively outdated Moroccan «Abrams» tanks. 28 vehicle-mounted “Kornets” on the chassis of «Tiger» vehicles were also delivered and more are expected. «Tiger» jeeps with the top speed of 125 km per hour are suitable for the warfare in the desert and will introduce a high maneuverability in combat situations against heavy American tanks [26].

In order to improve the security of unstable borders, tens of advanced Russian helicopters Mi-28NE “Night Hunters” were also purchased. Thus Algeria and Iraq are considered early international customers of the Mi-28NE helicopters with confirmed orders of 42 “flying tanks” for Algerian side. The advertisement of the capabilities of those machines was made during the civil war in Syria and they can be used against tank formations, what in principle can contain Morocco [27]. It is known that such helicopter with 30-mm cannon is capable of carrying laser-guided air-to-ground missiles and can be useful in patrol missions in desert areas near borders of Libya, Tunisia, Niger and Mali. It will add to the firepower of Algeria that already uses some 35 Mi-24 helicopters [28].

In the diplomatic field Moroccan King Hasan II made life harder for himself with the occupation of Western Sahara in 1975 and today the African Union considers the question of the status of this territory as the last unresolved colonial problem in Africa. Therefore Morocco was relatively isolated on the continent with influential Algeria and South Africa deadly set against the return of official Rabat to the ranks of the African Union (AU). However, quite unexpectedly King Muhammed VI succeeded in bringing the country again to the ranks of the organization in 2017 after 33 years of absence. Historically the majority of Moroccan FDI went into Africa and Moroccan ports were considered as convenient middlemen for transit trade of African countries with Europe, what to some extent explains this sudden move of the AU [Lamin, 2017]. The same is true for Moroccan airport of Casablanca that is widely known as a major hub of flights between West Africa, where local airlines are understaffed and represented by only several narrow-body jets, and Europe. With 9,7 million passengers or 43 per cent of all visitors handled in the country in 2018, the airport is considered the most important transit zone for international flight passengers in Morocco [30].

Moreover, “The Phosphate Diplomacy” also played the key role in this process, since the Kingdom invests considerable funds into the construction of huge fertilizer plants in influential African countries and Moroccan fertilizer company “OCP” controls subsidiaries in 14 state actors on the continent. Morocco with 70 per cent of world’s share of phosphates is well placed to assist agricultural revolution in Africa, where economies remain traditional and too many people are working in the fields [31].

However, aforementioned factors do not mean that Algeria and Morocco are totally hostile towards each other. For example, Morocco provides the transit of the “blue fuel” to Spain and Portugal, because the country is situated geographically closest to Europe in Africa with only 14 kilometres broad Gibraltar Strait dividing both continents. This “Maghreb - Europe” project was introduced in 1996 and today supplies the gas with the help of 1400 kilometres long pipeline from Algeria to Spain via Moroccan waters of the Strait of Gibraltar, connecting Spain, as a major customer, and Portugal, as a minor one, with Hassi R’Mel gas field. 539 kilometres of pipelines are situated in Morocco [32]. The Kingdom gets 500 million cubic meters of gas as the payment for the transit, what constitutes around 50 per cent of annual local consumption. The agreement expires in

2021 and all sides are eager to prolong it [33]. The Kingdom remains an attractive destination for Algerians that lack the access to relatively cold and dark-green waters of the Atlantic Ocean and live in rocky areas near Algerian capital, where beaches are limited. However, the official statistics concerning tourist traffic between both countries is not available.

In order to remain competitive against Morocco, Algerian political elite needs a rich sponsor, capable of financing and implementing different economic projects. China is free of political considerations and negative colonial history in Africa and thus suited to contribute to Algerian development. In 2014 both countries proclaimed Comprehensive Partnership in order to highlight the celebration of the 55th anniversary of the establishment of diplomatic ties and in 2018 China was considered the largest trade partner of Algeria with the volume of bilateral trade exchange exceeding 9,1 billion dollars [34].

The PRC has become the principal trade partner of Algeria, since it strives to dominate in the economy of the largest state actors on the continent. At the same time, the relations with official Beijing are important to Algerian leadership in several other respects. *First*, as it is widely known, this Asian giant has the cheapest steel and aluminium and accounts for the lion's share of their global production. Algeria, as the country with extensive housing program for young and restless population, constantly requires the products of metallurgy. *Second*, considerable Chinese funds can be useful for Algerian economy in times of low oil and gas prices, since Chinese companies have a profound expertise in the field of construction of railways, ports and even religious buildings in Africa. Moreover, it is important to take into consideration the unfavourable business climate of Algeria for private investors from the US and Western Europe that forces the country to heavily rely on Chinese state investments. Finally, China – is the world's top provider of tourists and Algerian authorities know that Chinese citizens are unlikely to cause any security problems.

As it happens often in developing world, the Chinese leadership is engaged in a charm offensive, connected to construction of symbolic buildings. For example, back in 2012 it donated 40 million dollars for the first Opera House in Algeria for 1400 spectators. This venue also can be used for musical concerts and other cultural events and represents an important symbol of bilateral friendship [35]. Moreover, in 2012 “China State Construction Engineering Corporation” commenced the construction of a huge Mosque “Djamaa El Djazair” in al-Mohammadiya coastal area of Algiers, intended to create the building of more grandeur than famous Mosque of Hasan II in Casablanca (Morocco) for 100,000 people. This religious building is spacious enough to host 120,000 devotees and the library with one million books [36]. Today visitors, travelling from International airport of Algiers towards the city centre, can see this giant of architecture near the Bay of Algiers. The construction of the world's third largest Mosque was completed in the spring of 2019 and significantly improved the profile of Chinese corporation. The most unusual part of the mega structure is the minaret that is 265 meters high and is taller than the one in the Mosque of Hasan II [37]. For Chinese leadership the project of such scale and religious importance is an excellent opportunity to display the sophistication of own construction industry and attract new customers from Africa.

The strategic port El - Hamdania in Cherchell is situated 50 kilometres to the West from the capital of Algeria and should become the adversary of Mediterranean port Tangiers in Morocco with 23 docks and the capacity to handle annually 6,3 million standard containers (teu). The project cost exceeds 3,3 billion dollars and it is underway since 2017 with the assistance of both “China Harbour Engineering Company” and “China State Construction Engineering Corporation” [38]. All countries of the Maghreb are participating in port race and Algeria is not an exception. By constructing such a mega object the country is likely tries to lure the cargo traffic away from Moroccan port Tanger - Med.

China also provides relatively cheap ships for navy. Back in 2015 and 2016 Algeria received 3 multipurpose 120-meters long C28A-class guided-missile corvettes with “stealth” design that were made in Shanghai. The 2,800-tonne vessels are armed with domestically developed 76 mm naval gun, anti-ship missiles and modern French radar. Along with 6 frigates MEKO A-200AN

from Germany that were ordered in 2012 and partly delivered to the country, C28As will serve as the backbone of Algerian navy [39].

Chinese companies are increasingly called into action in order to create affordable social housing to Algeria, what is needed in order to appease young and restless population. By 2017 they provided their customers with 250,000 houses [40].

Conclusion. Oil-rich Algeria became the hostage of fluctuations of global oil prices and unfavorable geopolitical location in the region of the Maghreb, which led to the lowest levels of trade interchange inside Africa and constant threat of terrorism. The dependence of this country with the same political elite (legitimate as the heroes of independence from France) on Russian weapons, Chinese credits and traditional trade of rentier state with Spain, France and Italy also define the lack of flexibility in the field of regional foreign policy. Algeria should cut military expenses and limit funds for symbolic projects, concentrating instead on liberalization of restrictive economic regime, creation of numerous small and medium enterprises, luring of foreign direct investments in promising fields of mining, agriculture, industry and services. So far, in “Index of Economic Freedom” of 2019 this country occupied the 171st place in the world [41]. At the same time, in “Doing Business 2019” Algeria can be seen at the position № 157, what means that a lot of work should be done in the future [42].

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УДК 339

EUROPEANIZATION OF UKRAINE'S EXECUTIVE POWER

(Lessons of the Central and Eastern Europe's EU Member States)

ЄВРОПЕЙЗАЦІЯ ВИКОНАВЧОЇ ВЛАДИ УКРАЇНИ

(Уроки держав Центральної та Східної Європи -членів ЄС)

ЕВРОПЕЙЗАЦИЯ ИСПОЛНИТЕЛЬНОЙ ВЛАСТИ УКРАИНЫ

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Abstract. *The article addresses main OECD SIGMA recommendations regarding national European Union (EU) policy co-ordination in Ukraine and provides relevant lessons from Latvia and other EU Central and Eastern Europe (CEE) Member States in addressing similar challenges from the EU pre-accession and post-accession experience.*

Efficiency of a national policy co-ordination is one of the core determinants to succeed europeanization of a national core executive power and further integration with the EU. The OECD SIGMA Baseline Measurement Assessment Report on Principles of Public Administration in Ukraine published in June 2018 reveals important concerns in steering and co-ordination of some reform initiatives, overlapping competences of public bodies in co-ordinating policy planning and implementation monitoring of the Government's performance in public sector reforms.

Effective implementation of national reforms is vital also in the terms of implementation of the Ukraine–EU Association Agreement (AA) that entered into force on September 1, 2017 and

requires a high level of coordination in the Ukrainian government. Relevant national EU policy co-ordination experience of the EU CEE Member States is revisited as a possible lesson for Ukraine in implementation of essential structural reforms on the national level.

Key words: *Europeanization, Association Agreement, principles of public administration, national policy co-ordination, policy planning*

Анотація. *У статті розглядаються основні рекомендації ОЕСР SIGMA щодо координації національної політики Європейського Союзу (ЄС) в Україні та робляться відповідні уроки на досвіді Латвії та інших держав-членів ЄС у країнах Центральної та Східної Європи (ЦСЄ) для вирішення подібних завдань перед вступом та після вступу до ЄС.*

Ефективність координації національної політики є однією з основних детермінант успіху європеїзації національної виконавчої влади та подальшої інтеграції з ЄС. Оцінка ОЕСР SIGMA, опублікована у звіті про оцінку базових вимірів принципів державного управління в Україні у червні 2018 року, виявляє важливі питання щодо управління та координації деяких ініціатив з реформування компетенції державних органів у координації планування політики та моніторингу впровадження результатів діяльності уряду щодо реформування державної служби. Ефективна координація політики досягається за умов політичної підтримки на постійній основі. Призначений Координаційний орган повинен мати високі повноваження для спільного вирішення міністерствами і навіть міністрами ключових питань.

Вивчення та творча імплементація досвіду країн-членів Центральної та Східної Європи ЄС може полегшити процес національних реформ в Україні та впровадження Угоди про Асоціацію. Україні потрібно проводити систематичну роботу над втіленням в практику програми інтеграції до ЄС, що допоможе країні досягти європейського рівня та тісно взаємодіяти з країнами-членами ЄС. Важливо також організувати регулярні тематичні сесії уряду щодо процесу інтеграції в ЄС, посилити роль законодавчого процесу для розвитку проєвропейського політичного середовища та його взаємодії з суспільством.

Ефективне впровадження національних реформ є життєво важливим і в умовах реалізації Угоди про асоціацію між Україною та Європейським Союзом, яка набула чинності 1 вересня 2017 року і вимагає високого рівня координації в українському уряді. Аналізується відповідний національний досвід координації політики ЄС в Латвії та інших країнах-членах ЦСЄ, оскільки отримані уроки в координації впровадження структурних реформ на національному рівні важливі для України. Розглядаються варіанти створення рекомендації щодо планування та моніторингу допомоги ЄС для кращої підтримки адміністративних реформ на наступних етапах процесу інтеграції до ЄС.

Ключові слова: *європеїзація, Угода про асоціацію, принципи державного управління, координація національної політики, планування політики*

Аннотация. *В статье рассматриваются основные рекомендации ОЭСР SIGMA по координации национальной политики Европейского Союза (ЕС) в Украине и приводятся соответствующие уроки Латвии и других стран-членов ЕС в Центральной и Восточной Европе (ЦВЕ) в решении аналогичных проблем до и после вступления в ЕС.*

Эффективность координации национальной политики является одним из ключевых факторов успеха европеизации национальной исполнительной власти и дальнейшей интеграции с ЕС. Опубликованная в ОЭСР оценка SIGMA «Отчет об оценке базовых измерений принципов государственного управления в Украине в июне 2018 года» выявила важные проблемы в управлении и координации некоторых инициатив по реформированию компетенций государственных органов в координации планирования политики, мониторинга реализации политики и деятельности правительства по реформированию государственной службы.

Эффективное осуществление национальных реформ имеет жизненно важное значение также с точки зрения выполнения Соглашения об ассоциации между Украиной и Европейским Союзом (ЕС), которое вступило в силу 1 сентября 2017 года, и требует высокого уровня координации в украинском правительстве. Анализируется соответствующий национальный опыт координации политики ЕС в Латвии и других странах-членах ЦВЕ, рассматриваются возможные уроки для Украины по координации осуществления основных структурных реформ на национальном уровне.

Ключевые слова: *европеизация, соглашение об ассоциации, принципы государственного управления, координация национальной политики, планирование политики.*

Statement of the problem: One of the key requirements for the EU integration policy planning and co-ordination is that the Centre-of-Government (CoG) institutions fulfil all functions critical to a well-organized, consistent and competent policy-making system. Its main indicator is the fulfilment level of EU integration co-ordination functions by the CoG institutions. As the administrative-level co-ordination mechanism for the EU integration has not been established and political-level co-ordination is not fully functional, the fulfilment of EU integration co-ordination functions by the CoG institutions in the Government of Ukraine requires further drastic improvements. Another key requirement on policy planning and co-ordination is that policy planning is harmonized, aligned with the government's financial circumstances and ensures that the government is able to achieve its objectives. The quality of policy planning for the EU integration in Ukraine is below satisfactory because alignment between the Action Plan for Implementation of the Association Agreement (APIAA) and the Government Priority Action Plan (GPAP) is limited and calculation of implementation rate of activities is not possible due to vague formulation of commitments.

Analysis of recent studies and publications: Many studies on EU relations with CEE countries have been developed since the mid-1990s, but they have primarily focused on the EU pre-accession phase and the emphasis on 'adapting' to EU requirements. Within this framework, researchers have focused on the EU enlargement negotiations, the reform process, progress on EU legal approximation and implementation of EU policies in the later EU Member States, the consequences of EU enlargement, EU governance, government analysis in the candidate countries and the EU influence on public administration at the national level.

Europeanisation of national EU policy coordination mechanisms in the 2004 EU enlargement attracts much attention of researchers [Dimitrova and Toshkov, 2009; Hafner, 2014; Gäther, Hörner and Obholzer, 2011; Kassim, Peters and Wright, 2000; Laffan, 2003; Lippert and Umbach, 2005; Panke, 2010; Rollis, 2014; Ugur, 2013; Zubek and Staronova, 2012], but is not yet systematically studied in the European academic literature. Despite the fact that coordination systems are able to provide technical assistance and strategic expertise to ministries on EU law and to carry out monitoring and "early warning" of the overall level of implementation of EU law in the country, their capacities to promote conflict resolution between different executive powers [Dimitrova and Toshkov, 2009: 3] were not fully studied by the researchers.

Statement of the objectives of the article: Identify the main discrepancies on national EU policy planning and co-ordination in the OECD SIGMA Baseline Measurement Assessment Report [OECD SIGMA, 2018] on implementation of Principles of Public Administration in Ukraine. Revise relevant national EU policy co-ordination experience in Latvia and other EU CEE Member States and share the main lesson for Ukraine in co-ordinating essential structural reforms on the national level in the framework of Ukraine–European Union Association Agreement (AA) (signed on 21 March 2014) that entered into force on September 1, 2017 and requires a high level of policy coordination in the Ukrainian government.

Presentation of basic materials.

Introduction

Europeanisation can be described as a structural change that has a multiplier effect in the EU Member, Candidate or Association States on various executive bodies and actors, associated with this impact, which in many ways affect various institutions and actors, their functions, ideas and interests in the country. Policy coordination is needed for effective management of national reforms. In efficient management, government programs allow for the successful integration of different policies. Interacting policies can be designed to create synergies or at least reduce institutional conflicts [Candel and Biesbroek, 2016]. Metcalfe points out that national governments that are well-coordinated are more effective, have less conflicting and useless programs, and are able to use resources more rationally to achieve their political goals [Metcalfe, 1994]. The need for coordination arises when decisions in one program or institution consider decisions made in other programs or institutions and minimize the likelihood of conflict through their actions. F. Scharpf has named it negative co-ordination [Scharpf, 1994]. In turn, positive co-ordination requires institutions to take proactive action to do more than just avoid conflicts and seek ways of working together to find solutions that benefit all institutions and their clients [Scharpf, 1994].

National EU policy involves developing and defending national interests at the EU level and implementation at the national one. The task of coordination within the framework of national EU policy is to achieve effective interaction between different positions, activities or events of different institutions and officials in the identification and implementation of national interests. The dynamics of development of public administration in the EU today and in its Member States marks increasing external and internal pressure on the executive power to coordinate national EU policy making. Governments must be able to manage a wider range of functions and more complex activities within their competencies as the public administration mechanism becomes more complex.

Effective coordination on the part of government delivers greater efficiency, because it ensures that scarce resources are used rationally in the pursuit of policy goals, that the waste resulting from the duplication of effort or persistence of redundant programs is avoided. Poor coordination, by contrast, is likely to result in chaos, delay, and inefficiency.

According to H. Kassim's classification, countries can be divided into four main types: 1) comprehensive centralizers; 2) selective centralizers; 3) overlapping decentralizers; 4) selective decentralizers [Kassim, 2015; Kassim, 2003].

First, H. Kassim classifies policy coordination systems according to the **degree of centralization** of the system. The main differences between a centralized and decentralized EU case management model are the existence/absence of one (strong) central coordinating unit that coordinates the work of all sectoral ministries; existence/absence of several complementary coordinating units in the national public administration system; a particularly separate/undivided model of policy coordination at national level, where it involves a country with a complex structure or federal one that requires special system adaptation.

In centralized systems, specialized bodies at the CoG are responsible for overall coordination. Particularly in the case of conflicts between different line ministries or departments, the coordinating unit engages in the actual decision making or reconciliation. The ambition of the centralized system is to speak with one voice, ensuring a unified representation of the position from all the national representatives involved. In contrast, decentralized systems lack a central coordinating unit with sufficient authority. In the case of sectoral units that promote inter-institutional coordination, the concerned individual line institutions remain relatively independent. In order to achieve the degree of centralization of the co-ordination system, the strength of the central coordinating unit over specific line ministries is decisive.

There are different types of decentralized and centralized models, ranging from the transition from relative or complete autonomy of individual ministries (the principle of the leading ministry) to the central role of the central government-specific institutions on EU issues. The centralized co-ordination model means that cross-sectoral discussions, harmonization within the Member State and negotiation at all EU levels are provided by one institution that is independent or directly subordinated to the Prime Minister, which ensures coherence in the work of individual

ministries. On the contrary, the decentralized model of EU affairs coordination is based on the principle of autonomy of individual ministries and a central executive body responsible for cross-sectoral coordination or preparing a common nation position. In a decentralized model, each line ministry is solely responsible for coordinating its policy area in the sector.

Second, H. Kassim classifies policy coordination systems according to the **degree of comprehensiveness**. Comprehensive systems tend to reach an agreement on almost every issue related to the EU. Interest groups, social partners and local administrations are usually involved in the formulation of mandates. They often engage proactively in the initial phase of a policy cycle. Compared to the ambitious system, the coverage of selective systems is rather modest. Emphasis is placed on the most important issues and the government is the key determinant of the position. In addition, the focus is on the decision-making phase within the EU Council, where national representatives defend their national positions.

Europeanization puts a pressure also to the Association countries to carefully plan and coordinate action to achieve better representation of interests with the EU depending on their Europeanization level. Europeanization increases also the level of national executive power and responsibility. Governments need to be practically ready to ensure synchronized action at national level, coherence in drafting proposals with the EU level and in justification of national interests.

The OECD SIGMA program developed the Principles of Public Administration in 2014 to support the European Commission's (EC) reinforced approach to public administration reform (PAR) in the EU enlargement, and in 2015 further developed them to advance PAR within the context of the European Neighborhood Policy (ENP) [OECD SIGMA, 2017b]. The Principles define what good public governance entails in practice and outline the main requirements that the countries should follow during EU integration. The monitoring framework makes it possible to set country benchmarks [OECD SIGMA, 2017a] and regularly analyse progress in applying the Principles.

The OECD SIGMA published Baseline Measurement Assessment Report on Principles of Public Administration in Ukraine in June 2018 [OECD SIGMA, 2018: 4]. It reveals important concerns in the steering and co-ordination of some reform initiatives and overlapping competences of public bodies in co-ordinating policy planning and implementation.

1. Situation on national EU policy planning and co-ordination in the Government of Ukraine

One of the OECD SIGMA Baseline Measurement Assessment Report areas is national EU policy planning and co-ordination capacity. All critical functions related to the EU integration have been assigned to the Government Office for European and Euro-Atlantic Integration (GOEEAI) and are performed in practice. The legal framework for the functioning of EU integration co-ordination is established in the statutes of GOEEAI [CMU, 2014c]. However, overlaps exist between the mandates of the CoG institutions such as Secretariat of the Cabinet of Ministers (SCMU) [CMU, 2009], the Ministry of Finance [CMU, 2014a], the Ministry of Justice (MoJ) [CMU, 2014b] and GOEEAI regarding co-ordination of policy planning and monitoring the Government's performance. In 2017, also separate directorates for Strategic Planning and European Integration were established in 10 out of 18 ministries.

One of the key requirements for the EU integration policy planning and co-ordination is that the CoG institutions fulfil all functions critical to a well-organized, consistent and competent policy-making system. One of its main indicators is fulfilment level of EU integration co-ordination functions by the CoG institutions. As the administrative-level co-ordination mechanism for the EU integration has not been established and political-level co-ordination is not fully functional, the value of the indicator measuring the fulfilment of policy co-ordination functions by the CoG institutions set by OECD SIGMA is 3 out of 5 points. Establishment and enforcement of

clear horizontal procedures for governing the national EU integration under the responsible central co-ordination body is measured by a) proportion of the EU integration functions that are assigned to the CoG institutions by law; b) availability of guidelines to line ministries and other government bodies and c) Government's capacity for policy co-ordination, whereas OECD SIGMA for these sub-indicators has assigned 13 out of 18 points [OECD SIGMA, 2018: 23].

The GOEEAI's statute foresees responsibility for overall daily policy co-ordination, planning of related actions, monitoring country's AA implementation and co-ordinating alignment of national legislation with the EU *acquis* [Dimitrova and Toshkov, 2009]. The function for co-ordinating accession negotiations has not been assigned, as Ukraine is not an EU candidate country.

Regulations and methodological guidelines support the line ministries and central executive bodies in the EU integration process. The Rules of Procedure (RoP) of the Cabinet of Ministers (CMU) contain basic instructions on how to ensure alignment between the proposed Ukrainian legislation and the EU *acquis*. The instructions are supported by methodological guidelines developed by the GOEEAI. The CMU has also adopted detailed regulations that stipulate the policy planning process [CMU, 2014a] and for monitoring the implementation of plans [CMU, 2016]. However, no guidelines exist on how to provide inputs to the planning and monitoring of EU assistance.

Another key requirement on policy planning and co-ordination is that the function is harmonized, aligned with the government's financial circumstances and ensures that the government is able to achieve its objectives. It is measured by indicator on quality of policy planning for EU integration, whereas OECD has given assessment 2 out of 5 points. The level of harmonised medium-term planning system for all processes relevant to the EU integration and their integration into domestic policy planning is measured by a) the legal framework that enables harmonized planning of EU integration; b) quality of planning documents for EU integration; c) EU integration-related commitments carried forward and d) implementation rate (%) of the government's plans for EU integration related legislative commitments, whereas OECD SIGMA has assigned 6 out of 16 points [OECD SIGMA, 2018: 33].

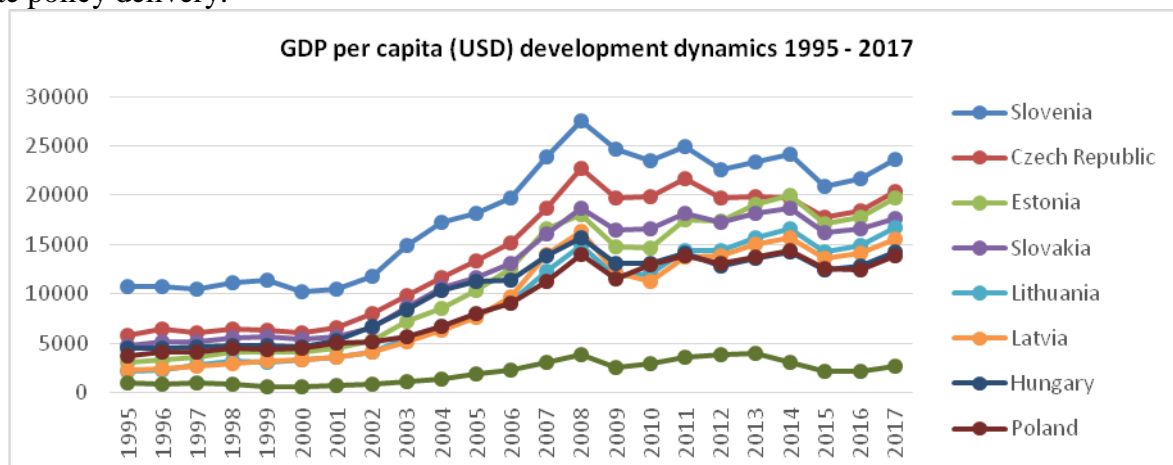
Sectoral meetings take place to co-ordinate implementation of the AA in the 24 areas covered by the AA, but a horizontal administrative-level co-ordination mechanism with line ministries has not been set up. The legal framework does not also stipulate any co-ordination during the APIAA preparation process with the other SCMUs directorates dealing with preparation of the Medium-term Government Priority Action Plan and MTGPAP (the GPAP), or with the MoF. The GOEEAI is in charge of planning and co-ordinating the EU *acquis* alignment, which involves preparing the APIAA and for monitoring its implementation. However, it is consulted only when proposals are submitted to the CMU for decision, and it can return drafts to the sponsoring body for improvement only with the approval of the Government EI Committee.

2. Experience of the EU CEE Member States in Europeanization of policy co-ordination mechanism

Overall development background

The EU CEE Member States' Gross Domestic Product (GDP) Development Statistics [World Bank, 2019] show that Europeanisation has allowed states to rapidly increase GDP after EU accession and gradually get closer to the average level of the EU Member States. Meanwhile, a gap has strongly increased with the EU Association countries as Ukraine.

Experience of the EU CEE Member States on coordination of national EU policies is topical for the association countries implementing key national reforms to implement the AA. The experience of EU CEE countries shows that governance reforms, especially if they are ambitious and multi-dimensional, tend to be the most successful and lasting if they are implemented on the basis of the 'operating principles' governing this process, such as sustainable development; political and civil service management that can lead and promote effective change at all levels of the executive and be able to implement a common vision; the ability to implement innovative solutions, overcome traditional administrative barriers to the development, implement and evaluate policy delivery.



As the europeanization reinforced requirement for a stronger overall EU integration, most EU CEE Member States in the EU pre-accession opted for establishing separate EU integration offices either within or outside direct subordination to the Prime Minister. In this situation a **key to success was the coordination of respectful national policy both on central and line ministry level**. Not only specific departments/units dealing with the EU integration process but all other departments in the line ministries were involved in implementation work. Given the huge internal and external pressure for faster results, such institutional solution was seen as more efficient. This was also proved by practice – when EU accession was already in full speed, general support to policy coordination was at its infancy in the most countries. But, as the time passed, EU related coordination experience “spilled-over” also into general coordination practices in the Government.

While the creation of an effective policy coordination system should be an incentive, in reality, the EU Member States have chosen to create different models. **The approaches derive either from the administrative tradition at national level**, the desire to ensure certain national interests, or from the level of the EU as a policy-making area. The countries with comprehensive system were trying to monitor all the EU activities and engage in all policy areas. However, countries have a free choice to determine coverage and goals of policy coordination. For example, if in the EU pre-accession phase mostly dominated comprehensive centralized systems, the post-accession phase is characterized by shift towards selective/decentralized models. As a result, one country focuses on policy co-ordination in decision-making, while others prioritize co-ordination of quality decision-making.

Centralized policy co-ordination systems in the EU pre-accession and transition to the membership are mostly the result of the EU or external functional pressure. The impact of national structures, with the exception of Estonia, was relatively weak. As the operational pressure after joining the EU diminished, the impact of national structures in CEE countries also became more

significant, contributing to the decentralization of national models of policy coordination. It was also promoted by party coalition governments, which reduced the concentration of coordination around the head of government (Latvia). Consequently, the Western Balkan and Association countries have a primary EU operational pressure on the executive power, which mainly implies the establishment of a comprehensive and centralized system of policy coordination. On the other hand, the level of external pressure is lower than in the case of the EU enlargement in 2004. This leads to a higher impact of national structures and political party policies, which can affect the role and quality of national EU policies.

The countries having comprehensive systems seek to reach an agreement on almost all the EU-related issues. Interest groups, social partners and local administrations are usually involved in the formulation of mandates. They often engage proactively in the initial phase of a policy cycle. Compared to the ambitious system, the coverage of selective systems is rather modest. Emphasis is placed on the most important issues and the government is the main positioner. In addition, the focus is on the decision-making phase within the EU Council, where national representatives defend their national positions. However, policy coordination systems are less centralized than one might imagine as selective approach in the EU CEE Member States depends also on the limited resources and expertise available.

Notwithstanding the model, the EU CEE Member States should be considered as success not only due to strong internal efforts, but also due to a unique situation. In, particular, huge internal pressure in the favor of EU accession seen as a major achievement of these countries on the road to come-back in Europe after the communism era; high external pressure to achieve the accession from the EU and Western EU Member States and a narrow opportunity window (almost 10 years) offered the candidate countries to deal with the accession process. All that justified building of quick fix and separate coordination structures supporting EU integration in the absence of proper policy coordination mechanisms in the Government.

Policy co-ordination system requirements

The governments required **political commitment, political support and prioritization** of issues for implementation. It required to be **consistent and well-coordinated** (vertical and horizontal dimensions) with competent institution(s) responsible for overall support to policy co-ordination in the public administration. Coordination structures on the national level had to be built up considering **previous legacy, traditions and capacity of the administration**. Simple copying of models never had led to good results. The coordination system had to be balanced and responsibilities distributed. **'Super-power centre' systems normally did not work effectively** or at least were not sustainable in a long run since they did not facilitated development of relevant skills, knowledge and results on the level of line ministries. Clear agreement on competencies of all key stakeholders in relation to the main EU integration functions was required to avoid duplication and institutional rivalry. **A coordination mechanism that was spread too widely** between various central executive authorities (e.g. CoG (Prime Minister's Office and/or Secretariat General), MoFA and other key institutions) sometimes **produced confusion** and lack of clarity in distribution of responsibility. Equally, there was a need for a process and capacity to agree on delimitation of EU integration related competencies between the line ministries, as new specific competencies emerged from the legal approximation process. Development of the coordination mechanism had to be with non-conflicting functions (e.g. not offending the core responsibilities of the line ministries) and designed to ensure there is no 'bottle neck' or dilution of communication and command. Well-working and effective information flows, regular and structured information exchange were necessary on all main aspects of the coordination process.

In a decentralized policy co-ordination systems, **concrete responsibilities and functions of all relevant stakeholders were comprehensively analyzed** and then agreed and assigned as concretely and simply as possible. The more decentralized system existed, higher need for a proactive and strong horizontal cooperation was necessary. Line ministries maintained their policy responsibility in their respective areas of competence. However, there was a need to enable a

transparent process and capacity-building, through which differences of opinion were coordinated. **Policy planning, consensus building on key policy issues and implementation monitoring was co-ordinated closely.** At the same time coordination system required systematically equal emphasis on planning, implementation, coordination, analysis, communication to allow tracking link between activities and **resource planning, linking policy and programs with the budgetary process.** **Communication and exchange of best (or worst) practices** has proved to be extremely important. There was a vast amount of information moving around that all the stakeholders should know, so it was possible to develop a well-working and effective information flows (both formal and informal). **Coordination and working in formal and informal partnership with a common goal,** leaving aside the individual ambitions of institutions, was **extremely time and resource consuming but effective.**

Levels of policy co-ordination

Practice tells that it is difficult to bring together all the relevant stakeholders to work without **dedicated implementation policy co-ordinator and administrative mechanism of specialized inter-ministerial coordination bodies on political, operational (senior civil service) and specialists level** in the Government with regular frequency of co-ordination meetings. **It has especially been important for co-ordination in areas where central political guidance (direction) is required** or in cases of disaccord and conflicts between Ministries (e.g. cross-sectoral policies).

The EU CEE Member States had **considerable convergence of inter-ministerial structures for management of EU affairs.** Inter-ministerial co-ordination had number of different formats and levels, both political (strategic) and operational. Horizontal inter-ministerial structures included the Cabinet of Ministers, cabinet sub-committees, high level inter-ministerial committees of senior officials, mission in Brussels and committees dealing with wide range cross-sectoral issues. The line ministries, the Cabinet of Ministers and government committees served to channel work on the EU integration in national administration. The overall aim was to ensure that the EU integration issues are comprehensively dealt at appropriate level of hierarchy and involvement of national parliament and civil society.

All the countries established **high-level inter-ministerial committees to deal with negotiations and facilitate co-ordinated implementation of EU integration associated reforms.** Examples of the co-ordination on political level include the European Committee of the Council of Ministers (KERM) in Poland, the Coordination Council (Estonia), the Inter-ministerial Committee on European Integration (Hungary), the European Integration Council (Latvia), and the Government Commission for Coordination of European Integration (Lithuania). The nature of European governance necessitated the countries to create such inter-ministerial structures to manage cross-cutting issues and act as a counterbalance to the fragmentation of domestic public policy making arising from the EU integration.

Inter-ministerial coordination in EU policy implementation on the senior civil servants level was managed by mechanisms in the form of inter-ministerial committees, supported by working groups, and designated administrative units. Most interesting is the case of Slovenia which had even four levels of inter-ministerial co-ordination at different levels of Government during the EU accession negotiations process, i.e. a) coordination on the Prime Minister's level who was responsible for resolving inter-ministerial conflicts and interposing himself among ministries in their different viewpoints and positions on specific EU issues and convening the collegiate "European meeting" of the Government; b) intra-ministerial co-ordination; c) inter-ministerial co-ordination which involved the Inter-institutional Committee on the senior civil servants level and d) the meetings of the Working Groups represented the main inter-ministerial co-ordination of EU affairs [Metcalf, 1994].

The domestic processes were governed by a mixture of **formal rules and guidelines and informal conventions** that evolved over time. Some countries had a system with the highest level

of ambition backed by highly institutionalize processes and procedures, while the others combined formalization, decentralization and an ease of personal contacts within the system (e.g. Estonia).

Outstanding circulation of information and overall relationship was ensured between the executive and legislative power. **The role of the Parliament** was important but at the same time limited given a broad political consensus on the EU integration. The Parliaments had particular role for involvement on the political level. The Parliament had a say in adopting legal acts relevant for the EU integration and important role in this process was handled by the European Affairs Committees which were established in all the countries.

Assigned policy coordination body and its roles

Institutions tend to develop policies from their institution perspective. The role of assigned policy co-ordinator is to balance such situations and provide independent advice from the ministries on particular cross-sectoral policy issues. Development of assigned co-ordinating body was based on a **balance of functions** (e.g. not offending or doubling the core responsibilities of the line ministries). The assigned Co-ordinating Body **provided the best professional expertise and value added** to enjoy acceptance from other ministries/central offices in order not to undermine the whole coordination model. This gave **confidence to the line ministries** that they have a partner in the CoG assigned to support EU integration policy implementation as a competent focal point to EU integration related activities but not an extra level of control perceived as a bottleneck. **The assigned Co-ordinating Body** developed into a focal point but **avoided to become a bottle neck** where information from different layers of the Government was stuck. That was a risk undermining the credibility of the institution and damaging the effectiveness of the whole system. **Overlapping of functions** with the line ministries or **getting into technical details risked that assigned Coordination Body was not focusing on the core function of policy co-ordination**. The purpose of Coordination Body was leading to higher overall financial gains from the quality support to policy co-ordination than actual direct costs for running such institution.

It is often mistakenly assumed that there is one prevailing institutional and functional model that could be successfully transferred to any other country that aspires for closer relationships with the EU. Co-ordination models can prove their effectiveness only in specific conditions of a given country **and no single model can be indicated as the most efficient for implementation co-ordination**. The role of the assigned Coordinating Body has usually been the role of catalyst, the neutral co-ordinator at the CoG (in some cases as a separate line ministry) that is able to facilitate the EU integration implementation policy and adding major value to this process, e.g. preparing well informed ground for quality decision making in the Government. Therefore, there are neither “right” nor “wrong” models of policy co-ordination and actual functions of the assigned coordination office.

The assigned Coordination Body has usually been in charge of maintaining and co-ordinating the implementation of overall policy direction in the Government. Most co-ordination functions have been performed in co-operation between **the assigned Coordination Body** and other government bodies. This means that depending on various political, administrative and subjective reasons assigned Coordination Bodies corresponded to the country’s political situation, administrative structures, legal traditions and administrative culture. For this reason, some co-ordination functions as legal approximation, external technical assistance or training on the EU were centrally managed by the Coordination Body or assigned to particular key line ministries. Selected procedures and administrative culture might also be decisive to the speed with which administration is able to produce results.

An effective policy coordination happens if technical level capacity enjoys political sponsorship that empowers the technical level and supports it on ongoing basis. For coordination to work, the assigned Coordination Body had also informal power to pro-actively request ministerial action and to stop draft policies and legal acts from government agenda if they do not meet certain quality criteria or are contradictory with each other. The assigned Coordination Body

had a power to bring ministries and sometimes even ministers together to address certain important issues. Without strong political support or at least empowerment, it was hard to gain recognition of its authority among the line ministries.

Experience shows diversity of policy coordination mechanisms based on the existing organisations structure and culture; though many were drawn to a **dedicated Coordinating Body option**. The **countries took early measures to ensure that policy coordination was achieved during association process**, even though this involved sometimes difficult institutional decisions. The majority opted for stand-alone institutions or separate institutions under the Prime Minister in the SCM but **in all cases the countries had assigned co-ordination body in the Government**.

Of Ukraine's neighbours, during Association process, **Poland opted for creating a specialized office (UKIE, *Urząd Komitetu Integracji Europejskiej*)**, subordinated directly to the Prime Minister and formally being a specialized unit in the State Chancellery, Estonia also established a sub-structure of the Government Secretariat reporting directly to the Prime Minister, while **Latvia and Lithuania** opted for stand-alone central executive bodies subordinated to the Prime Minister.

The **institutional models change over time and according to situation and the needs of a particular country**. In Latvia, due to absence of central policy coordination until late 2000, a separate EU integration Bureau existed outside the State Chancellery. As the accession accelerated, it was merged with policy coordination within the State Chancellery or got a more central MFA role. Institutional shifts have taken place in most other EU CEE Member States and candidate countries, too. However, direct transposition of a given institutional set-up successfully used elsewhere, may prove to be inefficient if applied without considering local conditions.

Finally, **comprehensive AA implementation program served as effective tool for Coordinating Body in making decisions on the annual State Budget** and giving medium – term financial perspective for implementation of range of activities. It was a helpful mechanism for defining external assistance needs as well as the needs for human resource development in the Government institutions working implementation aspects of particular priority actions. Good policy – making also required closely integrated view to legal approximation and policy implementation needs and development of more regular dialogue with social partners and discussion on likely implications from implementation of particular commitments undertaken by the AA.

Conclusion

Experience of the EU CEE Member States could facilitate Ukraine's national reform process and the AA implementation. Ukraine would have to do a systematic work on the EU integration agenda as its main objective to build a "European" image and to interact closely with the EU Member States, organize regular thematic government sessions on the EU integration process, strengthen the role of the legislator to develop pro-European political environment and its interaction with society.

The Government's EI committee should become fully functional as the political-level co-ordination body by consistently discussing EU integration related plans and reports on their implementation. The horizontal administrative-level policy co-ordination mechanism should be established and operationalized.

The guidelines for planning and monitoring EU assistance should be developed to better support the administration in the next stages of the EU integration process. The internal policy development procedures for line ministries should be prescribed to support functionalization of the new directorates for strategic planning and EI.

Despite the importance of policy coordination, its role must not be overestimated. A balance is needed between strengthening policy coordination mechanisms and the individual responsibility of the institutions. Coordination is not always the answer to government challenges, especially in situations where too much emphasis on coordination can be a problem.

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УДК 327

THE THREE SEAS INITIATIVE AS AN ELEMENT OF A STABILIZATION SYSTEM IN EASTERN AND MIDDLE EUROPE. BETWEEN THE POLITICAL CONCEPTION ITSELF AND THE POLITICAL PRACTICE

ІНІЦІАТИВА "ТРИМОР'Я" ЯК ЕЛЕМЕНТ СТАБІЛІЗАЦІЙНОЇ СИСТЕМИ У СХІДНІЙ ТА СЕРЕДНІЙ ЄВРОПІ. МІЖ ПОЛІТИЧНОЮ КОНЦЕПЦІЄЮ ТА ПОЛІТИЧНОЮ ПРАКТИКОЮ

"ИНИЦИАТИВА ТРИМОРЬЯ" КАК ЧАСТЬ СИСТЕМЫ СТАБИЛИЗАЦИИ В ЦЕНТРАЛЬНОЙ И ВОСТОЧНОЙ ЕВРОПЕ. МЕЖДУ КОНЦЕПЦИЕЙ И ПОЛИТИЧЕСКОЙ ПРАКТИКОЙ

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Abstract. *The purpose of the present paper is to demonstrate the conception of the cooperation in Eastern-Middle Europe which took into effect with the considerable participation of Poland, with the conception in question being referred to as "Three Seas Initiative". The said Initiative aims at expanding the infrastructural, economic, energy-related as well as scientific and cultural cooperation among 12 states. The development of the abovementioned initiative seems to be vitally important for Ukraine as well as for the countries that are neighbors of the EU in terms of provisioning of their political and economic independence. Moreover, the strengthening of bilateral cooperation within the ranks of this initiative inevitably increases chances for the admission of Ukraine to the EU. The further cooperation "Three Seas Initiative" shall be considered the connecting link between the states and be regarded as a key direction for the political efforts of a respected governmental bodies of participating counties.*

Key words: *Three Seas Initiative, energy sector, digital communication, Middle-Eastern Europe, geopolitics Poland.*

Анотація. *Метою статті є висвітлення концепції співробітництва у Центральній і Східній Європі, що впроваджується в життя за великої участі Польщі під назвою "Ініціатива трьох морів". Ініціатива спрямована на розширення інфраструктурної, економічної, енергетичної та наукової і культурної співпраці між 12 державами. Концепцію ініціювали Польща і Хорватія в 2015 році. Розвиток вищезгаданої ініціативи є надзвичайно важливим для України, а також для країн, які є сусідами ЄС, особливо в сфері забезпечення їх політичної та економічної незалежності. Більше того, посилення двостороннього співробітництва в рамках цієї ініціативи неминуче збільшує шанси на вступ України до ЄС. Подальша співпраця в форматі «Ініціатива трьох морів»*

має сприйматися як сполучний елемент між державами і оцінювати дану ініціативу потрібно як ключовий напрям для політичних зусиль урядів країн-учасниць

Ключові слова: *Ініціатива трьох морів, геополітика Польща, енергетичний сектор, Центральній і Східній Європа.*

Аннотація. *Целью статьи является показать концепцию сотрудничества в Центральной и Восточной Европе, реализованную с большой долей Польши под названием «Три морских инициативы». Инициатива по расширению инфраструктуры, экономики, энергетики, а также научного и культурного сотрудничества между 12 странами. Развитие вышеупомянутой инициативы является чрезвычайно важным для Украины, а также для стран, которые являются соседями ЕС, в сфере обеспечения их политической и экономической независимости. Более того, усиление двустороннего сотрудничества в рамках этой инициативы неизбежно увеличивает шансы на вступление Украины в ЕС. Дальнейшее сотрудничество в формате «Инициатива трех морей» следует рассматривать как связующее звено между государствами и оценивать в качестве ключевого направления для политических усилий правительственных органов участвующих стран.*

Ключевые слова: *Три морских инициативы, геополитика Польша, энергетический сектор, Ближневосточная Европа*

The current problem. The Three Seas Initiative as a political conception was formulated by the presidents of Poland and Croatia (by Andrzej Duda and Kolinda Grabar-Kitarović, respectively) in 2015 during their meeting in Cracow (8 September). However, the Initiative is said to have been adopted during the first Summit of the Three Seas Initiative in Dubrovnik 25-26 August 2016. “The Three Seas Initiative is a platform for cooperation of the presidents of twelve countries situated between the Adriatic, Baltic and Black Seas. Its aim is to boost cooperation in the region in such areas as infrastructure, energy, transport and digitization”, as reported at the official site of the president of the Republic of Poland, Andrzej Duda [*Szczyt Inicjatywy*].

The aim of the article is the purpose of the present paper is to illuminate the conception of the cooperation in Middle Europe, with the conception being put into effect due to a considerable contribution of Poland and being referred to as “The Three Seas Initiative”. The research problem that the author poses is the following:

- does the Three Seas Initiative considerably differ from prior geopolitical projects in Poland, in particular: from the idea of Intermarium;
- is the Three Seas Initiative realizable in the forthcoming decade and what sorts of arguments count in its favor, and which ones indicate its short-lasting and apparently ineffective character;
- in what way does the “Three Seas Initiative” relate to Poland’s eastern neighbors lying outside the European Union, such as – most of all – the Republic of Belarus and Ukraine.

The first hypothesis has it that the Three Seas Initiative is not a mere continuation of the idea of Intermarium; the second one has it that all the volatility in the foreign policies pursued by the states situated in Eastern Europe as well as an active policy in this area pursued by the Russian Federation or by the Federal Republic of Germany as well as general policies of the European Union may constitute an obstacle to developing the project in question. The last hypothesis assumes that the Three Seas Initiative disables Ukraine and Belarus to actively participate in it.

The important research results. What is to be found in Polish geopolitical code are several interesting conceptions related to Eastern-Middle Europe. First and foremost, what is to be mentioned at this point is the federalist idea. What is more, what is to be underlined is its anti-Russian character and its being based upon the willingness to loosen the bonds holding between Russia and the states which constitute a sort of cordon fencing Poland off to keep out the Eastern empire. The main proponent of the federalist idea was Józef Piłsudski, whereas Leon Wasilewski was the main theoretical thereof. One of the main threads of the said idea was nations’ right to self-governance. The idea was first highlighted in 1882. It explicitly alluded to the Jagiellonian tradition,

that is to establishing union of states under the auspices of Poland. Still, the idea did not assume a unique form and was oftentimes subject to modifications. As already mentioned, its main assumption was to establish a system of independent nation states: Lithuania, Latvia, Belarus and Ukraine; that is such states the nations of which comprised the multi-ethnic Republic before 1772. The states in question were supposed to be differentially related to Poland – either federalized or bound by alliances. This conception was meant to give rise to peaceful co-existence next to one another [Faryś, 1993: 77]. Furthermore, this would engender a bloc of states able to commonly face up to German and Russian imperialism. It is the latter imperialism that was regarded by the Polish Socialist Party – in the environment in which the party emerged – as more dangerous, whereas Russia was recognized as the biggest enemy of Poland. Establishing new states on its territory was supposed to weaken Russia as much as possible (smaller territory and fewer people thereupon as well as distancing Russia from its economically most important part, that is from Ukraine). What Piłsudski deemed necessary and natural was their cooperation [Zaporowski, 2007: 179]. The idea did not come into life for several reasons. First and foremost, not all nations inhabiting the area of the First Republic took interest in it. Most of all, this applied not only to Lithuanians but also to Ukrainians as well as to the very weak Belarusian Nationalist Movement. Apart from this, after Polish-Bolshevik war; or, strictly speaking, after the Treaty of Riga signed on 18 March 1921 (revoking the recognition of the Ukrainian People's Republic) what became clear is that Poland would not contribute to the Ukrainian People's Republic sustaining its independence.

The derivative of the federalist idea was the so-called “Jagiellonian conception”, alluding to federalist postulates. However, it has rather great resonance and was advocated by a circle of Piłsudski-centered right-wing youth, associated with *Myśl Mocarstwowa* (The Imperial Thought) and with the journalists of the weeklies: „*Bunt Młodych*” (Rebellion of Youth), and later „*Polityka*” (Politics). This conception was based upon the strong involvement of Poland in establishing independent – but related to Poland itself – states. This conception was detached from military, economic as well as diplomatic capacities of Poland.

Another, very important conception of foreign policy, was Prometheism, which involved supporting the nations inhabiting Russia in their respective irredentism. Weakening Russia through establishing a series of smaller nation states could not only effectively separate Poland from Russia but also provide a reason to develop cooperation with these states; and what is thereby meant are not only Ukraine or Belarus but also the countries of the South Caucasus. Prometheism was advocated in the Polish circles within the policy pursued in the inter-war period and some actions were endorsed by the Polish intelligence (Oddział II Sztabu Generalnego Wojska Polskiego [Second Department of Polish General Staff]).

The last grand geopolitical conception dating back to the inter-war period was the idea of Intermarium, also referred to as the concept of Third Europe. This related to the states of Middle Europe situated between the following seas: Adriatic, Baltic and Black Seas. The states in question were caught in more or less the same predicament as was Poland; that is, they were threatened by two aggressive empires. The states that were soon excluded (or rather: the states withdrew their participation themselves, which occurred during the second Republic of Poland) from this alliance was Czechoslovakia and Lithuania since the relationship between these two and the republic of Poland was incendiary. Originally, the idea was supposed to be based upon the entities whose interest was at stake, only then to assume the form of politico-military coalition. The factor precluding the actual implementation of this initiative was not so much bad relations between Poland and other states which could be potentially interested in the conception itself as bad relations among the states in question (e.g. a conflict between Romania and Hungary). Moreover, the concept in question did not include Belarus or Ukraine because these states failed to remain independent after 1918. There was a resurgence of the idea of Intermarium in opposition circles, especially in the eighties of XX century developed by *Konfederacja Polski Niepodległej* (Confederation of Independent Poland), whose leader was Leszek Moczulski. Some traces of the idea of Intermarium are also to be found in the political beliefs of the president Lech Kaczyński [Sykulski, 2018: 156].

The last conception was the one articulated in the circles of post-war emigration; or, strictly speaking, the one formulated by Jerzy Giedroyc dating back to the Paris “Kultura” [Culture], also referred to as “Giedroyc’s doctrine” or “ULB doctrine” – that is, “Doctrine of Ukraine, Lithuania and Belarus”. In a nutshell, the conception had it that Poles ought to come to terms with then borders of their country and not to make any revisionist claims towards Ukraine, Lithuania or Belarus and Polish authorities ought to broadly support the independence of these three states. This doctrine is recognized by a significant part of specialists as the leading one in Polish foreign policy after 1989 towards the said states (with certain difficulties afflicting the Republic of Belarus and resulting from the presidency of Alexander Lukashenko from 1994) regardless of a party of political coalitions which wielded power over Poland then.

The forum of cooperation labelled as the Three Seas Initiative includes 12 states. Apart from Poland, it encompasses the former Soviet republics (Lithuania, Latvia and Estonia), Czechia, Slovakia, Austria, Hungary, Romania, Bulgaria, Slovenia and Croatia. The list of the states comprising the region of Three Seas is specified by “The Joint Declaration on the Three Seas Initiative” of 23 August 2016.

The region to which the Three Seas Initiative applied was characterized by certain common features such as:

- similar history during the period of the Cold War (except for Austria) and belonging to the block of states subjugated to the governance of USSR;
- lower economic and infrastructural level than the one recorded in the states of “the old Union” [Sienkiewicz, 2016: 142].



Source: the Internet site of the president of the republic of Poland:

<https://www.prezydent.pl/aktualnosci/wydarzenia/art,653,inicjatywa-trojmorza--three-seas-initiative.html> [10 VIII 2019].

The potential of 12 states situated between the Adriatic, Baltic and Black Seas relative to the remainder of the European Union was determined based upon the data of Eurostat from 2017. The twelve countries constitute 27% of the surface of EU, 22% of its entire population and, unfortunately, merely 10% of its GDP.

At one of the first meetings during the summit of the United Nations in New York of 29 September 2015, the president Andrzej Duda took part in the meeting of the group of “the countries between the Baltic, Black and Adriatic seas”, in which he pointed out that what is of top priority

with the cooperation in question will be such pillars as: political trust as well the strategic planning aimed at – from the union-related financial point of view – coming out as a union, that is a series of states politically, strategically and economically connected [*Prezydent spotkał się*].

While planning the project, there were voices speaking of shifting an axis of cooperation ranging from the East to the West into the involvement in the North-South axis. First and foremost, the axis of cooperation within the Three Seas Initiative was supposed to be pertaining to both economy and infrastructure. The minister in the President's chancellery – professor Krzysztof Szczerski – said that the “the very core of the Three Seas Initiative is to be Via Carpathia”, which is the project of the route – being built in stages and partly consisting of the already existing distances – going through Klaipeda in Lithuania via eastern Poland up to Thessaloniki [*Trójmorze przekonuje*]. This plan demands considerable financial resources but also it raises many questions whether it is profitable or not. What remains disputable is whether transit in this direction is and will remain sufficiently large.

In his turn, the president Andrzej Duda during “Dubrovnik Forum 2016” spoke of energy cooperation: “What merits special attention is the development of energy infrastructure which connects our countries. The challenge to be faced by the Three Seas Region is the dominating position of one supplier of energy resources, something that affects directly most of our countries. This situation gives rise to obvious threats of whose existence we are all aware. Nevertheless, we are in a position to defy them by developing energy interconnectors in order to achieve a genuine diversification of energy supplies. A flagship project in this regard, one whose implementation will change energy sector in the Central Europe, is the North-South gas corridor which connects the LNG terminal already operating in Swinoujście and the terminal on the Croatian island of Krk” [*Trójmorze przekonuje*].

What counted as other pillars apart from economic-infrastructure cooperation was also the cooperation within new technologies and tourism as well as scientific and cultural cooperation.

Since the very inception of the initiative, Poland steadfastly held on to the belief that it is an economic (not a political) project and it does not go beyond the opportunities provided by the European Union. What is more, the former was supposed to constitute one of the bridges allowing for the acquisition of money for infrastructural investments in the area of 12 states. The very concept of the Three Seas, however, was subject to transformations. Originally, first and foremost, during the Summit of the Three Seas Initiative in Dubrovnik, what was assumed was endorsing and organizing cross-border and macroregional actions for the sake of energy sector, transport, and digital communication of Middle-Eastern Europe, while expressing the contention that this part of the continent will thus become richer and safer [Kowal, 2019: 59-60]. The next summit was held in Warsaw 6-7 July 2017. During this event, one could clearly see that the interest in Three Seas Initiative was disseminated across the Ocean. It was Donald Trump himself who took part in the said summit, whereas the states of “the old Union” – with Germany in particular – approached it rather coldly. President Trump during his address at Zamek Królewski [Royal Castle] in Warsaw emphasized that the countries of the region due to this Initiative will strengthen their independence and security. The Initiative sped up and it was Poland who assumed the position of an informal leader thereof. The next summit of the Three Seas Initiative took place in Bucharest 17-18 September 2018. During this summit, German diplomacy became an active participant, with Germany declaring the willingness to partake in the Initiative, which was communicated already before Bucharest summit, that is in August 2018 [*Drei-Meere-Gipfel der Osteuropäer in Bukarest*]. During the last summit, what was strongly underlined were transatlantic connections. It was also the European Union high representative – President of the European Commission – Jean-Claude Juncker who then participated in such summits for the first time. He also regarded the Initiative as an important factor contributing to strengthening the internal coherence of EU [Kowal, 2019: 84].

At this point, it is difficult to predict how the cooperation of the twelve countries is going to proceed. First of all, German accessing the project radically changes its profile. Furthermore, it raises fears whether or not it will become an instrument of a new Eastern policy pursued by

Germany – Ostpolitik – especially in the light of the fact that Germans boast a dominating economic status. Undoubtedly, what is going to exert influence on the development of the Three Seas Initiative is bilateral Polish-German relations, Russian involvement in the region (the cooperation with Germans – or with the Hungarians – within energy-related projects) as well as the activity on the part of USA in our part of Europe. It is worthwhile to mention that originally, during the discussions on the Three Seas, there appeared the hints that it might become an element of “New Silk Road”. However, it is hard to imagine the realization of the conception of strengthening transatlantic connections and simultaneously broadening the scope of cooperation with the People’s Republic of China.

Without a doubt however, the experience of (especially) Ukraine after the annexation of Crimea by the Russian Federation, as well as the experience of Ukraine prior thereto and even of Belarus with the deliveries of Russian gas, indicate that tightening the cooperation between 12 states would be strategically beneficial. Furthermore, despite the nowadays emphasis put on the economic character of the whole enterprise, there simultaneously develop other interesting projects that might be compatible with the Three Seas Initiative: first and foremost, within the realm of security measures and within the attempts to solidify the Eastern flank of NATO. The beginning of the cooperation was marked by a mini-summit of NATO, summoned upon the request of Poland and Romania in Bucharest 4-5 November 2015. In consequence, there emerged the Bucharest 9, including Estonia, Latvia, Lithuania, Poland, Romania, Czechia, Hungary, Slovakia and Bulgaria.

One may validly claim that the Initiative is being now realized. The measure of its success are the said summits with the participation of prominent figures, which testifies to the fact that particular states take interest therein. For example, at the summit in Warsaw, Austria was represented by an ambassador, whereas already in Bucharest there was a president of this country.

Certainly, what is an important document is the list of priority investments in the area of Three Seas – “The Three Seas Initiative – Priority Interconnection Projects”, which outlines the vision of the development of the scrutinized area [The Three Seas Initiative]. The major investments therein include the following projects:

- Via Carpatia;
- the North-South gas corridor;
- Rail Baltica
- Via Baltica.

Some of these projects are already partly under realization, as, for example, Via Carpatia or Via Baltica.

Within the energy sector, an important geo-strategic element is the diversification of gas supplies. As rightly noted by Grzegorz Baziur: “A chance to dissociate oneself – to a larger extent – from the supplies of gas flowing from Russia directly or through the reverse service and through gas pipelines from the West is to be the so-called North-South corridor, which is supposed to connect LNG terminal in Świnoujście and the gas pipeline Baltic Pipe with LNG terminal in Croatia. Its route is to go through the territory of Poland, Czechia, Slovakia, Hungary Croatia, which shall enable to increase the supply of Norwegian gas to this part of Europe” [Baziur, 2018: 32]. It might be assumed that the countries that take interest in the above project do appreciate the unquestionable weight thereof.

However, what is of utmost importance is the differential involvement of particular countries in the realization of the project. What is important – if not the most important – is the financial involvement in the project, which is to be aided by establishing Three Seas Initiative Investment Fund (3SIIF). It was established with the participation of the national Bank Gospodarstwa Krajowego [BGK] 29 May 2019 in Luxemburg, when the Polish bank with the Romanian EximBank signed the founding act of the Fund. The Fund shall operate on the commercial basis, engaging the projects which are expected to bring profits to the shareholders. The purpose of Three Seas Initiative Investment Fund is aligned with the purpose of the Three Seas Initiative itself – it assumes building transport and digital connections in the region situated between the Baltic, Adriatic and Black seas [*Fundusz Inwestycyjny Inicjatywy*].

From the inception of the Three Seas Initiative, first and foremost, one stressed its predominantly economic nature. One dissociated oneself from political conceptions of the whole project. However, in Middle-Eastern Europe, there are well-known Polish geopolitical conceptions which undoubtedly contribute to the partners' cautious approach to the Initiative itself. What should be, most of all, borne in mind is the idea of Intermarium, the role of which was – to a large extent – to strengthen the position of Poland in the area of Middle Europe. Middle Europe, in its turn, within this project was supposed to play a role of a sort of “*primus inter pares*” due to its human-resource, territorial as well as cultural and historical potential. Without a doubt, the negative associations are mitigated due to the serious involvement of Croatia.

However, a weak side of the Three Seas Initiative is its lack of a leader, with the role of a leader being inapplicable to Poland for, at the very least, historical reasons. Another factor is, for example, the very perception of the Russian Federation (e.g. by Hungary or the reception of Bulgaria and “the old Union” states, as perceived by, for instance, Austria). Different priorities and the assessment of an international situation might hamper the development of the Three Seas Initiative. Between 12 states there are also historical disputes which have a bearing on both internal and international policies of the states in question. What is thereby meant are – among others – the animosities between Hungary and Romania (which is an aftermath of the Treaty of Triaton of 1920), sub-optimal relationship between Hungary and Slovakia for the same reason as the one above; or, rather cold (apart from, for example, the times of the presidency of Lech Kaczyński and of Valdas Adamkus in Lithuania) relationship holding between Poland and Lithuania.

Apart from the lack of the state which would be a strong leader of the Initiative, what might materialize is the possibility that the project is not approved by successive governments in at least one of the twelve member states. The elections might bring about the changes in the priorities of a foreign policy pursued by each partner, and the Three Seas Initiative might become an unpopular project, the fate that the Polish-Swedish project *soft power* – initiated in 2009 – in the form of an “Eastern Partnership” met.

Furthermore, large investments take considerable financial resources and the equal distribution of the investment cost among particular partners being determined to work on their realization.

Without a doubt, the exclusion from the Three Seas Initiative – treated as the initiative within the European Union – of the Eastern neighbors, and Ukraine in particular, may contribute to a certain cooling of the relationship with the Eastern partner, with simultaneously leaving Ukraine away from the mainstream of geopolitical conceptions pertaining to this region. From the perspective of Poland, it is also an element of the departure from, as already mentioned, the policy pursued throughout the period from the moment of the recognition of Ukraine's independence by Poland 2 December 1991. A part of analysts perceive the Three Seas Initiative as a departure not only from the above-mentioned “Giedroyc's doctrine”, but also from the policy pursued by, say, Lech Kaczyński.

Conclusion

At this point, it is difficult to predict with confidence what shape the Three Seas Initiative will assume: whether or not the new strong partners – such as Germany – will join it, with Germany being able to change the character of the very project. The other unknown is with what determination particular states are going to approach the Initiative. However, many economic issues which the states within the common projects are to deal with would affect the economic and civilizational development of that region. There seems to be a hint of the common approach – within, for example, the Visegrad group – to migrants. What is more, it may be the case that tighter economic cooperation will generate in the future other political initiatives on the part of 12 states. However, fears are raised that the Three Seas Initiative without a strong leader may turn into the project of relatively small significance. Instead, it may amount to an element of *soft power* such as Central European Initiative, or already-mentioned “Eastern Partnership”.

What is certain is that it will be easiest to realize cultural, tourism-related and scientific projects in the region, having a proper common policy pursued by 12 states.

While attempting to answer the research problem and the hypotheses formulated by the author of the present paper, it is to be stated that the Three Seas Initiative is not a simple continuation of the idea of Intermarium, with the latter having a much more coherent politico-military character. The obstacles that the development of the Initiative might face were already enumerated and both bilateral and multi-lateral relations especially with such countries as Germany, Russia and USA will play a crucial role in the further development of the Initiative. Unfortunately, it seems that this project leaves both Ukraine and Belarus unable to exploit the possibility of cooperation since what was assumed was the form of strengthening infrastructural and telecommunication potential as well as fostering trade among the European Union member states.

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FOREIGN POLICY FACTORS OF PUBLIC DIPLOMACY: COMPARATIVE CONTEXT OF CHANGES DURING 2013-2018

ЗОВНІШНЬОПОЛІТИЧНІ ЧИННИКИ ПУБЛІЧНОЇ ДИПЛОМАТІЇ: ПОРІВНЯЛЬНИЙ КОНТЕКСТ ЗМІН УПРОДОВЖ 2013-2018 рр.

ВНЕШНЕПОЛИТИЧЕСКИЕ ФАКТОРЫ ПУБЛИЧНОЙ ДИПЛОМАТИИ: СРАВНИТЕЛЬНЫЙ КОНТЕКСТ ИЗМЕНЕНИЙ В ТЕЧЕНИЕ 2013-2018 гг.

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Abstract. *The information impact of innovative technologies on the international system significantly changed the forms, methods and content of traditional diplomacy that it needs to be considered in the implementation of foreign policy activities because the preservation of the optimal balance between security and active foreign policy requires sufficient political, intellectual, technological, organisational and financial resources. In the paper, it was studied such trends of Ukraine's public diplomacy as an image, investment, culture and media, as well as compared Ukraine's position and the Eastern Partnership countries in the international rating indexes during 2013-2018/2019. The results show that there is a gap between the intentions and outcomes of governmental communication with the foreign audience but Ukraine's position is better among the Eastern Partnership countries. The findings suggest that a conceptual program of public diplomacy should be developed in Ukraine for effective explanation state's foreign policy initiatives to the global and domestic public. The paper draws conclusions about the main components of Ukraine's public diplomacy strategy which can be an area for further research.*

Key words: *public diplomacy; foreign policy; European integration; Ukraine; Eastern Partnership countries.*

Анотація. *Інформаційний вплив інноваційних технологій на міжнародну систему суттєво змінив форми, методи та зміст традиційної дипломатії, що необхідно враховувати при здійсненні зовнішньополітичної діяльності, оскільки збереження*

оптимального балансу між безпекою та активною зовнішньою політикою вимагає достатньої кількості політичних, інтелектуальних, технологічних, організаційних і фінансових ресурсів. У статті розглянуто іміджеву, інвестиційну та медійну складові публічної дипломатії України, а також проведено порівняльний аналіз позицій України та країн Східного партнерства в міжнародних рейтингових індексах протягом 2013-2018/2019 рр. Встановлено розрив між намірами та результатами урядової комунікації з закордонною аудиторією, проте позиція України виявилась кращою у порівнянні з іншими країнами Східного партнерства. Результати дослідження показали, що в Україні має бути розроблена концептуальна програма публічної дипломатії для ефективного пояснення зовнішньополітичних ініціатив держави світовій та внутрішній громадськості. У статті представлено висновки щодо основних складових стратегії публічної дипломатії України, що може сприяти подальшим дослідженням.

Ключові слова: публічна дипломатія; зовнішня політика; європейська інтеграція; Україна; країни Східного партнерства.

Аннотация. Информационное воздействие инновационных технологий на международную систему существенно изменило формы, методы и содержание традиционной дипломатии, что необходимо учитывать при осуществлении внешнеполитической деятельности, поскольку сохранение оптимального баланса между безопасностью и активной внешней политикой требует достаточного количества политических, интеллектуальных, технологических, организационных и финансовых ресурсов. В статье рассмотрены имиджевая, инвестиционная и медийная составляющие публичной дипломатии Украины, а также представлен сравнительный анализ позиций Украины и стран Восточного партнерства в международных рейтинговых индексах в течение 2013-2018/2019 гг. Установлено разрыв между намерениями и результатами правительственной коммуникации с зарубежной аудиторией, однако позиция Украины оказалась лучшей по сравнению с другими странами Восточного партнерства. Результаты исследования показали, что в Украине должна быть разработана концептуальная программа публичной дипломатии для эффективного объяснения внешнеполитических инициатив государства мировой и внутренней общественности. В статье представлены выводы относительно основных составляющих стратегии публичной дипломатии Украины, что может способствовать дальнейшим исследованиям.

Ключевые слова: публичная дипломатия; внешняя политика; европейская интеграция; Украина; страны Восточного партнерства.

The current problem. Creation of a positive international image for Ukraine, promotion of national interests at the global level is a purpose of national importance which implementation involves power, political and social institutions of a state according to their competence. The basis of public diplomacy of Ukraine is its program and institutional support, i.e. availability of conceptual, program and legislative documents regulating activities of government, NGOs and corporations regarding promotion of the state's positive image, especially in the context of the European integration aspirations of Ukraine. Key trends of Ukraine's public diplomacy at the European level include promotion of regional stability; consolidation of peace and international justice; support for gradual convergence in foreign and security policy; conflict prevention and crisis management; cooperation to improve efficiency of multilateral institutions to enhance global governance; creation of positive perception of the state's foreign policy.

The aim of the article. The paper discusses the conceptual background providing theoretical foundations on the public diplomacy; researches the organizational component of Ukraine's public diplomacy, as well as its practical aspects; presents the comparative analysis of Ukraine's position and the Eastern Partnership countries in the international rating indexes.

Analysis of the latest publications and the theoretical background. At the present stage of international development, there is a transformation of traditional diplomacy and the transition to

the use of information networks, communication technologies and techniques for the implementation of the state's foreign policy. In connection with this fact, the distinctions between domestic and foreign policy become much less clear and the degree of openness of diplomatic institutions under the influence of high technologies is growing. Therefore, the activity of the ministries of foreign affairs is becoming more transparent to the public. The theoretical basis of the concept of public diplomacy is the studies of the changes in international relations in view of the development of globalization, progress in information and communication technologies and the growing influence of public on foreign policy, as well as the transformation of the nature of the state's power.

For the first time, modern definition of the term 'public diplomacy' was used in 1965 by American scholar E. Gullion [Cull, 2013] who interpreted public diplomacy in the context of public influence on the process of adoption and implementation of foreign policy tasks. According to E. Gullion, public diplomacy goes beyond traditional diplomacy and includes influence on public opinion in other states, the interaction of the internal and external political and cultural groups for harmonization of their interests, informing through the media about the state's foreign policy and the diplomats' activity, as well as strengthening intercultural communication. Consequently, the term covered the spectrum of communication initiatives of international actors no longer limited to propaganda.

Studies in the field of public diplomacy can be divided into the base and instrumental approaches. At the level of the base approach, the investigation of public diplomacy focuses on the different understanding of the correlation between the public diplomacy content and the state's foreign policy. Researchers B. Signitzer and T. Coombs [Coombs, 1992] claim that main objects of public diplomacy are the impact on foreign audiences through the media in the short term and the implementation of cultural and exchange programs for creating of mutual understanding space in the long term. Nowadays, these objects of public diplomacy complement each other and contribute to the dissemination of foreign policy information and ensuring cultural communication. In this context, J. Manheim [Manheim, 1994] notices that it is necessary to use strategic communications for supporting own foreign policy interests and the cultural and educational exchanges, as well as the media projects for influence on the perception of foreign policy initiatives.

Within the base approach, it can be noticed the study of the transformation of the state power in contemporary international relations and the role of public diplomacy. American researcher J. Nye [Nye, 2008] introduced the term 'soft power' as the ability of the international actors to achieve their goals without coercive measures. Thus, public diplomacy plays a significant role in using the state's soft power to achieve foreign policy tasks, as well as ensuring the long-term relations and a favourable space for the supporting of national interests; therefore, effective public diplomacy goes beyond the public relations, information dissemination and promotion of the state's image.

At the level of the instrumental approach to public diplomacy, it was launched the systematic analysis of interactions between the media and the foreign policy institutions. In particular, D. Abshire [Abshire, 1976], J. Lee [Lee, 1968], A. Hoffman, R. Manning, B. Wedge [Hoffman, 1968], G. Rawnsley [Rawnsley, 2016] investigate the transformation of the state's role in modern information flows caused by the development of international broadcasting and definition of the media as a non-state actor. Other research papers [Archetti, 2012; Cull, 2013; Brown and Shannon, 2017; Tam, 2019] are aimed at the study of the features of using communication tools to contacts national leaders or foreign ministers with the governments of other states or the public, the formation of political and technical conditions for the purposeful dissemination of foreign policy information to potential audience, the use of computer technologies for the creation of analytical systems, etc. At the same time, the scientists marked out such main tools of public diplomacy as media, Internet, social media, cultural and educational programs, image and investment projects. Particular attention of researchers [Brown and Shannon, 2017] is paid to the role of public diplomacy in supporting national and international security by way of building alliances, fighting extremism and dispelling disinformation.

With the growth of the influence of non-state actors on the state's foreign policy, it appears the scientific papers [Jordan, 2003] devoted to the interaction of foreign policy institutions with civic organizations. Civil society actors are expected to play a leading role in areas not regulated by interstate relations: for example, they can be a source for defining the internal impulses of community development, agents for the rapid dissemination of ideas and information and acting as mediators to prevent and resolve conflict situations.

Among the Ukrainian scholars, the significant contribution to the study of public diplomacy was made by O. Zernetska [Zernetska, 2016], M. Ozhevan [Ozhevan, 2015], G. Pocheptsov [Pocheptsov, 2013] and others. At the same time, the research of the public diplomacy cannot be considered scientifically systematized because the domestic scientific works deal mainly with related issues and partly focus on the role of public diplomacy in the system of foreign-policy communication.

As a result, the basic principles of public diplomacy are a set of concepts the intersection of which distinguish its specific features that include international and diplomatic relations, national interests, political culture, cultural diplomacy, image diplomacy, state branding, etc. These concepts form the original matrix of public diplomacy based on defining the political culture, government institutions and national identity as the social phenomena of international cooperation (Fig.).

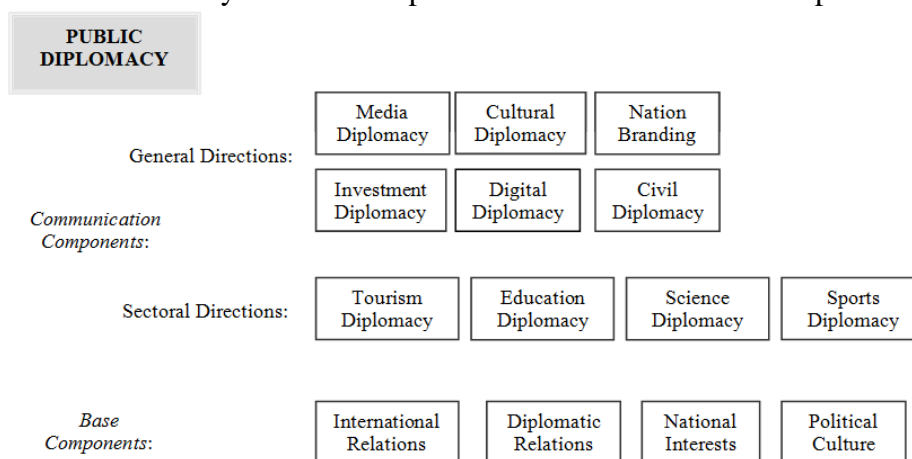


Fig. Concept of Public Diplomacy

Source: compiled by the authors.

Therefore, the matrix of public diplomacy, the basic principles of which is a complex of international political and communication relations, allows us to consider public diplomacy at an interdisciplinary level considering political, international and communication theories of global development. The paper is one of the systemic studies of the public diplomacy issues in Ukraine and its effectiveness to ensure the state's foreign policy goals. In the following parts of the paper, the practice of the Governmental Institutions of Ukraine and the achievements in public diplomacy are considered.

The important research results. Organizational component ensuring innovative public work in Ukraine before 2019 were ministries and departments whose powers included foreign policy, foreign trade and other international activities which performed state programs on the formation of positive investment, tourist and cultural image. Thus, the Ministry of Foreign Affairs was responsible for the implementation of the political component of international positioning; the Ministry of Economic Development and Trade of Ukraine, as well as its specialized departments, were responsible for implementation of foreign trade and promotion of tourist attraction of the state; the Ministry of Culture of Ukraine implemented historical and cultural support for national interests abroad; the Ministry of Information Policy together with the State Committee of Television and Radio Broadcasting of Ukraine, news agency Ukrinform promoted media image of Ukraine.

Importantly to note, the Ministry of Foreign Affairs of Ukraine, is as defined the main government agency that provides support and creates a positive international image of Ukraine in the world. The activity of the ministry involves dissemination of positive information in the host

countries and filling global information space with information resources that promote national interests. Among the positive results of the activity of the Ministry of Foreign Affairs of Ukraine in public diplomacy, it is possible to distinguish the establishment in 2017 of the Ukrainian Institute designed to present Ukrainian culture in the world and to disseminate information about the scientific, educational and tourist potential of the country. The introduction of the regulatory procedures to conducting study visits and press tours to Ukraine of foreign experts, media representatives and others, contributes to ensuring the national interests of the state. In addition, Ukraine's diplomatic missions have the opportunity for supporting trips of Ukrainian experts to participate in the international political and cultural events aimed to promote Ukraine's position in the world.

One of the urgent tasks for Ukraine is the creation of an attractive investment climate since the state has great economic potential and favourable conditions to attract investments. The leading role in the promotion of the investment image of the state had the Ministry of Economic Development and Trade of Ukraine whose task was economic positioning, the formation and implementation of state investment policy and export control. In 2015 the Office of Export Promotion under the Ministry of Economic Development and Trade [20] was established; this Office engages in searching for companies interested in obtaining information on future trade missions, business activities and other events regarding required country markets, products, services and sectors. It is assumed that due to trade missions of Ukraine abroad the joint delegation consisting of representatives from government and business will visit different countries for B2B meetings. The office is also engaged in the organization of business forums, construction of positive messages about Ukraine, development of branding and informational materials.

Separately, we would like to note that the Ministry of Economic Development and Trade of Ukraine agreed with the Ministry of Finance on the establishment of Export-Credit Agency for risk insurance and exporters' support. The Ministry of Economic Development with the help of consulting company PwC has prepared the Act on establishment of Export-Credit Agency [2] that was adopted in December 2016. In particular, in order to create conditions for the large-scale expansion of exports of Ukrainian goods and services in foreign markets, protect Ukrainian exporters against the risks of non-payment and financial losses and increase the competitiveness of Ukrainian producers in world markets the Cabinet of Ministers of Ukraine established the Export-Credit Agency.

Separately, let's consider the activity of the Ministry of Culture, Ukrainian Institute of National Memory and the State Agency for Cinema on cultural and artistic positioning of Ukraine abroad before 2019. In particular, their activity aimed to promote the cultural heritage of Ukrainian people outside Ukraine and world culture in Ukraine; implementation of EU program 'Creative Europe'; support for programs of intercultural and interethnic dialogue, sharing successful international and national experience; support for international cultural exchanges and promote cooperation of public institutions, NGOs and the private sector in international cultural and artistic space.

The promotion of Ukraine abroad in educational, research, scientific and technical fields belonged to the competence of the Ministry of Education and Science of Ukraine aimed to organize and coordinate the innovative activity of the state and focused on the development of volunteering and national-patriotic education. The Ministry of Information Policy of Ukraine was engaged in support for the positive image of Ukraine in global information space, in particular, the tasks of the Ministry were providing and distributing socially important information on Ukraine abroad; supporting the state information resources; developing the action plan and program documents together with the Ministry of Foreign Affairs, the Ministry of Culture and the Ministry of Education; popularizing the domestic TV production abroad; organizing and supporting the Ukrainian international broadcasting.

The analysis of the organizational component of Ukraine's public diplomacy indicates that for measures aimed at supporting the state's international image, it should be created the official reports on the achievements of Ukraine in the formation of a favourable investment climate and developed

the online travel platforms for the advertising of the national tourism products and possibilities; for the fulfilment of the state's political tasks, it is necessary to form the digital hub on the Ukrainian Institute activity for contributing to the expansion of Ukraine's presence in the European and world information space; for the efficient functioning of the Ministry of Foreign Affairs of Ukraine and the diplomatic missions abroad, it is necessary to improve the common closed network for the operative information exchange with the government institutions. The implementation of these issues will contribute to the awareness of the international community, the formation of Ukraine's positive international image, the intensification of cooperation with international organizations, the acceleration of European integration processes, the attracting foreign investment, the growth of credibility to the Ukrainian enterprises, the increase exports and improve national tourist attraction.

Practical implementation of projects in Ukraine's public diplomacy took place in several stages: the first stage until 2005 was carried out through the information and educational projects characterized by inconsistency due to the lack of the national image programs; the second stage until 2010 was marked by the emergence of the state image and tourism projects aimed at changing Ukraine's political perception and the integration into the European and Euro-Atlantic community; the third stage until 2013 was characterized by the development of the brandbook 'Ukraine' and the implementation of investment, sports and cultural image projects; the fourth stage after 2014 is focused on updating national approach to promoting Ukraine on the international arena and using modern media tools for supporting national interests.

Separately, it can be marked the project 'Brand Ukraine' which was the first experience of government institutions in the field of country's promotion. The main goal of the national brand strategy, developed by Investinua Capital Limited (London, the UK) and CFC Consulting (Kyiv, Ukraine) with the support of CNN International and the Ivox marketing agency, was the monitoring of the state's perception abroad and the creation of the image campaigns for leading international TV channels. As a result of the interaction, it was presented brand book of Ukraine (brandukraine.org) but it should be noted that after the public discussion of the brand strategy, on the initiative of the Ministry of Foreign Affairs of Ukraine, the Ministry decided not to use this project for the own image campaigns. In addition, the State Agency for Investments and Management of National Projects of Ukraine was responsible for the implementation of the investment reform in 2011 aimed at solving social problems and renewing regions. But only one component of Ukraine's investment image campaign was implemented during the holding of the road shows for the presentation of national projects to leading international business circles.

The Ministry of Economic Development and Trade of Ukraine was ensuring the formation of the state policy in investment and tourism and implementing the government program 'Ukraine. Open for U' supported by Western NIS Enterprise Fund and Titanium Presentations since 2015. In particular, it was held the presentation of the thematic videos and the information booklets prepared for the international exhibitions and bilateral business summits, among which it can be singled out the promotion videos dedicated to the tourism potential 'Experience Ukraine! We are open for tourism', to the investment potential of the infrastructure, agriculture, energy and IT sectors 'Transport Ukraine', 'Grow Ukraine', 'Energize Ukraine' and 'IT Ukraine', as well as to the national fashion industry 'Made in Ukraine'. From May 2018 the new brand strategy of Ukraine 'Ukraine now' is also presented that demonstrates the attractiveness of Ukraine for tourism, cultural interaction and business. The official brand 'Ukraine now' from Banda Agency received the prestigious Red Dot Designer Award from the German Design Center.

In 2017-2018, with the assistance of the Ministry of Foreign Affairs of Ukraine, the information campaigns were held on supporting the Eurovision 2017, the London Conference of Reforms, the de-occupation of the Crimea '#CrimeaIsBleeding', the introduction of a visa-free regime with the EU, the film project 'Cyborgs', etc. Among the positive public diplomacy's attempts is also the holding of the #CorrectUA campaign on the use of the correct form of transliteration of Ukrainian cities. Overall the 197 image projects for the 14 million foreign audiences were realized in 2018 while near 240 information events will take place in 2019 [14]. Besides, the exhibition of paintings by the Ukrainian correspondent R. Suschenko, who was serving

a sentence in prison in Russia, was organized to support the Ukrainian prisoners of war in the Press Club Brussels Europe. As a result of the armed attack and seizure of Ukrainian military boats 'Berdyansk', 'Nikopol' and a harbour tug 'Yana Kapu', Ukrainian diplomats launched several campaigns with such hashtags as #FreeUkrainianPOWs, #RussiaAttacksUkraine, #StopRussianAggression, #FreeAzovSeaSailors and #BanRussianShips.

In consequence of the aggravation of Ukrainian-Russian relations after 2014, the governmental institutions reconsidered the tools for supporting the state's foreign policy interests and initiatives and intensified the work of Ukrainian diplomatic missions. Therefore, the important part of the country's image on the international arena is such directions as the cooperation with the international organizations, the development of the bilateral economic relations, the activity of the foreign cultural representations, the support of cultural needs of the Ukrainian diaspora, the integration into the world political and economic space, the effectuation of Ukraine's international cultural and investment projects, informing on the heredity of Ukrainian culture from Kyivan Rus and counteracting Russian misinformation.

Currently, there is a need to conduct national campaigns which would not only cover a broad audience but also contribute to the expansion of cooperation with non-governmental media. Support for European policy of Ukraine should be implemented by means of reforming information sphere by the Europe standards, borrowing experience of broadcasting systems of the EU Member States, developing an effective model of Ukrainian television, large-scale information campaign to ensure access to European legal, bibliographic and other databases. So, thanks to joint efforts of Ukraine and EU the level of support for ideas of European integration can increase that will eventually contribute to the entry of Ukraine into the European political, economic, legal, cultural and information space.

Ukraine considered as a potential regional leader, so the comparison of international rating indexes of Ukraine and the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova) in public diplomacy allows to better understand the regional potential of the states and their perception in Europe. In particular, the following indexes selected for the evaluation: Nation Brands, Country Brand Index and Country RepTrak, as well as Doing Business, Worldwide Governance Indicators and Global Competitiveness Index which allowed to represent the peculiarities of the image perception of Ukraine's and the Eastern Partnership countries' during 2013-2018.

Nation Brands from Brand Finance was set up with the aim of 'bridging the gap between marketing and finance'. Nowadays Brand Finance evaluates the national brand of 100 countries. It needs to note that Ukraine has the strategic branding services to can be leveraged to grow economies. Such branding services create an economic impact to ensure resources, allocated to those activities which have the most value and support the state's long-term position. Among 100 countries, Ukraine ranked 60th in 2018 that is more than 15 positions lower than in 2013. Consequently, the value of Ukraine's brand has almost halved from 2013 (126 USD bn) till 2018 (84 USD bn). Experts from Brand Finance explained that continuing military instability in Ukraine is a major problem for the development of the national brand, therefore, the Governmental Institutions must endeavour improving state's reputation in the EU, the US and beyond [15; 16]. Nevertheless, such Eastern Partnership countries as Armenia, Belarus and Moldova do not belong to the top 100 most valuable nation brands. At the same time, Azerbaijan's position ranges from 71st till 84th places with Brand Value near 36 USD bn. Georgia spends on average 13 USD bn and has the 92nd place during the investigated period. As a result, Ukraine has the best position on promoting own brand among the Eastern Partnership countries.

Country Brand Index from Future Brand measures consumer or corporate brands – ranking them according to the strength of perception across such association dimensions as 'value system', 'quality of life', 'business potential', 'heritage and culture', 'tourism' and 'made in'. In general, the index covers brand perceptions of 118 countries around the world. In the latest report about Country Brand Index, Ukraine ranked 74th in 2014–15, before this it was 99th in 2010 and 75th in 2009. As

a result, experts evaluate Ukraine as a country with the below average perceptions of the country brand [5].

According to Country RepTrak from Reputation Institute, Ukraine remains a country with a weak level reputation among 70 investigated states. Nevertheless, Ukraine lost only 3 positions compared to 2013 and ranked 45th in 2017 [6] but among the 55th largest countries by GDP, Ukraine was not presented in 2018. In addition, other Eastern Partnership countries are not investigated by the researchers of the Reputation Institute and Future Brand.

Another index demonstrating the effectiveness and quality of business regulation in the country is Doing Business from the World Bank Group. In accordance with the Summary of Doing Business Reforms, Ukraine made dealing with construction permits easier by reducing fees, strengthened investors protections by requiring detailed immediate public disclosure of related party transactions and made paying taxes easier by reducing the rate for the unified social contribution tax. It needs to note that Ukraine improved index indicators from 137th in 2013 till 71st in 2019. The best position in this rating has Georgia from 9th till 6th place while Armenia, Azerbaijan, Belarus and Moldova belong to the top 50 states that show high business development [8; 9].

The Worldwide Governance Indicators reports aggregate and individual governance indicators for over 200 countries and territories for such dimensions of governance as ‘voice and accountability’, ‘political stability and absence of violence’, ‘government effectiveness’, ‘regulatory quality’, ‘rule of law’ and ‘control of corruption’. During 2013–2017 Ukraine demonstrated the highest average rank in the category ‘voice and accountability’ and the lowest average rank in the category ‘political stability and absence of violence’. In general, Ukraine improved its indicators ‘regulatory quality’, ‘government effectiveness’ and ‘control of corruption’ that can facilitate more positive perceptions of Ukraine abroad and intensification of internal reform processes [25].

The average value of such category as ‘voice and accountability’ is the lowest in Azerbaijan and Belarus; the categories ‘government effectiveness’, ‘rule of law’ and ‘control of corruption’ are the highest in Georgia among the Eastern Partnership countries (table).

Table

Worldwide Governance Indicators for analysed countries, during 2013–2017*.

	Voice and Accountability	Political Stability and Absence of Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Armenia	30,45	33,19	50,12	37,92	45,36	34,51
Azerbaijan	7,40	23,78	43,93	25,03	30,35	16,97
Belarus	9,40	49,57	33,69	30,89	22,31	46,04
Georgia	56,01	32,35	70,28	52,88	62,24	74,41
Moldova	47,23	38,62	34,59	40,15	40,66	19,64
Ukraine	43,87	9,03	34,53	29,14	23,73	16,79

* The average value of percentile rank among all countries ranges from 0 (lowest) to 100 (highest).

Source: compiled by the authors according to World Bank Group.

Global Competitiveness Index from World Economic Forum tracks the performance of close to 140 countries on 12 pillars of competitiveness that are the main determinants of long-term economic growth. Consequently, the state position in the rating allows to understand the complex nature of the development challenge, to design better policies, based on public-private collaboration, and to restore confidence in the possibilities of continued economic progress. Experts

of World Economic Forum highlighted such the most problematic factors for doing business in Ukraine as an inflation, a corruption, a policy instability, the tax rates and the tax regulations. As a result, the rating of Ukraine remains almost unchanged during the investigated period. It needs to note that other Eastern Partnership countries have the same problems on the long-term economic growth and the comprehensive activities for creating a positive business and investment image [10].

The findings from the comparative analysis suggest that Ukraine has better position among the Eastern Partnership countries because of the development of consistent image projects to support political and economic initiatives of the government institutions. At the same time, other states of the Eastern Partnership do not have the appropriate development of this direction and only in the last years have intensified activities on the transformation of the perception of the state image at the international and European level. However, political and economic instability remains the main obstacle to the formation of a positive perception of Ukraine in the world. The problem of institutional support of Ukraine's image is the low efficiency of existing government programs and the specific practices of government institutions. Therefore, development and implementation of public diplomacy strategy will update the administrative political structure, form an integral image of Ukraine as a political actor, and involve the public in foreign and domestic political processes taking place in the country.

Conclusions. Formation and implementation of the public diplomacy strategy would allow improving its content; ensure the cultural and information presence of the state abroad; deepen constructive and mutually beneficial cooperation in economy, culture, education, science, innovation, tourism and sports; increase the prestige and positive image of Ukraine in the host countries; disseminate information about the achievements and spiritual values of the Ukrainian nation to ensure effective communication of the state with Ukraine's citizens who are permanently residing or temporarily staying abroad.

Public diplomacy as a tool for information and analytical support of foreign policy and economic activity covers the practice of interstate relations, implemented through information and communication technologies, and is used by diplomatic missions in the current operational, tactical and strategic planning. As a result, the communication factor of foreign policy and economic appears in the information support of the diplomatic activity and is realized in three directions: the first is the ideological support of foreign policy and economic by developing and promoting initiatives and proposals that would be in line with the national interests of the state; the second direction is the practical provision of foreign policy and economic activities in order to maintain international authority and active influence on world policy implemented through the active using information and communication technologies for solving problem and crises; the third direction is organizational within which the information provision of diplomatic institutions in the host countries and the optimal coordination of activity of the diplomatic representations with the centre and other foreign missions are carried out.

Taking into account the prospect to develop and expand this research, it would be relevant to continue investigating any threats to Ukraine's political and economic positions in the EU and the world. Additionally, it requires analyses of past and present activities of the Ukrainian diplomatic missions abroad to improve national political, economic and cultural promotion in the European countries, so that in the future it may become an example for the development of other regional directions of Ukraine's public diplomacy.

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СУЧАСНА СИСТЕМА МІЖНАРОДНОГО ПРАВА

УДК 341.96

LEGAL MECHANISMS OF MINIMIZATION OF PROJECT RISKS ARISING WITHIN INTERNATIONAL PROJECT FINANCE

ПРАВОВІ МЕХАНІЗМИ МІНІМІЗАЦІЇ ПРОЕКТНИХ РИЗИКІВ, ЩО ВИНИКАЮТЬ В РАМКАХ МІЖНАРОДНОГО ПРОЕКТНОГО ФІНАНСУВАННЯ

ПРАВОВЫЕ МЕХАНИЗМЫ МИНИМИЗАЦИИ ПРОЕКТНЫХ РИСКОВ, ВОЗНИКАЮЩИХ В РАМКАХ МЕЖДУНАРОДНОГО ПРОЕКТНОГО ФИНАНСИРОВАНИЯ

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Abstract. *This article examines, classifies and categorizes various types of project risks inherent to international project finance and discusses legal techniques employed by the key participants of project finance to mitigate each of these risks based on thorough examination of project documentation typically elaborated for this purpose. It covers both commercial (internal and external) and non-commercial risks, in particular, completion risk, risk of excess expenditure, operational risk, environmental risk, risk of insufficient revenues, supply risk, currency risk, inflation risk, interest rate risk and others. The author argues that non-commercial risks, including political or country risks, present even greater peril for an international project and offers a complex of protective legal measures which could be used for diminishing such risks in the long run. The conclusions formulated at the end of the article present the author's personal attitude towards legal solution of the problem of minimization of the project risks arising within international project finance.*

Key words: *project finance, project company, commercial risks, non-commercial risks, contractual remedies.*

Анотація. *У цій статті досліджуються та класифікуються різноманітні види проектних ризиків, які притаманні міжнародному проектному фінансуванню, та вивчаються юридичні інструменти, які застосовуються ключовими учасниками проектного фінансування для мінімізації кожного з цих ризиків, на основі вивчення проектної документації, що розробляється для цієї мети. У статті аналізуються як комерційні (внутрішні та зовнішні), так і некомерційні ризики, зокрема, ризик незавершеності проекту,*

ризик перевищення кошторису проекту, операційний ризик, ризик заподіяння шкоди навколишньому природному середовищу, ризик недостатнього обсягу доходів, що генеруються проектом після його завершення, валютний ризик, інфляційний ризик, ризик несприятливих змін у ціновій кон'юнктурі чи розмірі відсоткових ставок та інші. Автор наголошує на тому, що некомерційні ризики, включаючи політичний ризик, становлять ще більшу загрозу для реалізації міжнародного проекту, та пропонує комплекс захисних правових заходів, які можна застосовувати для зменшення таких ризиків у тривалій перспективі. Висновки, сформульовані наприкінці статті, представляють авторську позицію стосовно розв'язання проблеми мінімізації проектних ризиків, що виникають в рамках міжнародного проектного фінансування, за допомогою правового інструментарію.

Ключові слова: проектне фінансування, проектна компанія, комерційні ризики, некомерційні ризики, договірні засоби правового захисту.

Аннотація. В данной статье исследуются и классифицируются различные виды проектных рисков, которые свойственны проектному финансированию, и изучаются юридические инструменты, которые применяются ключевыми участниками проектного финансирования для минимизации каждого из этих рисков, на основе изучения проектной документации, разрабатываемой с этой целью. В статье анализируются как коммерческие (внутренние и внешние), так и некоммерческие риски, в частности, риск незавершенности проекта, риск превышения бюджета проекта, операционный риск, риск причинения вреда окружающей среде, риск недостаточного объема доходов, генерируемых проектом после его завершения, валютный риск, инфляционный риск, риск неблагоприятных изменений в ценовой конъюнктуре или размере процентных ставок и другие. Автор подчеркивает, что некоммерческие риски, включая политический риск, представляют собой еще большую угрозу для реализации международного проекта, и предлагает комплекс защитных правовых мер, которые можно применять для уменьшения таких рисков в длительной перспективе. Выводы, сформулированные в конце статьи, представляют авторскую позицию касательно разрешения проблемы минимизации проектных рисков, возникающих в рамках международного проектного финансирования, при помощи правового инструментария.

Ключевые слова: проектное финансирование, проектная компания, коммерческие риски, некоммерческие риски, договорные средства правовой защиты.

General statement of problem. Project finance presents a method of raising long-term finance exclusively for the specified project. Under this scheme the banks shall provide loans specifically for the project implementation, and these loans shall be repaid solely by the cash-flow generated by the project. Thus, the lenders take the most part of the risk of success or failure of the project. The success of the project finance over the last decades has been largely driven by the fact of internationalisation of the investment markets and desire of the national governments to shift the burden of financing of public-sector projects to the private investors. This is especially significant for Ukraine where public and private partnership, despite availability of applicable law, remains insufficiently developed.

The basic structure of project finance involves establishment of a special purpose vehicle company created exclusively for the purpose of running the project and traditionally called the 'project company'. The predominant part of funding for the project is provided by the lenders (usually a syndicate of international banks) which enter into the loan agreement with the project company acting as the borrower to finance the project. Since the project company running only the business related to the project has no sufficient assets to secure the whole amount of debt finance or credit history, lenders shall rely only on the future cash-flow to be generated by the project. Taking into account that the project company has no business record or credit history, the lenders' decision to advance funds is based solely on a projection of future cash flow from the project which is not yet completed, and this fact gives rise to the uniqueness of the risks taken by the creditors funding the project.

Project finance is inextricably connected with significant risks, which should be painstakingly identified, qualified and scrupulously assessed with due advance in order to respond to various detrimental scenarios. Unlike other forms of financing, project finance is a long-term business, extremely vulnerable to different exposures non-relevant to traditional credit transactions. In order to avoid subsequent disputes and cumbersome negotiations, identified risks should be carefully allocated between different groups of participants in the project, and this sharing of risks should ultimately be reflected in the project documentation. Adequate allocation of a risk to a particular party in the project should imply that this party is able to control and manage this risk and that it has enough resources to face that risk if it occurs. The project documentation should also envisage mitigation of the risks to the maximum extent possible. These reasons determine high significance of our present investigation of the project risks and suitable legal instruments and techniques of their elimination within international project finance.

Recent researches and publications. In international scholar community problems related to project risks were adequately highlighted by J. Delmon in its Ph.D thesis '*Increasing the Efficiency of Risk Allocation in Project Financed Infrastructure Transactions by Reducing the Impact of Risk Noise*' [Delmon, 2008]. Specific legal issues related to international project finance and adjacent topics were examined, in particular, by R. Brealey [Brealey, 2014], J. Dewar [Dewar, 2011], S. Hoffmann [Hoffmann, 2007], I. Mubaydeen [Mubaydeen, 2003], P. Nevitt [Nevitt, 2000], P. Orta [Orta, 2011], K. Sin [Sin, 1987], C. Tinsley [Tinsley, 2000], G. Vinter [Vinter, 2006], Ph. Wood [Wood, 2007], E. Yescombe [Yescombe, 2014]. In Ukrainian and Russian doctrine, however, these problems have been only incidentally considered, in particular, by S. Kuznetsov [Kuznetsov, 2016], D. Kuziak [Kuziak, 2010], A. Negoda [Negoda, 2012], Ya. Ovsianikova [Ovsianikova, 2011], V. Tyschenko [Tyschenko, 2013], A. Shamraev [Shamraev, 2009], O. Yunko [Yunko, 2014], though in their writings issues related to project finance and, in particular, project risks have been examined predominantly from economic perspective. Our present research presents a modest contribution to preceding scientific investigations in this field.

The purpose of this article is to examine, classify and categorize various types of risks inherent to international project finance and discuss legal techniques employed by the key participants of project finance to mitigate each of these risks based on thorough examination of project documentation typically elaborated for this purpose.

Main research results. From doctrinal point of view, project risks can be classified into two broad categories, namely commercial and non-commercial risks (sometimes referred to as political or country risks). Commercial risks may further be divided into internal risks (i.e. those incidental to the project and dependent on the type and scope of project) and external risks (i.e. risks of events not directly related to the project, which nevertheless may have adverse impact on the project's viability and likelihood of its implementation). The essence of project finance is identifying the risks and determining who should bear them [Wood, 2007: 5]. It is submitted that risk cannot always be mitigated or contracted away, but it can be assessed, allocated, and managed so that it is commercially reasonable [Dewar, 2011: 81].

A. Shamraev suggests that legal instruments used for elimination (minimization) of risks encompass collateral arrangements (primarily bank guarantees and insurance), contractual mechanisms (conditions precedent of an international loan agreement, preliminary long-term agreements with suppliers and agreements on hedging currency risks with a bank, and agreement with the host state), private international law tools (choice of law and choice of jurisdiction), as well as organizational and legal instruments (incorporation of the project company and opening bank accounts abroad) [Shamraev, 2009: 25].

Among internal commercial risks which pertain specifically to the project itself we should primarily specify completion risk which is a risk that the project will not be completed on time and/or within the estimated budget. Delays in completion may take place when the contractor fails to perform under the construction contract or when the suppliers fail to supply fuel or equipment, or necessary connections to the project. Non-completion of the project may also be caused by force majeure circumstances or any defects inherent in the construction process, as well as legal

deficiencies (for instance, failure to obtain relevant permits, licences or consents for construction of the project (the consent risk), failure to obtain title of ownership or leasehold interest in the project site and any additional land needed for construction).

Delay in completion is one of the major risks for the lenders, since they should be confident that the loan will be repaid out of the project cash-flows starting from a particular date. In case of delay generation of revenues shall evidently be postponed. As a result, the costs for servicing the loan will be higher, because the debt shall remain outstanding during a longer period of time. In addition, penalties may be triggered under the supply contracts or off-take agreements. Overall costs of the project shall be increased, while profit of the equity investors shall fall.

As Ph. Wood observed, in project finance contract is a king. The project contracts involve a sharing of risk: is the risk borne by a project sponsor, a project contractor or the project (the lenders)? [Wood, 2007: 12]. Completion risk is also mitigated primarily by contractual mechanism. Construction contracts should be structured to incentivize timely completion and include appropriate liquidated damages for delay [Dewar, 2011: 84]. A turnkey date-certain construction contract imposing stringent contractual sanctions on the contractor for failure to adhere to the contractual completion date (except for in force majeure circumstances) is a conventional contractual solution mitigating completion risk. As G. Vinter noticed, a fixed price turnkey construction contract is intended deliberately to transfer a greater degree of risk than is normally the case onto the contractor [Vinter, 2006: 94]. Firm completion date is a required milestone date in the project documentation. Failure to meet this deadline will result in penalties for late completion envisaged in the construction contract. Besides, definition of term 'completion of the project' should be carefully considered at the stage of drafting the construction contract in order to avoid unnecessary incomprehension in future.

Banks are usually not prepared to take the whole completion risk and are reluctant to allocate extra money. They may require a completion guarantee from the project sponsors. In the latter case non-recourse funding becomes a limited-recourse financing. In addition, the lenders generally insist on obtaining the construction permits by the project company before advancing any funds under the loan agreement, so compliance with the regulatory formalities available at the host jurisdiction constitutes one of the conditions precedent contained in the loan agreement. In fact, some licences and consents may be obtained only at a later stage, so the consent risk cannot be entirely eliminated. Alternatively, the lenders may feel comfortable if the risk of obtaining the construction and then operation permits is allocated to the contractor which shall bear responsibility for any delays caused by failure to obtain such permits.

Completion risk can also be mitigated by regular on-site inspections and close supervision of the activities of the contractor by the project company's personnel and external engineer employed by the lenders who have qualifications and experience in the area of project. Risk of poor qualification and misconduct of the contractor's personnel and subcontractors is lessened by prior approval by the project sponsors and sometimes the lenders of the key personnel and subcontractors which shall work on the project site. In essence, the project sponsors need to have a high degree of confidence that the project can be completed on time and on budget, is technically capable of operating as designed, and that there will be enough net cash flow from the project's operation to cover their debt service adequately [Yescombe, 2014: 20].

Some projects (such as mining and other extraction of natural resources) tend to be more sensitive to completion risk than others. In such projects delays may be caused by the natural factors, geological or technical problems which could hardly be predicted beforehand. A completion guarantee provided by the project sponsors to the lenders will be an ultimate solution to reduce these risks to the satisfaction of the lenders. Under terms and conditions of such guarantee, the project sponsors shall be responsible for any shortfalls in financing and shall provide funds needed to complete the project.

Risk of excess expenditure is the risk of a considerable cost overrun as compared to initial budget of the project. If this happens, the participants shall need to raise extra capital to complete the project. The lenders may be reluctant to disburse additional money for which they have made no

prior commitments in the loan agreement, and thus replenishment of funds will remain a source of major concern for the project sponsors. Moreover, even if additional funds are in place, the financial structure of the project has been irreversibly modified: the cost of the project has been increased with no corresponding expansion in the revenues to be generated by the project. Therefore, pay-off period of the project will be inevitably extended. If no restructuring of the loan is negotiated with the lenders, such occurrence will mean that the project sponsors will obtain less return on their investment.

Fixed-price construction contract may be seen as a viable solution to diminish the risk of construction costs overruns. As G. Vinter observed, the objective of such a contract is to get the contractor to accept as many as possible of the risks that would result in an increase in the cost of carrying out the works [Vinter, 2006: 107]. However, even in this case the contractor may ask for additional funding, in particular, in case of changes in contractual specifications or changes in laws applicable to the project (for example, introduction of more onerous environmental standards requiring to employ additional waste treatment facilities). In addition, the project sponsors may agree to 'pump' an additional equity capital into the project company to cover any cost overruns at the construction stage. Similarly, to mitigate cost overrun risk, lenders may require that a certain amount of cost overrun support is procured by the project company either by way of allocated debt facilities and/or equity contribution commitments from the sponsors [Dewar, 2011: 85].

Operational risks are the risks related to inadequate performance of the project upon its completion (i.e. if performance falls below the minimum required standard output), hidden defects in technologies used, insufficiency or inadequacy of natural resources needed for the project operation, higher level of maintenance costs and supply costs as compared to their initial assessment and so on. Such risks may result in considerable downturn in the anticipated cash-flow or even financial losses due to higher operating costs.

Key factors contributing to the level of operational risks include malfunctioning of technologies used by the project, unavailability of fuel and equipment, maintenance problems, 'human factor' (negligent operation, poor management, operator's mistakes) and so on. Long-term risks cannot be excluded for sure and forever, even if the project has been properly completed, tested and put into operation. Moreover, they may appear to be unquantifiable, if the project uses new technologies and innovations.

Generally, poor performance of the project due to technical reasons or any mistakes committed during its construction shall result in penalties and other liabilities incurred by the contractor. However, financial sanctions under the construction contract are usually capped and may therefore be inadequate to the level of loss of revenues; the lenders feel more comfortable if the contractor is one of the project sponsors with an equity investment in the capital of the project company, since in case of malfunctioning of the project it will face loss of its equity return, in addition to contractual penalties. Besides, the contractor and/or manufacturer of the equipment, further to a conventional warranty, may provide a long-term performance guarantee covering defects in design and construction emerging due to the contractor's or manufacturer's fault (however, the contractor or manufacturer might argue that defect was caused by maloperation of the project, rather than by its own mistake). Additional coverage of these risks may be obtained from an insurance company as a part of insurance package, but this solution may prove to be very expensive. Furthermore, the project sponsors may provide a long-term performance guarantee to ensure a greater comfort to the lenders in this respect.

Environmental risks in project finance may be entailed by an industrial or similar project generating waste, CO₂ emissions, noise pollutions and other adverse impact on the natural environment. The contractor and operator of the project are required to meet environmental standards during construction and operation of the project. The project company may face the risk of failure to obtain an environmental permit to construct and operate the project (if needed under the applicable laws of the host jurisdiction) or this permit may subsequently be withdrawn, or changes in law may be later introduced and compliance with such advanced environmental standards will require additional expenditures. Violation of these standards may result in severe financial sanctions

applicable to the project company, deterioration of relations with local government and rough opposition of the local community to construction and operation of the project. Even lenders may face reputational challenges in their home jurisdictions for supporting a project which is deleterious for environment. Therefore, conducting an environmental audit of the project may be a condition precedent under the loan agreement to reduce the lenders' concerns.

Risk of insufficient revenues is the risk that the project will generate less profit than is needed to cover its operational and maintenance costs, to service the debt under the loan agreement and to grant adequate return on investment of the project sponsors. In fact, lenders rely on the future cash flow projected to be generated by the project to pay their interest and fees, and repay their debt [Yescombe, 2014: 7]. This risk may emerge if, for example, the production output of the plant is less than anticipated, if the price established for the products is inadequate or uncompetitive given the market conditions or if the volume of the market is not corresponding to initial evaluations. Project may be extremely vulnerable to long-term problems if it operates in instable market environment with tough competition or stringent price control by the host state. Price risk is a specific instance of this risk relating to instable market prices for the project products referring both to supply prices and sales prices.

Such risk may be best covered by an off-take agreement (namely a take-or-pay contract whereby the price risk and risk of low demand to the project products are transferred from the project company to an off-taker), hedge agreement concluded with market intermediaries (hedging the price risk associated with the project products), contracts for difference and long-term sales contract (usually concluded if the project commodities are traded within a limited marketplace). In case of an off-take agreement this risk is transformed into the risk of insolvency of an off-taker. Under the typical form, the project sponsor enters into a purchase agreement with the project company under which the sponsor agrees to buy the project product, e.g. minerals or oil, and to pay for it, even if not delivered for any reason, up to an amount equal to scheduled payments on the bank loans [Wood, 2007: 32].

Sometimes, the project sponsors shall guarantee not only that the project will be completed in time in entire accordance with its specifications, but also that upon its start-up it will achieve the targeted level of efficiency under the relevant cash-flow requirements (a 'revenue guarantee'). Project finance may also take the form of a limited-recourse financing when the sponsors agree to provide the project company with additional funding for debt service in case if the cash-flow generated by the project is not sufficient or is suddenly reduced below the minimum performance criteria. For instance, the project sponsors may agree to pay the interest accrued on the amount of loan if the project company is unable to service its debt due to any shortfalls in the revenues generated by the project.

Supply risk presents the risk of unavailability of the main fuel or the other raw materials or any kind of general utilities (such as electricity and water) which may lead to a delay in completion of the project or result in stoppage of the whole project plant and prevent its operation. If the supplier fails to supply, the project company may suffer loss of its revenue and incur extra cost when engaging an alternative supplier or obtaining other sources of supply. This risk may be minimized by entering into a long-term supply contract for definite volumes of the raw materials with the fixed purchase price which (ideally) will remain unchangeable during the whole life of the project; alternatively, the risk may be passed to an off-taker (if it is prepared to take this risk). The project company should enter into the supply contract with a reliable vendor (for example, a major oil or gas company) having the adequate reserves of the raw materials being in excess of what is required for the project.

External commercial risks (which may also be referred to as 'macroeconomic risks') may include currency risk (i.e. downturn of local currency obtained by the project company in return for the project's products), inflation risk, increase of floating interest rate and so on. They differ from the risks outlined above, since they do not stem directly from the scope and nature of the project itself; rather, they refer to the economic circumstances in which the project is constructed and operates.

Currency risk generally refers to volatility of currency exchange rate (not to introduction of currency control or other regulatory measures impeding unfettered transfer of the currency across the borders of the host jurisdiction, which is commonly treated as a political risk). Currency risk shall arise when the costs and expenses related to the project at the construction stage are paid in one currency, while the loan is provided in another currency. Considerable depreciation of the loan currency may even cause construction costs overrun. Currency risk may also arise upon finalization of construction of the project: if the local currency in which the project company obtains its revenues falls in value, this event will affect its ability to service the debt. This risk can be eliminated if the finance for the project is provided in the local currency, but in practice this may not be possible or practicable, especially in developing countries with weak domestic currency. Alternatively, the contractor and suppliers may be persuaded to quote their prices in the currency of the loan (if permitted by the local legislation and if these persons are prepared to take currency exposure). Currency risk may theoretically be hedged by currency derivatives, such as forward contracts and currency swaps (though in project finance practice they are rarely employed).

Inflation risk is the risk of major increase of the general price level. Inflation in the host jurisdiction (if it occurs at the construction stage) may inevitably lead to escalation of project costs and even costs overrun, as well as to reduction in the return on investment of the project sponsors. This risk is minimized by 'freezing' the prices in construction agreement and fees in most contracts with external advisors. However, inflation at the operation stage may serve as a benefit to the project company and the sponsors offering an optimistic scenario, since the inflated cash-flows will increase the project revenues, while the debt service is not directly subject to inflation.

Interest rate risk will arise if the project is financed by a floating rate loan or bonds (fixed rate loan shall not entail such risk, but, as a matter of practice, funding of the project at a fixed rate is generally unavailable due to high economic risks for the lenders). In this case the cost of debt service shall depend on the level of the floating rate benchmark, such as LIBOR. Lenders borrow funds at the interbank deposit market at such benchmark rate and then lend these funds to the project company adding margin to this base interest rate. Thus, the ultimate interest rate is re-considered every interest period.

Since the interest accrued on the funding loan is not payable during the construction phase and is normally capitalized (i.e. added to the amount of the loan), the interest rate risk shall cause adverse economic consequences when the operation of the project has commenced and revenues are generated: higher interest payments as initially estimated will lead to lower project return, thus reducing the profit extracted by the project sponsors. Therefore, arrangements for hedging the interest rate risk should be put in place when floating rate loan is taken to avoid unnecessary expenses. Such arrangements commonly include interest rate swaps, as well as interest rate caps and floors. Interest rate swap is an agreement between two parties, under which one of the parties agrees to pay a fixed rate on a certain amount to the other party and will obtain from that other party a floating rate (being fixed on that date) on the same amount. In essence, the project company entering into the interest rate swap with its swap counterparty 'hedges' the risk related to its obligation to pay floating rate under the loan agreement with the lenders. As a matter of practice, mutual payments under the interest rate swap are not effected. The relevant payments are netted and one of the parties shall pay the net amount of debt.

In addition to host-country financial risk, political risk is significant in international project finance [Hoffmann, 2007: 23]. Political environment plays a vital role in project implementation. Sustainable development and success of major long-term projects involving considerable financial, material and human resources is impossible without political backing and at least friendly ambience. In a range of situations only direct instruction from the host government authorities may fundamentally change a deadlock situation to the benefit of the project company. Generally, a project is deeply rooted in a local jurisdiction and is vulnerable to adverse changes in political climate and applicable laws. Participants of the project should assess not only economic feasibility of the project, but also its political sustainability which may be ensured only if the project offers beneficial solutions to the local community and host state as a whole. Political risks (or sovereign

risks of a country) are significantly high, if the project is located in a developing country with instable political situation and weak central government.

Political risks are rather wide in scope and encompass risks of loss of investment by virtue of governmental actions (for example, due to expropriations without compensation, nationalisation, confiscation of property due to political reasons *etc.*); risks related to political and civil force majeure circumstances, such as wars, military actions, civil disturbance and disorders; risks of adverse changes of local legislation and regulations; risks of repudiation of a contract concluded with a sovereign party.

Expropriation of the project company's assets and other property related to the project is one of the major political risks which cannot be entirely excluded even in the case when a concession agreement is in place and the host government demonstrates most favoured treatment to the project. National government always has a sovereign right to seize private assets in emergencies, for example, in war time if this is needed in the interests of national security. However, the government usually provides compensation for such seizure of property. By contrast, expropriation is a coercive measure which constitutes seizure of the privately owned assets without payment of just compensation. If the project suddenly appears to be in the public ownership, the lenders and investors may obtain nothing even to cover their previous expenses related to the project. Practically, the host government may declare the project to be nationalized, or seize the assets of the project company, or may gain control over the project company obtaining the power to appoint its governing bodies and take other essential decisions. There are a lot of indirect measures of political pressure which may be used by the host state authorities to deprive the project company or the project sponsors of the ultimate benefit from the project or even to take the project over. Concession agreement or government support agreement cannot be seen as a 'panacea' against this risk, but they may provide for compensation payable in such case.

Civil turbulence, military actions, terrorist attacks and other forms of political violence may also be extremely harmful for the project causing physical damages or preventing its normal functioning and operation. Blockades and embargoes introduced externally in respect of the host jurisdiction may equally prevent successful completion of the project due to unavailability of equipment of raw materials supplied from abroad. Mitigation of such political risk by insurance or public guarantees may be required by the lenders, especially in case of permanent political instability within the host state.

Changes in law may pose a significant threat to the project, increasing the costs of the project, frustrating the project company's rights and ability to operate, invalidating key project contracts and, at worst, rendering further project activities illegal. Choosing the jurisdiction for launching the project the participants should investigate whether its 'legal climate' is friendly enough for the project. In particular, they must ascertain that investment legislation of the host jurisdiction offers general guarantees for the overseas investors; that intended project may be privately owned and operated; that legal and regulatory framework for the project is clear, transparent and comprehensible without any discrimination in obtaining licences and permits vital for the project. However, even the most scrupulous analysis of the local legislation cannot peremptorily protect the project against any subsequent changes in law, changes in regulations, changes in courts' attitude towards a particular legal issue or interpretation of legal notions (notwithstanding that a court decision does not change any law). Adverse legal changes may include, *inter alia*, increase of existing taxes or introduction of new taxes (especially withholding taxes on the dividends and interest payments to non-residents) and import duties payable within the project, which reduce the profit of the project sponsors; imposition of import control on equipment or raw materials needed for the project; changes in exchange control and investment regime (for instance, introduction of prohibition on repatriation of foreign investment); changes in employment control (for example, introduction of new work permits for foreigners), operational safety and health care rules which may increase the cost of compliance by the project company with the local labour legislation; unilateral amendments in or invalidation of the concession agreement concluded by the local public authorities with the project company; trade prohibitions; amendment or withdrawal of licences and

permits initially provided to the project company or contractors in respect of the project implementation.

In general, the risk of negative legal changes should be borne by the end customers of the products or services (though this may be possible not in each case). Raising alternative funding by the project company to finance additional costs may face various difficulties. Existing lenders may be reluctant to provide extra finance and search for new lenders may prove to be futile under such circumstances.

Protective legal measures against political risks may include the following:

- Incorporation of the project company outside the host jurisdiction. The project company is usually incorporated in the country in which the project is taking place, although it may occasionally be beneficial to incorporate it outside the country concerned [Yescombe, 2014: 40]. This solution, however, is rarely workable, since local 'nationality' of the project company may be prescribed by the laws of the host jurisdiction;
- Subjection of the main project contracts to external applicable law and jurisdiction. It should be noted that this measure may also prove to be impracticable since the assets of the project company are located within the host state and may be easily seized, and licences and concessions will invariably be governed by local law;
- Contractual allocation of political risks between the lenders and project sponsors (for instance, the banks may agree to take political risk, while the commercial risk shall be borne by the project sponsors); the syndicate of banks may also include public lenders which are prepared to accept political risks not acceptable for the private lenders;
- Guarantees from the local government (for example, freezing of taxes or state guarantees applicable to the foreign investors as of the date of launching the project). As a minimum, the host government may introduce a non-discrimination clause into the concession agreement obliging not to pass any rule of law or introduce any action having potentially discriminatory effect on the project company and the project itself (however, in most cases adverse legal changes affect the whole industry in which the project operates and normally is a part of the overall risk of doing business locally);
- Bilateral international treaties (the project sponsors may benefit from such treaties if they are located within the state having favourable international treaty with the host jurisdiction).

Multilateral agencies can assist in reducing legal and political risks and thereby generate standards for financings [Hoffmann, 2007: 20]. In particular, political risks may also be insured with the Multilateral Investment Guarantee Agency (the 'MIGA'). This is an international financial institution which provides political risk insurance and credit enhancement guarantees. The MIGA's guarantees protect investments against non-commercial risks and can help investors obtain access to funding sources with improved financial terms and conditions. The MIGA was created under the Convention Establishing the Multilateral Investment Guarantee Agency 1985 (the 'MIGA Convention') [1].

Scope of non-commercial risks which may be guaranteed by the MIGA is set out in Article 11 of the MIGA Convention and includes:

- currency transfer risk (any introduction attributable to the host government of restrictions on the transfer outside the host country of its currency into a freely usable currency or another currency acceptable to the holder of the guarantee, including a failure of the host government to act within a reasonable period of time on an application by such holder for such transfer);
- expropriation and similar measures (any legislative action or administrative action or omission attributable to the host government which has the effect of depriving the holder of a guarantee of his ownership or control of, or a substantial benefit from, his investment, with the exception of non-discriminatory measures of general application which governments normally take for the purpose of regulating economic activity in their territories);
- breach of contract (any repudiation or breach by the host government of a contract with the holder of a guarantee, when (a) the holder of a guarantee does not have recourse to a judicial or arbitral forum to determine the claim of repudiation or breach, or (b) a decision by such forum is not rendered within such reasonable period of time as shall be prescribed in the contracts of guarantee pursuant to the MIGA's regulations, or (c) such a decision cannot be enforced); and
- war and civil disturbance (any military action or civil disturbance in any territory of the host country to which this Convention shall be applicable).

In addition, the Board of MIGA, by special majority, may approve the extension of coverage to specific non-commercial risks, other than those referred to above, but in no case to the risk of devaluation or depreciation of currency.

Conclusion. Project risks present a complex of potential events which may have an adverse impact on implementation and performance of project and/or solvency of its participants. These risks should be classified into commercial (internal and external) and non-commercial risks, with different legal mechanisms to be applied for their elimination. Some of these risks (including completion risk, risk of excess expenditure and price risks) may be mitigated through contractual arrangements, such as a date-certain fixed-price construction contract imposing stringent contractual sanctions on the contractor for completion delay and budget overruns or off-take agreements, or by means of additional obligations imposed on project sponsors and fixed in separate documentation (in particular, a completion guarantee, performance guarantee or revenue guarantee). The main principle of allocation of project risks is assignment of liability related to a particular risk on a person who can best manage such risk. Political risks require the most comprehensive scope of protective legal measures due to their specific features, and international measures (including bilateral treaties on mutual protection of investment) should be considered as the most viable protection against such risks.

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IMPACT OF POLITICIZATION OF THE EUROPEAN COMMISSION ON THE FUNCTIONING OF THE EUROPEAN UNION

ВПЛИВ ФЕНОМЕНУ ПОЛІТИЗАЦІЇ ЄВРОКОМІСІЇ НА ФУНКЦІОНУВАННЯ ЄВРОПЕЙСЬКОГО СОЮЗУ

ВЛИЯНИЕ ФЕНОМЕНА ПОЛИТИЗАЦИИ ЕВРОКОМИССИИ НА ФУНКЦИОНИРОВАНИЕ ЕВРОПЕЙСКОГО СОЮЗА

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Abstract. *Complex and comparative analysis of the election and nomination procedure of Commissioners and the President of the EU Commission has been made from the date of creation of the High Authority within the European Coal and Steel Community until the establishment of the modern EU Commission in accordance with the last amendments that have been made by the Lisbon Treaty. It is proved that due to the entering into force of the Maastricht Treaty, sharpening of the «democratic deficit» problem and because of other political processes at the beginning of 1990's within the European Communities, European Parliament obtained ample powers and leverage on the functioning, election and nomination procedure of Commissioners and the President of the EU Commission. It is emphasized that election and nomination procedure of Commissioners and the President of the EU Commission is sufficiently politicized and bureaucratized at the contemporary stage of the existence of the European Union. The definition of the phenomenon «politicization of the EU Commission» has been specified. It is outlined that the phenomenon of politicization of the EU Commission has both positive and negative consequences on the EU Commission and the EU as a whole. It is established that «politicization» of the EU Commission may cause disruption of the cornerstone principles on which the EU has been created, first of all those principles that are related to the theory of functionalism in International Law.*

Key words: *EU Commission, politicization, impact of politicization, election and nomination procedure of Commissioners and the President of the EU Commission, EU.*

Анотація. *Комісія Європейського Союзу (Комісія ЄС) є одним із основних та важливих інститутів Європейського Союзу (ЄС). Комісію ЄС досить часто характеризують як «серце євробюрократії», «захисник Договорів Європейського Союзу» та «рушійною силою європейської інтеграції». Не зважаючи на широке коло повноважень, реальне місце Комісії в системі органів ЄС визначається також політичними впливами, які вона отримала у зв'язку з активізацією процесів політизації в Європейських Співтовариствах на початку 1990-х, а потім в ЄС. Тому в правовій літературі та на практиці жваво дискутуються питання збільшення політичного впливу на Комісію ЄС, зокрема в такому принципово важливому питанні, як функціонування, обрання та призначення членів та Президента Комісії ЄС. Мета статті є здійснення порівняльного аналізу змін в процедурі обрання та призначення членів та Президента Комісії ЄС, починаючи з моменту створення Верховного органу, який діяв в межах Європейського Співтовариства Вугілля та Сталі (ЄСВС), до сьогоднішніх днів з урахуванням останніх змін, які були внесені Лісабонським договором 1 грудня 2009 року, надання визначення поняттю «політизація Комісії ЄС», здійснення комплексної оцінки впливу політизації Комісії ЄС на її функціонування та на процес європейської інтеграції в цілому. В статті здійснено комплексний порівняльний аналіз процедури обрання та призначення членів та Президента Комісії ЄС з моменту створення Верховного органу, який було створено в рамках ЄСВС, до становлення сучасної Комісії ЄС з урахуванням останніх змін внесених Лісабонським Договором. Доведено, що з набранням чинності Маастрихтського Договору, у зв'язку із загостренням проблеми «дефіциту демократії», а також активізацією інших політичних процесів на початку 1990-х років в межах Європейських Співтовариств, Європейський Парламент набув достатньо широких повноважень та важелів впливу на функціонування, процедуру обрання та призначення членів та Президента Комісії ЄС. Висвітлено, що процедура обрання та призначення членів та Президента Комісії ЄС є політизованою та достатньо бюрократизованою на сучасному етапі існування Європейського Союзу, на що вказує закріплена в Договорі про ЄС імперативна норма про необхідність Європейській Раді, при призначенні кандидата на пост Президента Комісії ЄС, брати до уваги результати останніх виборів до Європейського Парламенту. Надано власне визначення феномену «політизація Комісії ЄС». Так, з точки зору авторів, можливим є надання наступного визначення цьому феномену – це активна участь та високий ступінь впливу політичних акторів та інститутів на процедуру обрання та призначення складу Комісії Європейського Союзу, а також на її функціонування як провідного інституту Європейського Союзу, з одночасним використанням цього впливу з метою задоволення власних політичних потреб або інтересів. Зазначено, що феномен політизації Комісії ЄС має як позитивні, так і негативні наслідки для Комісії ЄС та ЄС. З одного боку, політизація Комісії ЄС може розглядатися як така, що має позитивні риси, зокрема тому, що вона сприяє відкритості історично забюрократизованих інститутів ЄС та можливостям для демократичних впливів на них. З іншого боку, політизація Комісії ЄС може мати негативний вплив на її незалежність та неупередженість в процесі прийняття нею важливих рішень. Наприклад, високий рівень «політизації» Комісії ЄС може завадити їй легітимно забезпечувати дотримання законодавства ЄС та основоположних Договорів ЄС разом із Судом справедливості Європейського Союзу. Охарактеризовано вплив феномену політизації Комісії ЄС на функціонування Комісії ЄС та ЄС в цілому. Доведено, що подальше розширення «політизації» Комісії ЄС може спричинити, на думку авторів, підрив тих основоположних принципів, на яких побудований сам ЄС, передусім пов'язаних з теорією функціоналізму та передбачають чітку відокремленість економічних, соціальних та технічних сфер діяльності від політичної.*

Ключові слова: *Комісія ЄС, політизація, вплив політизації, порядок обрання та призначення членів та Президента Комісії ЄС, ЄС.*

Аннотация. Проведен комплексный сравнительный анализ процедуры избрания и назначения членов и Президента Комиссии ЕС с момента создания Верховного органа, который был создан в рамках Европейского Сообщества Угля и Стали, до становления современной Комиссии ЕС с учетом последних изменений, внесенных Лиссабонским Договором. Доказано, что со вступлением в силу Маастрихтского Договора, в связи с обострением проблемы «дефицита демократии», а также активизацией других политических процессов в начале 1990-х в рамках Европейских Сообществ, Европейский Парламент получил достаточно широкие полномочия и рычаги влияния на функционирования, процедуру избрания и назначения членов и Президента Комиссии ЕС. Показано, что процедура избрания и назначения членов и Президента Комиссии ЕС является политизированной и достаточно бюрократизированной на современном этапе существования Европейского Союза. Дано собственное определение понятию «политизация Комиссии ЕС». Указано, что феномен политизации Комиссии ЕС имеет как позитивные, так и негативные последствия для Комиссии ЕС и ЕС. Охарактеризовано влияние феномена политизации Комиссии ЕС на функционирования Комиссии ЕС и ЕС в целом. Доказано, что «политизация» Комиссии ЕС может вызвать подрыв основоположных принципов, на которых построен сам ЕС, прежде всего, связанных с теорией функционализма в международном праве.

Ключевые слова: Комиссия ЕС, политизация, влияние политизации, порядок избрания и назначения членов и Президента Комиссии ЕС, ЕС.

Research problem setting. Commission of the European Union (Commission of the EU) is one of the main institutions of the European Union (EU). Creation of the Commission of the EU and delegation to it the wide terms of reference historically associate with the unique supranational feature of this institution. The supranational feature of the Commission of the EU is manifold and can be traced in its organizational structure, powers and tasks that are conferred on it by the Treaty of the European Union (TEU).

In such a way, according to Art. 17 of the TEU the Commission shall promote the general interest of the Union and take appropriate initiatives to that end [1]. Commission of the EU is frequently characterized as «the heart of eurobureaucracy», «the guardian of the Treaties of the EU» and «the engine of the European integration». Commission of the EU is one of the most influential international organizations in the whole world, it is impossible to find the same one [Kassim, Peterson, Bauer, 2013: 1]. In many respects the Commission of the EU is a *sui generis* institution.

In accordance with Art. 17 of the TEU, Art. 249, 314 of the Treaty on the functioning of the European Union (TFEU), Commission of the EU is conferred with the following powers: the monopoly right of legislative initiative in respect of areas which are fallen within exclusive and common competences of the European Union; drafting annual reports on the actions of the European Union; supervision over the proper use and effective expenditure of the budget of the European Union; mutual supervision with the Court of Justice of the European Union over the implementation and observation of the legislation of the European Union by the Members States; representation of the European Union in external affairs of the EU in areas that are not fallen within the common foreign and security policy as well as conducting of negotiations on the conclusion of treaties where one of the parties is the EU [1, 2].

In spite of the wide terms of reference, the real place of the Commission of the EU within the system of the EU institutions is also determined by the political impact, that took place because of the activization of politicization processes within the European Communities at the beginning of the 1990's and then in the EU. For this reason, both in legal literature and in practice the issue on the expansion of the political impact on the Commission of the EU, interalia in such important issues as functioning, election and nomination procedure of Commissioners and the President of the Commission of the EU.

Analysis of the latest researchers and publications. The issue of politicization of the Commission of the EU has been outlined in scientific works of M. Bauer, [12], J. Ege [12], H. Grabbe [14], M. Hartlapp [15], R. Castaldi [13], S. Lehne [14], A. Ortega [17], A. Wille [11], and

others. Notwithstanding that this issue is an important one, within the mentioned-above scientific works there is the lack of complex comparative analysis of alterations made in the election and nomination procedure of Commissioners and the President of the Commission of the EU, starting from the date of creation of the European Coal and Steel Community (ECSC) till the last amendments that have been made by the Lisbon Treaty. Accordingly, it is vital to understand the content of the term “politicization of the Commission of the EU”, make an appraisal of impact of this phenomenon both on the functioning of the Commission of the EU and on the EU as a whole. Clarification of these issues is significant to the science of the International Law and has a big practical value.

The purpose of the article. The main purpose of the article is to make a comparative analysis of the amendments in the election and nomination procedure of Commissioners and the President of the Commission of the EU starting from the date of creation of the European Coal and Steel Community (ECSC) till the last amendments that have been made by the Lisbon Treaty; to define the notion of “politicization of the Commission of the EU”; to make a complex assessment of the consequences of the politicization of the Commission of the EU on its functioning and on the process of the European integration as a whole.

Basic research material. The actual predecessor of the contemporary EU was the European Coal and Steel Community (ECSC) which has been created on the 18th of April 1951 by France, West Germany, Italy and Benelux countries by concluding the Treaty of Paris, that came into force on the 23rd of July 1952. For the proper functioning of the ECSC four institutions have been set up, one of which was the High Authority [6].

According to the provisions of the Treaty of Paris, the High Authority shall be composed of nine members designated for six years, chosen for their general competence. Eight members of the High Authority were elected by the governments of the Member States by agreement among themselves. Then these eight members elected the ninth member who should be deemed to be elected if the candidate obtained at least five votes [6]. In addition, the members of the High Authority shall exercise their functions in complete independence, in the general interest of the Community.

In accordance with Art. 11 of the Treaty of Paris the President and the Vice President of the High Authority shall be designated from among the membership of the High Authority for two years, in accordance with the procedure provided for the designation of the members of the High Authority by the governments of the member states.

In order to enhance integration in the fields of economics and atomic energy in 1957 Benelux countries, Germany, France and Italy entered into two Roman treaties: The Treaty establishing European Economic Community (EEC) and the Treaty establishing European Atomic Energy Community (Euratom) that came into force on the 1st of January 1958.

For the proper functioning of these two Communities two separate bodies were set up similarly to the High Authority, each was named “the Commission”. The same as in the ECSC, the Commission of the EEC was composed of nine members and the Commission of the Euratom was composed of five members that were elected by the common accord of the member states for four-years term [7, 5]. The President and the two Vice Presidents of the Commission of the EEC, the President and the Vice President of the Commission of the Euratom were elected among the members of the particular Commission for two-years term by the election procedure prescribed for the election of the members of the particular Commission. As well as the members of the High Authority, members of the Commissions shall exercise their functions in complete independence and be completely impartial.

Due to the conclusion of the Brussels Treaty on the 8th of April 1965, that is better known as the Merger Treaty, which entered into force on the 1st of July 1967, the High Authority of the ECSC and two Commissions that were functioning within the EEC and the Euratom were merged into the one common executive body – the Commission of the European Communities [4]. The total number of members has not been altered. The President and three Vice Presidents of the Commission of the

European Communities were elected among the members of the Commission of the European Communities by the common accord of the governments of members states.

During the 1990's and 2000's the election and nomination procedure of the President and members of the Commission of the European Communities underwent fundamental changes because of the necessity to put in place reforms interalia institutional reforms that were launched within the European Communities and then in the European Union. During this time period one of the most vexed problem was the problem of "democratic deficit". The "democratic deficit" characterizes the situation when institutions of the EU and their decision-making procedures are not enough democratic and inaccessible to the citizens of the EU [24].

With entering into the legal force of the Maastricht Treaty on the 1st of November 1993, European Parliament obtained ample powers as well in the election and nomination procedure of Commissioners and the President of the Commission of the European Communities. In this respect, governments of the members states by the common accord elected the President of the Commission after conducting obligatory consultations with the European Parliament. Then governments of the Members States with elected President of the Commission elected other Commissioners. Elected President and Commissioners as a single body shall be accepted by the European Parliament. If the European Parliament gives its consent on the proposed composition of the Commission, the President and Commissioners shall be completely nominated by governments of the Members States by agreement among themselves [10]. Amendments were also made on the term of powers and general number of Commissioners. Pursuant to the Treaty of the EU the President and Commissioners of the Commission shall be elected on the five-years term and the total number shall be seventeen members.

The Amsterdam Treaty, which came into force on the 1st of May 1999, has increased supervisory powers of the European Parliament by granting to it the right to approve the President of the Commission elected by the member states [8]. During the Amsterdam conference members states did not alter the total number of Commissioners. Nevertheless, member states concluded the Protocol on the institutions with the prospect of enlargement of the European Union, where it was specified that the Commission shall comprise one national of each of the Member States.

The Treaty of Nice, which entered into force on the 1st of February 2003, also made significant amendments regarding the election and nomination procedure of the members of the Commission. In such a way, the European Council, acting by a qualified majority, shall nominate the President of the Commission. This nomination shall be approved by the European Parliament. After that, the European Council, acting by a qualified majority and by the common accord with the nominee for President, shall adopt the list of other persons whom it intends to appoint as Members of the Commission. Finally, the President and the other Members of the Commission thus nominated shall be subject as a body to a vote of approval by the European Parliament. After approval by the European Parliament, the President and the other Members of the Commission shall be appointed by the Council of the EU, acting by a qualified majority [9].

When the Lisbon Treaty came into force on the 1st of December 2009 the election and nomination procedure of Commissioners and the President of the Commission of the EU was subject to the fundamental changes and suffered from the political impact. According to para. 7 Art. 17 of the TEU taking into account the elections to the European Parliament, after having held the appropriate consultations, the European Council, acting by a qualified majority, shall propose to the European Parliament a candidate for President of the Commission. This candidate shall be elected by the European Parliament by a majority of its component members. If the candidate obtained required number of votes, the Council of the EU, by common accord with the President-elect, shall adopt the list of the other persons whom it proposes for appointment as members of the Commission. Then, the President of the Commission with other members shall be subject as a body to a vote of consent by the European Parliament. On the basis of this consent the Commission shall be appointed by the European Council, acting by a qualified majority [2]. The Lisbon Treaty also made changes on the total number of Commissioners. In accordance with para. 5 Art. 17 of the TFEU as from 1st November 2014, the Commission shall consist of a number of members,

including its President and the High Representative of the Union for Foreign Affairs and Security Policy, corresponding to two thirds of the number of Member States, unless the European Council, acting unanimously, decides to alter this number. Nevertheless, the European Council by its decision on 22 of May 2013 adopted a decision by which the number of members of the Commission of the EU shall be equal with the number of members states [3].

In such a way, from the date of entering into force of the Treaty of Lisbon, the election and nomination procedure of Commissioners and the President of the Commission of the EU became both more complicated and bureaucratized as well as politicized. This phenomenon may be traced in the TEU where imperative provision on the obligation of the European Council to take into account the last the elections to the European Parliament when the nomination of the President of the EU Commission is at stake.

Influence of the European Parliament on the Commission of the EU also may be tracked in the ordinary legislative procedure. It often happens that both European Parliament ask the European Commission to present proposals or amend proposals on specific dates, or even suggesting the content of such proposals [Ponzano, Hermanin, Corona, 2012: 36-37]. This right of the European Parliament is specified in Art. 225 of the TFEU. Such practice in certain circumstances prejudices impartiality and objectivity of the Commission's legislative proposals. Despite the fact that the Commission of the EU has the monopoly right of legislative initiative, in some cases the Commission of the EU is obliged to initiate draft legislation within the time limits or with the certain content determined by the European Parliament.

Legal determination and recognition of the European Council in official capacity of one of the EU institutions also play an important role. In accordance with provisions of the Founding Treaties, the decision-making process, predominately has tripartite character. The main actors are Commission of the EU, European Parliament and the Council of the EU. In spite of the fact that the Commission of the EU has the monopoly right of legislative initiative, in most areas the actual ground for proposing legislative initiatives is political willpower of the European Council [Scoutheete, 2011]. It is also possible to draw a conclusion that there is a likelihood of the impact of heads of states and governments who acts in the European Council on the Commission of the EU. The European Council has recently become a formal EU institution, so that it is not only providing 'general guidelines', now it defines detailed policy programmes that then have to be 'implemented' by the other institutions inter alia by the Commission of the EU [Bauer, Ege, 2012: 4]. In this respect the Commission of the EU partially loses its positions regarding the monopoly right of legislative initiative.

Summarizing, from the date of entering into force of the Lisbon Treaty the election and nomination procedure of Commissioners and the President of the Commission of the EU underwent significant changes, which provided the European Parliament and the European Council with the opportunity to influence on the functioning, election and nomination procedure of the Commission of the EU as a whole.

The phenomenon of "politicization" of the Commission of the EU is not only a new one but also plays an important role in making an objective assessment regarding the place of the Commission of the EU within the institutional system of the EU. At the current moment scholars have not made a generally recognized definition of this phenomenon despite the vast number of such attempts. Thus, "politicization" may be determined as "the substitution of bureaucratic neutrality by introducing political considerations into the human resource management and direct behavior of civil servants" [Bauer, Ege, 2012: 2]. P. de Wilde considers that "this is the process, that made things be a part of the policy" [Wilde, 2012]. "Politicization" also may be specified as "the process where political actors use administration for their personal gain instead of serving the people's interest [23, p. 4]. Arie Reich characterizes the phenomenon of politicization as "situation, where actions are taken for purposes unrelated or inadequately related to the goals and functions of the particular international organization, but rather stem from the geopolitical goals and strategies of a particular member state or group of member states" [Reich, 2005: 784].

Taking into account the mentioned-above definitions, in our opinion the phenomenon “politicization of the Commission of the EU” may be defined in the following way: an active role and highness impact of political actors and institutions on the election and nomination procedure of members of the Commission of the European Union, as well as on its functioning as one of the leading institutions of the European Union, simultaneously with the usage of this influence in order to satisfy their own political interests and needs. The most important issue through the lens of the process of “politicization of the Commission of the EU” was and is its procedural documentation in the legal acts of the European Union which would help to get it from the political shadow and take it to the sphere of legal transparency.

The process of politicization of the Commission of the EU may cause both positive and negative consequences. From the one hand, the politicization of the Commission of the EU may have positive consequences because it promotes openness of the historically bureaucratized institution of the EU and increases democratic impact on it. Politicization also plays an important role in solving the problem of “democratic deficit” which emerged in the beginning of the 1990’s. The fact of granting to the European Parliament the wide terms of reference concerning the Commission of the EU provides citizen of the EU with the opportunity to exercise indirect control over its composition and actions by directly elected members of the European Parliament [Ortega, 2014].

In addition, alterations made by the Lisbon Treaty on the election and nomination procedure of the President and Commissioners of the Commission of the EU abate influence of the European Council on the functioning of other institutions of the EU and the EU as a whole. In such a way, these alterations strengthened positions of the European Parliament in relation to the historically strong European Council. It helped to lessen the disbalance of powers within the interinstitutional relationships. It also strengthened the status of supranational institutions such as the European Parliament in relation to the intergovernmental ones, inter alia the European Council. The main goals of such alterations were to return the sovereignty to the citizens of the EU and gradually balance the excessive powers of the European Council by the democratically elected European Parliament [Castaldi, 2013: 9].

From the other hand, politicization of the Commission of the EU may cause the negative influence on its independence and impartiality during the process of making significant decisions. For instance, the high degree of “politicization” of the Commission of the EU may prevent it from maintaining the due supervision of Union law under the control of the Court of Justice of the European Union. Moreover, very “politicized” Commission of the EU would not comply with the principles of “complete independence” in accordance with Art. 17 of the TEU. Consequently, the situation may occur when a newly elected President of the Commission of the EU who before the election was one of the members of a political party will impose sanctions regarding national governments that are related to another political power. Such decisions cannot be considered to be impartial and objective. The Commission of the EU has obtained new powers as a result of the euro crisis – but to exercise them effectively, it needs to act as referee in the political game, not as captain of one of the teams [Grabbe, Lehne, 2013: 2].

In our opinion the main problem of “politicization” of the Commission of the EU is a likelihood of disruption of the founding principles on which the EU has been set up. First of all, it relates to the principles that are connected with the theory of functionalism which emphasizes the importance of such principles in the achievement of the international order on the basis of nonpolitical international organizations dealing with specific economic, social, technical, or humanitarian functions [Reich, 2005: 783]. It implies that economic, social and technical spheres shall be explicitly separated from the political one.

The proper functioning of the Commission of the EU may only be attained through the compliance with the mentioned-above principles of the theory of functionalism. To sum up, “politicization” of the Commission of the EU poses a threat to the serious disfunction of both the Commission of the EU and of the founding principles of the EU.

Conclusions. The Commission of the EU is one of seven main institutions of the European Union. According to the provisions of the Treaty of European Union the Commission shall promote general interest of the Union and take appropriate initiatives to that end. Consequently, this institution in itself shall be independent, impartial and objective. However, the comparative analysis of the Founding Treaties which came into force during the last thirty years has shown that starting from the 1990's simultaneously with politicization processes within the European Communities and then in the European Union, the facts of strengthening of the political impact on the Commission of the EU especially in the course of the election and nomination procedure of Commissioners and President of the Commission of the EU and on its functioning as an institution may be observed.

Within the scientific literature it is impossible to find a generally recognized definition of the term "politicization of the Commission of the EU". Taking into account various definitions of "politicization" it is possible to give the following definition of the phenomenon "politicization of the Commission of the EU": an active role and highness impact of political actors and institutions on the election and nomination procedure of members of the Commission of the European Union, as well as on its functioning as one of the leading institutions of the European Union, simultaneously with the usage of this influence in order to satisfy their own political interests and needs.

"Politicization" of the Commission of the EU may cause both positive and negative consequences. The positive aspect of it is the expansion of transparency and openness in the activity of the main bureaucratized institution of the EU.

The negative aspect of "politicization" of the Commission of the EU is a likelihood of influence on its independence and impartiality during the decision-making process.

In our opinion, gradual extension of "politicization" of the Commission of the EU may cause erosion of founding principles on which the EU has been set up. First of all, those that are connected to the theory of functionalism and envisage clear separation of economic, social and technical spheres from the political one.

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**ОСОБЛИВОСТІ РОЗВИТКУ
СВІТОВОГО ГОСПОДАРСТВА ТА МЕН**

УДК 330.341.1

**COMPETITIVENESS OF THE UKRAINIAN ECONOMY: THE
INNOVATION DIMENSION**

**КОНКУРЕНТОЗДАТНІСТЬ ЕКОНОМІКИ УКРАЇНИ: ІННОВАЦІЙНА
СФЕРА**

**КОНКУРЕНТОСПОСОБНОСТЬ ЕКОНОМИКИ УКРАИНЫ:
ИННОВАЦИОННАЯ СФЕРА**

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Abstract. *The purpose of research is to analyze the level and innovation potential of Ukraine's economics. In the current world economy, the innovation dimension is becoming essential for boosting the country's competitiveness. Development of competitive high-tech industries and manufacturing facilities; a strong national innovation system; availability of effective internal and institutional mechanisms, as well as external tools for involving countries into 'the knowledge society': all these factors contribute most to the nation's economic success in the global environment.*

Keywords: *competitiveness, innovation, Association Agreement between Ukraine and the EU, Global Competitiveness Index, national innovation system, digitalisation of the economy*

Анотація. *Метою дослідження є аналіз рівня і інноваційного потенціалу економіки України. У сучасній світовій економіці інноваційний аспект стає важливим для підвищення конкурентоспроможності країни, розвитку конкурентоспроможних високотехнологічних галузей та виробничих потужностей. До факторів, що сприяють економічному успіху країни в глобальному середовищі відносяться: потужна національна інноваційна система, наявність ефективних внутрішніх та інституційних механізмів, а також зовнішніх інструментів для залучення країн до «суспільства знань».*

Ключові слова: *конкурентоспроможність, інновації, Угода про асоціацію між Україною та ЄС, Глобальний індекс конкурентоспроможності, національна інноваційна система, цифровізація економіки.*

Аннотация. *Целью данного исследования является анализ уровня и инновационного потенциала Украины. В современной мировой экономике инновационный аспект становится важным для повышения конкурентоспособности страны, развития конкурентоспособных высокотехнологических отраслей и производственных мощностей. К факторам, способствующим экономическому успеху страны в глобальной среде относятся: мощная национальная инновационная система, наличие эффективных внутренних и институциональных механизмов, а также внешних инструментов для привлечения стран к «обществу знаний»*

Ключевые слова: *конкурентоспособность, инновации, Соглашение об ассоциации между Украиной и ЕС, Индекс глобальной конкурентоспособности, национальная инновационная система, цифровизация экономики.*

Introduction. In the context of globalisation, the competitiveness of the national economy may be fostered by successful transition from the developmental model, based on the exploitation of resources, to the innovation model, where the priorities lie in the development of high-tech industries, excellent human capital, and the latest management methods. However, the efficiency of transition to the innovation-driven model depends on the effectiveness of involving available human capital in the creation of innovation, the readiness of society, country, government, employers, and communities to accept these systemic innovations based on the need to update and retrain professional skills and competences, and continuously apply them under the conditions of dynamic technological changes.

The purpose of research is to analyse the competitiveness of the Ukrainian economy in its current state; to identify the place of the innovation factor in the system of its main determinants; and to justify the choice of a strategy, methods and means for a more comprehensive inclusion of national innovation potential as a driver for boosting international competitiveness of leading industries and regions of Ukraine.

Recent literature review. Scholarly studies of economic competitiveness were initiated and advanced by J. Hart, E. Heckscher, P. Krugman, S. Linder, B. Ohlin, M. Porter, D. Sax, L. Summers, and others. The issue has also been reflected in the works of scholars from the post-soviet states: O. Bilous, R. Fatkhutdinov, B. Inozemtsev, D. Lukyanenko, S. Menshykov, I. Spyrydonov, S. Sokolenko, , T. Tsygankova, Y. Yakovets, Y. Zhalilo, and others.

The development of the Ukrainian national competitiveness strategy in the context of globalisation has been studied by O. Amosha, V. Aleksandrova, Y. Bazhal, O. Bolkhovitinova, V. L. Fedulova, Gejets, A. Danylenko, V. Semynozhenko, V. Sidenko, L. Shynkaruk. Currently, such

issues as the innovation dimension of the Ukrainian economy competitiveness, the search of effective institutional forms, as well as the elaboration of internal and external mechanisms for incorporating the innovation component into the national competitiveness development strategy, call for a more comprehensive analysis.

Main research result. *Today, innovation determines both the level of national economic development and the growth rate of a country's competitiveness.* However, the current state of the Ukrainian economy is characterised by insufficient funding and poor investment strategy in the high-tech sector and predominance of the third and fourth technological paradigms in the industry structure. The investment into the fifth wave industries amounts to mere 4.5%, while almost 75% of all investments are channelled into the low-efficiency industries of the third technological wave. The proper conditions for the country's innovation development – which, according to the world practice, is the key contributing factor to the growth of a country's competitiveness – have not been created yet. Current development of the world economy is characterised by increased intellectualisation of labour and sophistication of the means of production, which allows to create new competitive high quality goods and services with high added value. Knowledge and its bearers — the intellectual capital of a country — are the crucial elements in the production of such goods and services. Hence, the knowledge economy is the only viable strategic direction for the development of both society and the country. The biggest challenge for Ukraine today is to transform its obsolete resource-based economy into the modern knowledge-based one. The development and support of national high-tech industries is a part of the long-term process of building a competitive innovation economy — the economy based on commercialisation of knowledge. [Стратегія розвитку високотехнологічних галузей до 2025 року; 1]

Cross-country comparisons based on global indices provide an effective tool for identifying the current state of the Ukrainian national competitiveness in the context of the growing role of the knowledge economy and the impact of the innovation component on the economy competitiveness. The World Economic Forum held annually in Davos, Switzerland is a major event aimed at, among other objectives, highlighting the competitiveness of individual countries.

The Global Competitiveness Index is comprised of more than 100 variables grouped in twelve control values ('Institutions', 'Infrastructure', 'Macroeconomic environment', 'Health and primary education', 'Higher education and training', 'Goods market efficiency', 'Labour market efficiency', 'Financial market development', 'Technological readiness', 'Market size', 'Business sophistication', and 'Innovation potential') that, in turn, are divided into three main groups of sub-indexes: 'Basic requirements', 'Efficiency enhancers', and 'Innovation and sophistication factors'.

In 2017, Ukraine ranks 81st among 137 countries of the world, improving its position by four points. Yet, in 2017 Index, Ukraine loses nine points in the innovation component, while in the infrastructure component the country goes down by three points and in higher education and training it slides by two points.

Table 1.

The position of Ukraine and some other countries, according to the Global Competitiveness Index

The position of Ukraine and some other countries, according to the Global Competitiveness Index	2012–2013 (out of 144)	2013–2014 (out of 148)	2014–2015 (out of 144)	2015–2016 (out of 140)	2016–2017 (out of 138)	2017–2018 (out of 137)
Ukraine	73	84	76	79	85	81
Georgia	77	72	69	66	59	67
Turkey	43	44	45	51	55	53
Russia	67	64	53	45	43	38
Poland	41	42	43	41	36	39

Source: Economic discussion club; Position of Ukraine in rating of the worldwide cities by global competitiveness index; [2].

Table 2.

The Global Competitiveness Index of Ukraine

The Global Competitiveness Index of Ukraine	2015–2016 (out of 140)	2016–2017 (out of 138)	2017–2018 (out of 137)		Trend (10 latest studies)
	Rating position			Score	
	79	85	81	4,1	
Basic requirements	101	102	96	4,2	
Institutions	130	129	118	3,2	
Infrastructure	69	75	78	3,9	
Macroeconomic environment	134	128	121	3,5	
Health and primary education	45	54	53	6,0	
Efficiency enhancers	65	74	70	4,1	
Higher education and training	34	33	35	5,1	
Goods market efficiency	106	108	101	4,1	
Labour market efficiency	56	73	86	4,0	
Financial market development	121	130	120	3,1	
Technological readiness	86	85	81	3,8	
Market size	45	47	47	4,5	
Innovation and sophistication factors	72	73	77	3,5	
Business sophistication	91	98	90	3,7	
Innovations	54	52	61	3,4	

Source: Economic discussion club; Position of Ukraine in rating of the worldwide cities by global competitiveness index; [2].

In 2018, according to the Global Competitiveness Report published by the World Economic Forum, Ukraine gets 57.03 points out of 100, which corresponds to the 83rd place among **1401** countries of the world. From 2007 to 2018, the Competitiveness Index of Ukraine averages to 12.60 points, reaching its maximal value of 57.03 points in 2018 and hitting the record low rate of 3.90 points in 2011. [Trading economics; 3]

In 2018, the World Economic Forum introduced a new methodology to its Global Competitiveness Report intended to include the concept of the Fourth Industrial Revolution into the definition of competitiveness by complementing the assessment of competitiveness with such components as ‘Enabling environment’, ‘Human capital’, ‘Markets’, and ‘Innovation ecosystem’ comprised of the same values. In 2018, Ukraine was ranked as follows:

1. Enabling environment:

- institutions - rank 110, value — 46,3 points;
- infrastructure - rank 57, value — 70,1 points;
- use of ICT - rank 77, value — 51 points;
- macroeconomic stability - rank 131, value — 56 points.

2. Human capital:

- health - rank 94, value — 72 points;

- professional skills - rank 46, value — 69 points.

3. Markets:

- goods market - rank 73, value — 55.3 points;
- labour market - rank 66, value — 59 points;
- financial system - rank 117, value — 49 points;
- market size - rank 47, value — 63 points.

4. Innovation ecosystem:

- business dynamics - rank 86, value — 58 points;
- innovation skills - rank 58, value — 39 points. [4]

Thus, innovations, if they reach appropriate markets and help generate commercially viable incomes, become a powerful force that drives economic efficiency. All the world economies, regardless of their stage of development, could respond to the challenges of the Fourth Industrial Revolution by exploiting the opportunities of innovation. The Global Competitiveness Index suggests a wider approach based on three principles: firstly, the country's ability to innovate depends on the quality and size of its innovation ecosystem; secondly, it is considered that innovation is a process where ideas can turn into successful products; and thirdly, innovations occur everywhere, not only in laboratories, and their results take many shapes, from production of goods and services to the creation of new business models for companies and organisations.

The Global Innovation Index is a global study undertaken by the INSEAD School of Business, Cornell University, and the World Intellectual Property Organization. The purpose of this study is to analyse the level of integration of innovations in institutions, education, infrastructure, and businesses, and to present the findings in a corresponding ranking. This year, 126 countries have been included in the ranking. Ukraine demonstrates relatively high innovation rate in human capital (education) and research (43rd rank), and business sophistication (46th rank). At the same time, institutions and infrastructure still demonstrate the lowest results (107th and 89th place accordingly)[Happy Monday talks; 5]. In 2017, Ukraine ranked 50th in Global Innovation Index. By index components, Ukraine held the following positions: institutions — 107th, human capital and research – 43rd, infrastructure — 89th, market sophistication— 89th, business sophistication — 49th, knowledge and technology output — 27th, creative output – 45th [Global innovation index; 6]. This leads to a conclusion that the country's absolute values remain almost unchanged, although the country's closest competitors are demonstrating much higher innovation potential. According to the Index, the causes of Ukraine's economic problems may be explained by the political instability and the weakness of financial markets and state institutions. Low student mobility rates, small spending on research and very limited investment into knowledge-efficient industries are drawing attention and raising concerns. Ukraine's strengths include high rate of tertiary enrolment, ease of getting a credit and ease of starting a business. [Management of future consulting group; 7]

According to the 2017 A. T. Kearney Global Services Location Index, Ukraine ranks 23rd in the global competitiveness ranking of outsourcing in the IT industry. [Indre Vareikite; 9] The assessment is made on the basis of factors that create the enabling environment and enhance the competitiveness of the IT industry. These factors include financial attractiveness where Ukraine scores 3.23, people skills and availability (score 1.14), and business environment (score 0.93).

Since the declaration of Ukraine's Independence, its research and innovation industry has experienced various cuts, especially in terms of total expenditure on R&D as a share of GDP, and in terms of the number of institutions and research staff. The current situation is characterised by

limited government funding for the industry and the economic structure that does not rely on research and development. However, the competitiveness of a country directly depends on its paying attention to the innovation development, stimulating the development of national innovation system and efficiently utilising the tools of regional cooperation. For Ukraine, a major priority of international scientific cooperation is the country's integration to the European Research Area (ERA). This integration is facilitated by multilateral and bilateral cooperation agreements with the EU and its member states. [Indre Vareikite; 9]

In 2002, Ukraine and the EU signed an agreement on cooperation in the areas of scientific research and technology advancement. There are several programmes of the EU aimed at the cooperation of the European Union with Ukraine for research and innovation: FP7 — the Seventh Framework Programme for Research and Innovation, Horizon 2020 — Framework Programme for Research and Innovation, Erasmus Mundus, Tempus, Jean Monnet programmes under the Lifelong Learning Programme, INSC, and INOGATE. The two latter programmes are funded through the European Neighbourhood Instrument (ENI). Cross-border cooperation programmes are funded by ENI, and the programme for Central Europe is a part of the European programme for cross-regional cooperation.

Ukrainian national priorities in the field of science and technology are stipulated in its legal documents. Presently, the national priorities are defined in the Law of Ukraine 'On priority directions of development of science and technology' (2001) that defines the following directions as important for science and technology development until 2020:

- fundamental research of the most important problems of development of scientific, technical, social and economic, social and political, human potential for ensuring competitiveness of Ukraine in the world and sustainable development of society and the state;
- information and communication technologies;
- power and energy efficiency;
- rational environmental management;
- life sciences, new technologies for the treatment and prevention of the most widespread diseases;
- new substances and materials.

These directions are specified in the law of Ukraine 'On the Priority Directions of Innovation Activity in Ukraine' (2011) [Project of digital agenda of Ukraine 2020; 10]

The integration into the European Research Area (ERA) is one of the main priorities of international cooperation of Ukraine in the field of R&D. It is facilitated by multilateral and bilateral cooperation with the EU and its member states. Overall, Ukraine, the EU member states, and associate members of Horizon 2020 have signed 25 active intergovernmental treaties for cooperation in the field of R&D. On 20 March 2015, Ukraine joined Horizon 2020 programme as an associated member and this marked an important step in the Ukraine–EU cooperation in the area of research, technology, and innovation. Moreover, in 2016 Ukraine signed a participation treaty in the EuroAtom programme. Such course of events demonstrates the political will of Ukraine for the future EU membership. The inclusion into the Horizon 2020 programme became the first instance of associate participation of Ukraine in the EU programmes. The success rate (successful applications or participation in applications) of Ukrainian researches in the Seventh European Framework Programme for Research and Technical Development is 19.5 %. Within FP7 programme, Ukraine has signed 155 grant contracts, 215 Ukrainian participants are involved in the implementation of projects that received 30.9 ml euro of European financing. Ukraine ranks 7th among the countries of the third world participating in the Seventh European Framework Programme for Research and Technical Development (FP7), both for the number of participants

and budget share. It has demonstrated good performance (considering the number of signed grant contracts) in the fields of environment protection (16), transport (15), INCO international cooperation (15), Marie Skłodowska-Curie actions (15), and nanotechnologies (13 contracts).

At the same time, while researching the issue of innovation dimension of the country's competitiveness, we believe it is important to emphasise the need for the 'digitalisation' of the Ukrainian economy. Digitalisation is known to contribute to efficiency enhancement, economic growth, creation of new workplaces, and potential improvement of the quality of living of Ukrainians. The digital economy operates within the same categories as the traditional economy, i.e. capital, resources, and people. The driving force of the digital economy is human capital that comprises knowledge, talents, skills, abilities, experience, and people's intelligence. [Project of digital agenda of Ukraine 2020; 10]

The rapid spread of digital technologies makes our digital skills prime to many other skills. The impact becomes possible with the integration of ideas, initiatives and programmes that deal with digitalisation, in national and regional strategies and programmes of development. The key purpose of this principle is to achieve the digital transformation of existing fields of economy, activities, and new properties and features. The digitalisation of Ukraine must be focused on the international, European, and regional cooperation with the aim of Ukraine's integration into the EU. It is the digitalisation that might eventually help Ukraine to integrate into the European and global systems in the area of information and communication technologies.

Presently, the key trends of digitalisation are as follows:

- Data is becoming the main source of competitiveness. It can be accessed through the Internet or other networks. An increasingly sizable share of the world data is open.
- The development of the Internet of things, i.e. the network comprised of the interconnected physical objects (or goods) or devices with built-in sensors and software that enables connecting physical objects with the computer systems and networks, including the Internet. [Project of digital agenda of Ukraine 2020; 10]

'Digitalisation' and digital transformation. Digital technology has become a foundation for the creation of products, values, properties, and, consequently, contribute to the competitive advantage in most of the markets. Such transformation leads to the emergence of new, unique systems and processes that comprise their new value (for example, Uber, Airbnb, digital banking, etc). The majority of common activities tend to undergo a digital transformation. Transformations in the industry occur consistently with the 'Industry 4.0' concept and with the advent of cyber-factories, cyber-systems, and cyber-machines. Digitalisation and the possibilities of outsourcing of the development of new products and business services, production and quick prototyping allows small companies and project teams create new products and quickly bring them on the market at the same pace as that of big companies. As a result, the 'innovation centres' have shifted from big companies to the small ones (e.g. start-ups).

Distribution of the 'sharing economy' business model. The business models of the 'sharing economy', based on the digital technologies, have significantly influenced the world economy. Globalisation of major markets (vendors and consumers) and replacement of manual processes by software-controlled systems allows local companies to do their business in a more cost-effective, convenient, and efficient way on regional and global markets. Cloud technology is also part of this trend.

Virtualisation of the physical infrastructure if IT-systems and transition to the service models. Using cloud technologies and software-defined architecture, virtualisation greatly reduces the initial capital costs for the deployment of required digital infrastructure. This technology allows renting computational capabilities and services, depending on the needs of a particular business process. A user can quickly access the service and securely rent out the technological platforms for the time required. [Project of digital agenda of Ukraine 2020; 10] An important strategic direction to enhance the competitiveness of Ukrainian economy consists in making sure that Ukraine joins the global Industry 4.0 process — a renewed concept of the 'smart factory', synonymous to the

Fourth Industrial Revolution and the advent of cyber systems. 'Industry' means a new stage of digitalisation where technologies such as Big Data analytics, predictive analytics, machine learning, machine-to-machine communication, artificial intelligence, new generation of robots, and others, become prominent. Due to gradual cheapening, these technologies become accessible, i.e. they start being used more frequently by industries and businesses, which eventually transforms the existing business models or simply creates the new ones. This increases the competitiveness of industries, stimulates the domestic market, helps maintain and increase the positions in the sectors with high value added on the national and, in some cases, on the global levels. Yet, this is only an opportunity to gain the appropriate knowledge, expert examination, and consultation in this new field. Apart from information and knowledge work, Ukrainian political elite, state institutions and businesses must develop integrated initiatives aimed at effective implementation of the 'Industry 4.0' potential in Ukraine. Today, the Ukrainian IT industry is involved into the execution of international integrated projects through the following business practices [Project of digital agenda of Ukraine 2020; 10]:

- 'digital transformation', integrated digital transformation of business, i.e. the use of innovation technologies for achieving the effect of strategic change and business processes of a company, resulting in the drastic enhancement of the business efficiency and achieving the competitive benefits by transforming the structure, including such practices as IoT, Big Data, augmented intelligence, etc;
- 'digitalisation' of the customer interaction system, i.e. formation of adaptive operational models based on the study of consumer behaviour, according to the data collected;
- Big Data and advanced analytics, i.e. new concepts of collection, processing and interpretation of analytical data, using IoT and artificial intelligence;
- R&D, i.e. development of principally new algorithms that require research and development of complex technological concepts;
- advice on software development and management practices of software development projects;
- IT-infrastructure management;
- software development, implementation, and maintenance;
- customised software development;
- software quality assurance, development of automated and manual testing scripts in order to ensure that the tested software meets its objectives.

The document (p. 53–55) defines the basic strategic technologies for the public sector of Ukraine: the Digital Workplace, Multichannel Delivery of Information and Citizens Engagement, Open Data, Electronic ID, Widespread Analytics, Smart Machines and Tools, the Internet of Things, Digital Public Platform, Software -Defined Architectures, and Blockchain. In 2018, Ukraine is mainly a consumer of foreign high-tech devices and products. Digital technologies, especially at the periphery with other high-tech industries, have a colossal developmental potential and represent a source of the future research and applied discoveries and advancements. Such digital trends as the Internet of Things, Big Data analytics, and Industry 4.0 will have provided a great space for researchers, innovators, and developers for at least the forthcoming 15 to 20 years. The implementation of Ukrainian science for the new digital devices, creation of new technologies and systems can significantly impact the economy, domestic market, and the establishment of the modern innovation infrastructure as an important factor of enhancing the international competitiveness of the Ukrainian economy. The integration of Ukrainian science in the European

Research Area will contribute to this, since it provides an opportunity for the development of the most promising trends, participation in interdisciplinary cooperation projects that focus on prospective ideas, technologies, and innovations. At the same time, developments in this area need to follow a common strategy involving three components: industry/businesses, research, and the digital sector. [Report. 'Horizon 2020'; 12]

Key steps in this field should include: analysis of research potential and existing innovations; setting up the Technology Transfer Centres; participation in the EU core research programmes in the areas of nano-electronics, organic electronics and photonics; development of the Technology Roadmap for each industry; competition for financing and integration of priority study areas; transparent mechanism of engaging research staff to projects; governmental support and funding for the best researchers and research centres in national and European digital infrastructure projects. The participation of Ukrainian R&D and ICT companies in the EU long-term research projects that have a potential of becoming a source of innovation and discoveries has strategic importance for the country. Such EU projects include Future Emerging Technologies (FET), Future Networks, Future Internet Research and Experimentation (FIRE), and the Brain Research initiative.

The Digital Agenda of Europe in the field of research and ICT innovation [Digital agenda for Europe; 11] defines three directions for joint efforts for the member EU states and other interested countries that engage in building the European Research and Innovation Area:

1. The development of interoperable e-infrastructures for research and innovation clusters in the key areas, the use of cloud computing for government and science, for instance, the development of the GEANT education network and the distributed computing, collection, saving, and data processing system of the European Grid Infrastructure (EGI).
2. Access to data and publications, acquired by government funds, creation of Technology Roadmaps for public-private partnerships (PPP), commercialisation of research products for industry and society.
3. The development of open and interoperable digital solutions for launch and development of innovation ecosystems in industrial sectors, development and implementation of open standards and platforms for new products and services.

In order to catch up with these trends, Ukraine needs to ensure the development of its own research digital infrastructure for the priority directions where high-tech growth is expected. The funding mechanism of fundamental research should combine both budget support and consistent demand for high-tech products from the industry, small and medium-sized business, and the companies of ICT sphere. Institutional and financial consolidation of fundamental research can also be attained in the framework of implementation of international projects and development of infrastructure.

The latest EU initiatives in the field of innovation and ICT include the creation of European Research Area for innovation and society: Open Innovation, Open Science, Open World; creation of the European Cloud Initiative that provides the creation of the European Open Science Cloud and the European Data Infrastructure that shall provide digital services for research, industry, businesses, and governments of the EU countries.

Therefore, key steps for the development of digital research infrastructure of Ukraine shall include the following:

1. Inclusion of the Ukrainian National Grid (UNG) project into the European Grid Infrastructure (EGI) and pilot introduction of the corresponding EGI's cloud infrastructure in the UNG resource centres. The project includes coordination of management system, standards and services with the development programme of the Open Science Cloud and data infrastructure financed by the EU. There is a pressing need to update the UNG infrastructure for connection with the European Data Infrastructure by 2020 when it is planned to run the supercomputers with the capacity of 1–2 exaflops.

2. Scaling up a pilot model to the national cloud initiative, using all UNG clusters and involving digital libraries, archives, medical, ecology, energy and other data systems, including private DCs on the pay-to-use basis. To provide its interoperability with main e-infrastructures of the European Open Science Cloud and the European Data Infrastructure: the United Cloud of EGI, OpenAIRE, EUDAT, Indigo Data Cloud, Helix Nebula — The Science Cloud, PRACE.
3. Creation of digital learning platforms for undergraduate and postgraduate training on the basis of the UNG and EGI potential for research and product innovation, and also for the training of data processing root experts for each discipline. [12] The development and support of high-tech areas represent an inseparable part of innovation dimension of the country's competitiveness. Ukraine's competitive advantages include skilled and experienced human capital (31st place, The Human Capital Report 2015), land resources and 33% of the world's supply of highly fertile black soils (chernozem); geographical location; natural resource base). Still, an effective exploitation of these resources is only possible by transforming the traditional resource-based economy into the innovation knowledge-driven one. That is why it is increasingly relevant to focus on enhancing the knowledge potential of the country's priority industries, using information and communication technologies and intensive implementation of innovations.

In addition to the innovation components that affect the national competitiveness, the efficiency of the Ukrainian companies depends on investment in the updates of equipment, their ability to meet customers' requirements and provide services at attractive prices compared to competition. Economic growth is frequently connected with the achievements in the field of efficiency based on investments and increased effectiveness. But, as noted in the paper entitled 'The summary of innovation activity values in Ukraine', *'Ukraine is not fully integrated into the global value chain, and the studies have indicated that it stays outside of the customer-oriented (e.g., clothes manufacturing) and production-oriented networks, including spare parts and finished products.'* [Report. 'Horizon 2020'; 12]

Major high-tech areas for development in Ukraine include the development of information-telecommunication technologies; the implementation of ICT in AIC, energy industry, transportation, manufacturing industry; high-tech machinery; production of new materials; pharmacy and bioengineering. However, high-tech areas account only for 6% of GDP and 5.5% of export; GDP knowledge intensity (costs of research implementation as a GDP share in Ukraine) is currently at 0.77%. [Strategy on high-tech industry development till 2025; 1]

Globally, after a fall in the period of 2000 to 2007, the share of high-tech products in the world exports had stabilised at the level of 10%. This is characteristic for such developed economies as USA, Germany, and Japan. In Ukraine, the share of high-tech exports amounts to 3% (in 2017, the share high-tech products amounted to only 5.5% of total exports). [Ukrinform; 13] Primary sector goods, materials and intermediate goods with a relatively low technology value dominate the Ukrainian export and reach almost 70%. The AIC production amounts to 41% (USD17.7 bn), metallurgical production — 23.4% (USD10.1 bn), machinery production — 11.7% (USD5 bn), mineral products, etc — 9.1% (USD3.9 bn).

The share of high-tech export of Ukraine is less than 5.5%. On the other hand, the secondary sector (manufacturing and building industries) prevails in industrialised and developed economies [14] and by this indicator, Ukraine falls behind most of the developed countries. Aerospace industry dominates the Ukrainian high-tech export (the average for the period analysed is 36.2%), electronics and telecommunications ranks second (17.7%), non-electronic machinery and armament holds the third place (17.6%). The member states of the Eurasian Economic Union are biggest importers of the Ukrainian high-tech products (over 43% of high-tech export). The Ukrainian share of high-tech exports is lower than the global average and it should be possible to increase the share of high-tech export by attracting investment to projects involving the production of finished high-tech products; strengthening the protection of intellectual propriety rights to foster patent-protected

products; promoting research and business cooperation in order to stimulate the process of innovation. [White book; 15]

An effective transition to the knowledge economy and increased country competitiveness can only be effected by making the changes in the following components:

Economic agenda. Funding of research and product development, introduction of innovation technologies, and upgrade of the industry infrastructure. Currently, the main source of innovation funding (75–85% of total financing) consists of the companies' own funds. Under crisis conditions, driven by the rise of costs on imported spare parts and raw materials and the need for meeting social obligations, companies are forced to reduce funding not only for innovation activities, but also for research and development (R&D). Recently, due to economic fall and increased spending for defence of the country, *state funding of R&D in Ukraine has declined*. At the same time, lack of funding for research can lead to irreversible processes of migration and retraining of personnel, collapse in infrastructure and technical base, etc. In 2016, the share of spending on R&D amounted to 0.48 of GDP of Ukraine. [State statistic agenda; 16]

According to the World Bank estimates, Ukraine ranks 93rd in the economy sub-index, affected by the country's imperfect regulatory and tariff policy.

Innovation and technology infrastructure. Overall tear-and-wear of production facilities and machinery (reaching over 80–90% in some industries) has led to low competitiveness of the country's domestic economy. This results in low efficiency, excessive energy and resource-intensive production and consequently, higher cost and lower added value per product unit. Ukraine ranks 93rd among 127 countries by the level of protection of Intellectual Property Rights. The situation with intellectual property rights represents an important incentive for technology transfer and attracting investment in the high-tech branches;

Education and human capital. Modernization of the system of higher and professional vocational education and improved access to education are fundamentally important element of human capital development;

ICT infrastructure. The obstructive approach of the government to information and communication technologies (ICT) in the period of 2000-2014 has undermined the industry and turned Ukraine into one of the least technologically developed countries in Europe. According to the study, Ukraine is still gradually falling behind the developed countries in the advancement of information society.

The Association Agreement between Ukraine and the EU provides the necessary tools for the successful transformation of innovation in Ukraine. Systemic implementation of the European agenda gives the following opportunities in the areas of research, technology, and innovation [Report from 17 november 2017 year 'Ukraine- EU'; 17]:

- Taking part in the development of EU research and development strategy and agreeing the corresponding national strategy with its principles.
- Introduction of the European principles of independent evaluation of research and its quality assurance.
- Defining priorities in the innovation industries development Ukrainian within ERA in the framework of the Smart Specialization Strategy.
- Alignment of the state-funded targeted research and technology programmes with the programmes of the EU member states, and the creation of International Research Networks.
- Access to up-to-date research and digital EU infrastructure and the creation of national hubs.
- Access to the single marketplace of researchers.
- Access to open data and knowledge in the European Digital Single Market.

- Ensuring the transition from commercialisation of research findings to their joint implementation and exploitation in common innovation ecosystems.

In 2005, Ukraine signed the agreement with the EU on the country's participation in the EU Horizon 2020 programme – Framework Programme for Research and Innovation (2014–2020) [Agreement between Ukraine-EU 'Horizon 2020' 18] – another milestone in the realisation of Association Agreement between Ukraine and the EU. The programme's aim is to achieve the creation of Single European Research Area and Innovation Union. This agreement gives Ukraine the right to participate in its formal structures, including programme committees and the ERA groups, in education and innovation communities of European Innovation Scoreboard, and in the activities of the Joint Research Centre, under the same conditions which apply to the legal entities of the EU member states. The participation in the Horizon 2020 enabled the implementation of a framework agreement on the joint research between the National Academy of Science of Ukraine and JRC, to take part in the development of the Smart Specialization Strategy, and cover those areas where Ukraine can be competitive on the European market. The status of associated country in this programme also gives Ukraine an opportunity to participate in all-European coordination of policies in the area of research and innovation, and to use the tools for knowledge transfer in this field. In 2016, in the framework of one of the Horizon 2020 tools, namely Policy Support Facility (PSF), the European Commission conducted an independent audit of the Ukrainian national policy in the field of research and innovation.

Conclusions. The innovation dimension of the competitiveness of Ukrainian economy calls for transformations in institutional environment with regard to doing business, creation of favourable innovation climate, revitalization of research and development, effective exploitation of up-to-date information and communication technologies, digitalisation of economy, implementation of the Ukraine–EU Association Agreement and Horizon 2020 to ensure that the country catches up with the EU countries by the national innovation system value. [Innovation Ukraine; 19].

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FEATURES OF THE INNOVATIVE FORMS OF INTEGRATION FOR THE ENTREPRENEURIAL UNIVERSITIES

ОСОБЛИВОСТІ ІННОВАЦІЙНИХ ФОРМ ІНТЕГРАЦІЇ ПІДПРИЄМНИЦЬКИХ УНІВЕРСИТЕТІВ

ОСОБЕННОСТИ ИННОВАЦИОННЫХ ФОРМ ИНТЕГРАЦИИ ПРЕДПРИНИМАТЕЛЬСКИХ УНИВЕРСИТЕТОВ

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***Abstract.** The article substantiates the necessity and determination of the prospects for the innovative development of intellectual resources in the conditions of the formation of entrepreneurial-type universities in Ukraine. The process of transformation of the role of intellectual capital in the modern economy is analyzed, the evolution of approaches to the development of universities is studied, the specifics of the formation of entrepreneurial-type universities are defined, and intellectual resources are designated as a factor in the development of modern universities. The possibility of creating a fundamentally integrated structure of a priority technological platform, including a HEI, research institutions and enterprises, an innovative integrated structure, has been determined. Also considered are important innovative forms of integration of science, business and education – clusters and public-private partnerships. The role of the state in supporting the development of interaction between enterprises and scientific and educational organizations has been determined. The article examines the global trends in the development of universities: general patterns and national characteristics, analyzes patterns and prerequisites for the formation of entrepreneurial-type universities in Ukraine, and defines the values of intellectual resources in the formation of entrepreneurial-type universities. The article considers the innovative development of intellectual resources in the context of the formation of entrepreneurial-type universities, identifies promising areas for enhancing the innovative development of intellectual resources. The algorithm for introducing the competence approach to the process of innovative development of intellectual resources for the formation and development of business-type universities in Ukraine is analyzed.*

***Keywords:** entrepreneurial university, innovation, intellectual capital, knowledge transfer, clusters.*

***Анотація.** В статті обґрунтовано необхідність та визначення перспектив інноваційного розвитку інтелектуальних ресурсів в умовах формування університетів підприємницького типу в Україні. Проаналізовано процес трансформації ролі інтелектуального капіталу в умовах сучасної економіки, досліджено еволюцію підходів до розвитку університетів, визначено специфіку формування університетів підприємницького типу, інтелектуальні ресурси позначені як фактор розвитку сучасних університетів.*

Визначено можливість створення принципово нової інтегрованої структури пріоритетної технологічної платформи, що включає ЗВО, науково-дослідні установи і підприємства – інноваційна інтегрована структура. Розглянуто також важливі інноваційні форми інтеграції науки, бізнесу і освіти – кластери та державно-приватні партнерства. Визначено роль держави в підтримці розвитку взаємодії підприємств і науково-освітніх організацій. В статті досліджені глобальні тенденції розвитку університетів: загальні закономірності і національні особливості, проаналізовано закономірності та передумови формування університетів підприємницького типу в Україні, визначено значення інтелектуальних ресурсів у формуванні університетів підприємницького типу. В статті розглянуто інноваційний розвиток інтелектуальних ресурсів в умовах формування університетів підприємницького типу, визначені перспективні напрями активізації інноваційного розвитку інтелектуальних ресурсів. Проаналізовано алгоритм впровадження компетентнісного підходу в процес інноваційного розвитку інтелектуальних ресурсів для формування і розвитку університетів підприємницького типу в Україні.

Ключові слова: підприємницькій університет, інновації, інтелектуальний капітал, трансфер знань, кластери.

Анотація. В статье обоснована необходимость и определение перспектив инновационного развития интеллектуальных ресурсов в условиях формирования университетов предпринимательского типа в Украине. Проанализирован процесс трансформации роли интеллектуального капитала в условиях современной экономики, исследована эволюция подходов к развитию университетов, определена специфика формирования университетов предпринимательского типа, а интеллектуальные ресурсы обозначены как фактор развития современных университетов. Определена возможность создания принципиально новой интегрированной структуры приоритетной технологической платформы, включающей ВУЗы, научно-исследовательские учреждения и предприятия – инновационная интегрированная структура. Рассмотрены также важные инновационные формы интеграции науки, бизнеса и образования – кластеры и государственно-частные партнерства. Определена роль государства в поддержке развития взаимодействия предприятий и научно-образовательных организаций. В статье исследованы глобальные тенденции развития университетов: общие закономерности и национальные особенности, проанализированы закономерности и предпосылки формирования университетов предпринимательского типа в Украине, определены значения интеллектуальных ресурсов в формировании университетов предпринимательского типа. В статье рассмотрено инновационное развитие интеллектуальных ресурсов в условиях формирования университетов предпринимательского типа, определены перспективные направления активизации инновационного развития интеллектуальных ресурсов. Проанализирован алгоритм внедрения компетентностного подхода в процесс инновационного развития интеллектуальных ресурсов для формирования и развития университетов предпринимательского типа в Украине.

Ключевые слова: предпринимательский университет, инновации, интеллектуальный капитал, трансфер знаний, кластеры.

Formulation of the problem. Under the influence of market and globalization processes in the modern Ukrainian economy there is a transformation of the higher education sphere, which is connected to the growing competition of universities, the increasing of their independence and rigid consumer demands. In this regard, the urgency of the formation of business-type universities adapted to the new economic conditions is increasing.

The purpose of the article. The purpose of this study is to substantiate the need and identify the prospects for innovative development of intellectual resources in the conditions of the formation of business-type universities in Ukraine.

Analysis of recent research and publications. Problems of development of higher education institutions (HEI), patterns and tendencies of their modern progress, innovative forms of integration of business universities are investigated by domestic and foreign scientists, in particular: I. Artyomov, B. Clark, H. Etzkowitz, M. Zgurovsky, T. Koroleva, V. Lugovoi, T. Mirzodaeva, O. Romanovsky, V. Smolanka and others.

Outline of the main research material. Current trends in the global economic space reveal a shift of the vector of its development in the direction of innovation. A new type of economy is emerging, that is, an economy where the latest knowledge is the defining resource. And the need to reproduce the latest knowledge in the context of institutional gaps between the development of innovations and their commercialization provokes the creation of innovative structures for the organization of innovative activities, namely the organizational mechanism for multilateral interaction between subjects of the real sector of economy, scientific and educational organizations and public administration, which is implemented different innovative concepts of «universities-enterprises» and «state-universities» and entrepreneurial structures of innovation type, both nationally and internationally.

For example, J. Röpke examines entrepreneurial universities three-way, defining this concept, first, as a higher education institution that performs entrepreneurial functions; secondly, it finds expression in the entrepreneurial activity of university staff and students; third, it means the development of cooperation between higher education institutions and the external environment (in particular the business sector) [Röpke, 2000].

A fundamentally new integrated structure could be a prioritized technology platform, including HEIs, research institutions and enterprises – an innovative integrated structure. Such a structure is defined as «a set of business entities connected to each other by a network system of financial and economic relations aimed aimed to improve the efficiency of participants' innovation activities through optimization of resources» [Харин, 2012]. The role of the state is to support the development of interaction between enterprises and scientific and educational organizations, by creating conditions for expanding the practice of involving higher education institutions in the activities carried out by organizations of the real sector of economy in the field of research, research and development, and technological works, as well as to develop the potential of higher education institutions as research (design, engineering) organizations. The mechanism of integrational interaction is the creation of a research center, which will be the intermediary structure between the patent and the publication. Improving the effectiveness of innovation can also be about creating technology platforms. It is an amalgamation of science, business and education in areas that are of national interest not only in Ukraine but also in other countries. The technology platform, as an innovative integrated structure, is of particular interest in such areas as: information and space technologies, energy, transport, lasers, biotechnology, pharmacy and fine chemistry.

Another innovative form of integration of science, business and education – the form of clusters, which can be divided into: educational and mixed («scientific-educational» and «industrial-educational») should also be noted. Here, the cluster acts as an integration mechanism that ensures the intensive development and social partnership of the organizations that form it. Like all integrated cluster structures, clusters are created to increase the resource base and facilitate access to new technologies, to increase external and internal consumer markets, to integrate the research base and to ensure openness to the use of scientific knowledge. Depending on the shape of the cluster, the core of the cluster may be organizations and enterprises that produce end products or educational institutions [Смолянка, 2015].

Educational clusters involve collaboration between other educational institutions. The nucleus of such a cluster is the university. Collaboration within the educational cluster involves the research activities of the subjects of the educational system both vertically and horizontally. Advantages of cluster creation are exchange of technologies, knowledge, skills development among labor resources, advantages of agglomeration and social infrastructure [Корольова, 2009].

The form of integration of education, the state and business as a public-private partnership should also be mentioned. Public-private partnership is characterized as a union of the state and the

HEI to create a favorable investment climate in order to generate demand for innovation. Such an association involves the construction of a risk-based management mechanism whereby research and development is carried out on the basis of the intellectual capital of the HEI, the investment capital of the state and state property. This requires the active use of public procurement and public procurement tools as a tool for providing state support. In Europe, for example, some forms of integration are the result of state reforms, while others are emerging in order to concentrate research capacity to function effectively in a highly competitive global market and compete with commercial corporations funded by large corporations [Романовський, 2012].

Through the reproduction of intellectual property and labor resources, the potential of intellectual capital of an innovative integrated structure (organizations, enterprises and the state) is increased. In the structure of intellectual capital, researchers distinguish the static part – many objects of intellectual property, production, providing technology, and the dynamic part in the form of specialists, ensuring its development. The potentials of the static and dynamic parts are formed in the continuous interaction of asymmetric structures: education, science and production systems based on the principle of asymmetry. In order to carry out research-intensive research and development, it is necessary that the potential of the dynamic part of the intellectual capital of an innovative organization exceeds its static potential.

As an integrated form of organization of the system of education and business should be mentioned the concept of the triple helix of H. Etzkowitz and L. Leidesdorf «university-enterprise-state», which appeared as the intersection of two so-called double helices: «university-enterprise» and «state-universities» [Etzkowitz, 2002]. The concept is based on the transformation, displacement and expansion of priorities in the activities of the members of the association, and on the possibility of effective mutual exchanges of functions and results of activities, as well as, within the framework of the triple helix, their sustainable reproduction [Etzkowitz, 2000 a]. Thus, according to H. Etzkowitz, the traditional regulatory and guiding role of the state is expanding somewhat, since, by creating funds for financing innovative business, the state fulfills the role of business [Etzkowitz, 2007]. Business structures, by providing educational services and improving curricula, perform the functions of the education system. Universities, by creating innovative companies such as business incubators, techno parks, business centers, and so on, to commercialize knowledge and increase extra-budgetary income, as well as through paid educational services (educational entrepreneur), begin to fulfill the role of business, the role of entrepreneurship. In the triple helix model, a balance of interests is achieved and cooperation is developed which develops in the most effective direction. H. Etzkowitz views the triple helix not only as a collaboration of three institutional forms, but also as an interaction of three spaces: a space of knowledge, a space of agreement and a space of innovation [Etzkowitz, 2008]. The knowledge space is an existing intellectual potential (intellectual property objects, publications, and so on) capable of generating knowledge. The space of consent implies cooperation between different institutional spheres in order to identify competitive advantages, strengths and weaknesses of the region and formulate directions for development. It can be embodied in the form of newly created firms (venture, consulting). Innovation space is the creation of a new kind of organization for the implementation of an innovative project using the resources (financial, technological, intellectual) of all institutional actors [Etzkowitz, 2005].

In these circumstances, classical universities are being transformed into entrepreneurial universities, which play a leading role in the triple helix model.

The problems of forming a business university were first considered by B. Clark in the work «Creating a business university: organizational directions of transformation». Analyzing over the past ten years the activities of the EWF Twente (Netherlands), Warwick (UK), Chalmers (Sweden), Strathclyde (Scotland), Joensuu (Finland), B. Clark has identified their transformation in the direction of active entrepreneurial activity. B. Clark defines an entrepreneurial university as a university ready to «take risks when developing new practices, the outcome of which is unclear» [Clark, 2008]. From the standpoint of the researcher, the University of Entrepreneurship has a significant difference from the classical university – it is a willingness to commercialize the

generation and dissemination of knowledge. From the perspective of Joule Ropke, the distinctive features of an entrepreneurial university should be: the entrepreneurial behavior of the organization, the entrepreneurial behavior of teachers, students, staff, as well as the structural interaction of the entrepreneurial university and the region. This is why the University of Business should be open to organizational change and the introduction of innovative ideas.

Forming such traits requires active work on adapting employees to changes in HEI, developing entrepreneurial thinking and involving most employees in the process of generating innovative ideas and making management decisions. Entrepreneurial values should become fundamental to both the teaching staff and students involved in project implementation. According to B. Clark, HEI, marking the task of transforming into a business-type university, should carry out deliberate actions to reorganize the structure and reorient its philosophy of activity to the position of entrepreneurship [Clark, 2008]. Another way of forming an entrepreneurial university is to create the conditions that are most conducive to developing initiative for teachers and students to create innovative companies.

Their leading position is explained by the fact that universities unite in their education system all major branches of science and, therefore, have the greatest intellectual potential. Within entrepreneurial universities, teaching, research and entrepreneurship combine to generate revenue through commercialization of innovation. As teachers and students are involved in the entrepreneurial activity of the university within the framework of an innovative business structure, there is an accelerated implementation of the latest applied knowledge in the educational process. The formation of new knowledge and their capitalization ensure the accelerated development of intellectual resources and, as a consequence, innovative activity. Thus, business universities carry out not only the classical functions of HEI: educational, research, intellectual, supplementary and continuing education, cultural, economic, social, but also fundamentally new functions: knowledge transfer, generation of scientific ideas, entrepreneurship, investment.

In developed countries universities are given the key role of economic engines in the process of creating new knowledge, transferring it to the non-academic sector and commercializing it. At the same time, universities directly influence the development of an entrepreneurial society, enriching students with appropriate skills and knowledge, so knowledge transfer activities are among the key components of university development. In particular, the structure of the University of Edinburgh has a technology-transfer center, which was created in conjunction with the city hall of the city. This center includes units that deal with the transfer of research results to interested enterprises, marketing research, intellectual property issues, and an incubator of innovative companies, which carries out the final verification of research projects initiated by university professors, search for partners in the field of commercialization projects and more [North, 2008].

Knowledge transfer is designed to ensure the transfer of knowledge, including technology, experience and skills, from the university to external customers – businesses, public and government entities, leading to innovation in the economy and public sphere. It is possible provided that at the highest level the university pursues the traditional areas of activity – research and education.

Generation of scientific ideas is the most important function of an entrepreneurial university. Within the University there is an active research, educational activity, filled with creative ideas of young researchers. Obtaining grants, conducting their own research, experience, participation in conferences and seminars constitute the innovative activity of the HEI, which generates new creative ideas that require careful analysis to form a new innovative area of activity. The realization of the entrepreneurial function implies the creation within the framework of HEI, as well as separate structural units of small innovative enterprises, where in the process of work, through commercialization of ideas students with the participation of teachers and entrepreneurs could gain practical experience of real entrepreneurial activity.

The entrepreneurial university builds its activity in such main areas as: training of innovatively active specialists, production of high-tech ideas, technologies, innovations and their commercialization (capitalization of knowledge). Thus, the Entrepreneurial University carries out

its activity not only in the direction of study, carrying out scientific researches, but also in the direction of attraction to the universities of investments from the state and business, profit from own business activity [Міроздаєва, 2012]. As a result of cooperation with other institutional forms (state and business), the university makes a significant contribution to the socio-cultural development of the region. In their studies, some scholars have found a direct relationship between the capitalization of knowledge and the internal factors of university transformation. Differences in the goals of the members of a tripartite association are overcome within the framework of an entrepreneurial university, which enables the interaction of these different value propositions. The main factor is the scientist. Researchers point out that «before considering the capitalization of knowledge, we must take into account the microstructure of the motivation, norms, potential and resources of the particular scientist involved in the production of innovation». H. Etzkowitz emphasizes the importance of human resources: «without the individual contribution of a scientist, it is impossible to develop a model» [Etzkowitz, 2000 b]. Moreover, as a result of the movement of human resources within the model, as well as being an element of two or three institutional spheres (a combination of teaching and work in a company or successful entrepreneurship) forms, methods, tools of teaching activity are updated and determine a significant increase in knowledge. At the same time even at the most entrepreneurial universities only a relatively small percentage of the faculty are interested in becoming directly involved in technology transfer [Etzkowitz, 2010].

Therefore, it is quite obvious that classical universities are undergoing significant changes and are gradually being transformed into entrepreneurial (innovative, research), which determines the formation of new structures of organization of innovative activity. This, for example, an innovative integrated structure (technology platforms) includes: HEIs, research institutions and enterprises; the triple helix model includes: university, enterprise, state. Universities play a major role here [Луговий, 2012].

Within the framework of entrepreneurial universities, competitive scientific groups are formed, which, through modern innovative structures of the entrepreneurial type (centers, laboratories, departments), carry out patent-licensing activity, commercialization of research and development, knowledge transfer. Taking into account scientific and applied research of domestic and foreign scientists, we can distinguish the following principles of activity of business universities: entrepreneurial thinking of teachers, students, staff, their ability to adapt and change; entrepreneurial activity, openness to organizational change and implementation of innovative ideas; high level of scientific research; systematic organizational and economic relations of all members of the association; developing their potential through knowledge gains; integration of different styles and value systems; maintaining a balance of interests.

Entrepreneurial universities do not only carry out the classical functions of HEI: educational, research, intellectual, supplementary and continuing education, cultural, economic, social. In the activity of business universities, fundamentally new functions are added: training of innovatively active specialists, transfer of knowledge, generation of scientific ideas, production of high-tech ideas, technologies, innovations, commercialization (capitalization of knowledge) of development, attraction of investments. The university is a place where thousands and tens of thousands of students come up with new ideas, and these ideas can be successfully commercialized and marketed under favorable conditions [Згуровський, 2011].

It should be noted that in Ukraine there has been a process of changing the classical paradigm of education. There is a need for gradual formation and implementation of the higher education model, which is based on the integration of educational institutions into large educational and scientific-industrial clusters, as a result of which HEIs will gradually begin to acquire entrepreneurial specificity of activity. The higher education institution's innovation system is an organizational and managerial mechanism for developing and implementing innovations to enhance its competitiveness.

After all, foreign and domestic experience shows that solving the problem of building a modern competitive economy and knowledge society requires optimal use of the latest models of innovation processes, an important component of which are research innovation universities [20].

Conclusions. Thus, the modern innovation space is characterized by a variety of forms and structures that unite such institutions of economy as: the state, education, business, science. It is necessary to distinguish such organizational forms and associations of subjects of innovative activity as: technological platforms, clusters, educational clusters, public-private partnership, «knowledge triangle», «triple spiral». The reasons for such integration are the transformation, displacement and expansion of the priorities of functioning of the subjects of innovative activity. The purpose of such an association is to increase the efficiency of innovation activities of its participants and the country as a whole. The main role in all integration structures belongs to the university, as a leading link in the system of generation and commercialization of new knowledge. Universities, by creating innovative companies, such as business incubators, techno parks, business centers, and so on, with the aim of commercializing knowledge and increasing extra-budgetary revenues, as well as providing paid educational services, are beginning to fulfill the role of business, the role of entrepreneurship and are transformed into business universities. This ensures the fulfillment by them of the real tasks of state or entrepreneurial structures, the participation of students and teachers in scientific research funded not only by business, but also by the state [Грищенко, 2015].

The transformation of universities into entrepreneurial ones is due to the availability of the necessary components: the innovation policy of the HEI; entrepreneurial transformations that can occur only under the direct influence of innovative relations in the staff of the educational institution; formed corporate entrepreneurial culture. The nature of these relationships can either contribute to or counteract the implementation of entrepreneurial ideas in the HEI [Романовський, 2015].

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**THE MECHANISM OF THE ADAPTATION OF THE INTELLECTUAL
MIGRANT WITH THE APPLICATION OF LISGAARD'S U-
CURVEHYPOTHESIS**

**МЕХАНІЗМ АДАПТАЦІЇ ІНТЕЛЕКТУАЛЬНОГО МІГРАНТА ІЗ
ЗАСТОСУВАННЯМ U-ПОДІБНОЇ КРИВОЇ ЛІСГААРДА**

**МЕХАНИЗМ АДАПТАЦИИ ИНТЕЛЛЕКТУАЛЬНОГО МИГРАНТА С
ИСПОЛЬЗОВАНИЕМ U-ОБРАЗНОЙ КРИВОЙ ЛИСГААРДА**

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Abstract.*The main purposes of the article are to analyze the concept of intellectual migrant, to consider the features of international migration of highly skilled workers, problems and consequences of intellectual migration, to study the factors affecting the migrant in a new environment using the U-shaped Lysgaard curve, to determine the features and causes of migration from Ukraine. The basic migration directions of the Ukrainian students for study and outflow of highly qualified personnel abroad are considered in the article. The main directions and centers of migrant flows in the world are analyzed.*

Key words: *intellectual migrant, international migration, "brain drain", U-shaped Lysgaard curve, culture shock, "push-pull" theory.*

Анотація. *Головною метою статті є аналіз поняття інтелектуального мігранта, аналіз особливостей міжнародної міграції висококваліфікованих працівників, проблем та наслідків інтелектуальної міграції, дослідження чинників, які впливають на стан мігранта у новому для нього навколишньому середовищі за допомогою U-подібної кривої Лісгаарда, визначення особливості та причини інтелектуальної міграції з України. Розглянуто основні напрямки виїзду українських студентів на навчання та відтоку висококваліфікованих кадрів за кордон в пошуках роботи. Проаналізовано основні напрями та центри тяжіння мігрантів у світі.*

Ключові слова: *інтелектуальний мігрант, міжнародна міграція, «відтік інтелекту», U-подібна крива Лісгаарда, культурний шок, теорія «притягування - виштовхування».*

Аннотация. *Главной целью статьи является анализ понятия интеллектуального мигранта, рассмотрение особенностей международной миграции высококвалифицированных работников, проблем и последствий интеллектуальной миграции, исследования факторов, влияющих на состояние мигранта в новой для него окружающей среде с помощью U-образной кривой Лисгаарда, определение особенностей и причин интеллектуальной миграции из Украины. Рассмотрены основные направления выезда украинских студентов на обучение и оттока высококвалифицированных кадров за границу в поисках работы. Проанализированы основные направления и центры притяжения мигрантов в мире.*

Ключевые слова: *интеллектуальный мигрант, международная миграция, «утечка мозгов», U-образная кривая Лисгаарда, культурный шок, теория «притяжения - выталкивания».*

Introduction. International migration has become one of the most debated topics in many developed and developing countries. Host countries are concerned about the socio-economic impact of international migration, while donor countries are concerned about the outflow and loss of highly skilled workers. At the end of XX century, the number of migrants has increased drastically. The

openness of developed societies and the loyal migration policies of the centers of immigration have played a significant role in this process. "Brain drain" is defined as the migration of highly skilled workers in search of a better level of living, access to advanced technologies, more stable economic and political conditions. Some have next questions: "Why do talented people leave their countries and go abroad? What are the consequences of such a migration? What policies can be applied to deter migration from developing countries to developed countries?"

The purpose of the study is to analyze the main reasons and factors of migration of highly qualified personnel, to determine the nature of international intellectual migration, to identify possible consequences, and especially - losses for donor countries of intellectual resources, to study the migrants during adaptation in a new country using the U-shaped Lysgaard curve.

Recent literature review. The study and analysis of international migration of highly skilled workers has received a great deal of attention from foreign scientists, including Oberg K. [Oberg, 1954], Dustman K., Lysgaard S. [*Lysgaard, 1955*], Black S., Mendenhall M. [*Black, Mendenhall, 1991*], Todaro M., Phillips K., Williams A., Iredale R. Important contributions to the study of international migration have been made by domestic scientists and young scientists, such as Medina T., Pendyur N. [*Medina, Pendyur, 2014*], Gaidutsky A., Grabinsky I., Erfan Y. [*Erfan, 2018*], Zhurakovskaya L., Romanyuk M. [*Romanyuk, 1999*], Stupnitsky O., Telephanko N. [*Telefanko, 2011*], Filipenko A. At the same time, there are relatively few publications in the national literature, which cover the theoretical and methodological foundations of international migration, namely the state of a migrants when they move and stay in a new country - this is main idea that helps us to choose the research topic and its relevance. The methodological basis of the study was documents, analytical data and statistics from the United Nations (UN), the State Statistics Service of Ukraine, the International Organization for Migration (IOM), the International Labor Organization (ILO) and others.

The main results of the research. Intellectual migration is a phenomenon of human society that is justified in the constant changes of intellectual centers. It is based on such personal motives of the intellectual, as his desire for scientific achievements, his preference and adaptation to another culture and the way of life, belonging to certain ethnic groups and social classes. The migrant can also be governed by political and social conditions, such as the level of liberalism and working conditions in his country and country of residence. The concept of "brain drain" appeared in 1962 in the text of a report by the British Royal Society. It was used to describe the emigration of researchers, engineers and technical staff from the UK to the USA [Parhomenko, 2014: 37].

The experience of highly developed countries shows that effective recruitment and usage of skilled labor is one of the key factors for a country's economic growth. Instead, the migration of low-skilled workers, who are not deficient in the economy of the country, leads to the growth of unemployment among the local population, lower wages in the industry and increased social tensions [Ligvishchuk, 2018: 9]. The multifactorial impact of migration on the socio-economic status of the country requires a continuous improvement of the system of regulation of international labor migration in order to obtain socio-economic benefits from state participation in migration processes.

From the perspective of developing countries, this phenomenon can even be seen as a problem; countries want their intellectuals traveling abroad to return and help in the development of the country. However, real opportunities and incentives do not always exist. Therefore, administrative and legal measures can be developed both in the country of birth of the migrant and in the host countries.

In terms of international exchange, the phenomenon of migration of intellectuals can in some cases be considered not only normal but also highly desirable. Migration of intellectuals is also a positive factor in the cross-fertilization of cultures. It should also be noted that in today's world, intellectual migration is caused by processes occurring not in science, but in society in

general: a crisis of economic, social, political and cultural relations. At the same time, many countries are interested in getting qualified specialists due to lack of their own high-level specialists [Medina, Pendyur, 2014: 150-157].

Knowledge centers have always been a pole of attraction for those who, for some reasons have strived to learn. Today, intellectual migration or as it is called "brain drain" is a constant phenomenon in the development of man and his society. The migration of skilled workers should not be seen, as a single case of modern world social evolution, but a continuing historical process. Even Aristotle himself was an intellectual migrant for Macedonia.

However, we must differentiate the meaning of "migration" in our study. Our concern here is not simple migration. Almost every migrant has an occupation but is not necessarily an intellectual. The metropolis offers more opportunities and therefore has the power of attractiveness. Movement can be from a village to a city or from one country to another. In the context of the article, we want to consider the part of international migration that covers highly qualified persons. For example, a nurse who does not find a suitable job at a hospital in her home country goes abroad. Despite her skills and intellectual abilities, she is not classified as an intellectual, so, she can migrate despite the existing need for nurses that she does not fill.

In our work we want to highlight intellectual migration as a migrant's leadership in any field. For the purposes of this study, we are only interested in the phenomenon of migration when a highly qualified person migrates to one country and definitely stays there. Thus, we are not concerned worry with foreign students who return home after studying. But the next question immediately arises: "At what point does specialty education end?". Surely a doctor or engineer would be much more useful to his country when he/she returned not only with a theoretical background but also with good practical skills and experience. This, of course, complicates the identification of the subject of study. Here again choosing the term "migration" can help delineate the topic. This includes in the first instance the "intention" to stay. Of course, this intention should be taken into account after a period of adaptation and real material capacity. From the point of view of the U-shaped Lysgaard curve, intentions may be materialized at the end of the curve rather than at the beginning of it [Mizuno, 2012: 9]. An adaptation model was proposed by Lysgaard, according to which the adaptation overcomes three main phases. At the beginning of a stay in a new country a foreign student goes through a process of interest to the society and culture, which is positively reflected in its general state; the second period is depression, crisis; and the third is a positive transition to the adaptation period and the final adjustment. The presented analysis of the results of the survey confirmed that adaptation to the new culture takes place according to the U-shaped curve (Fig. 1).

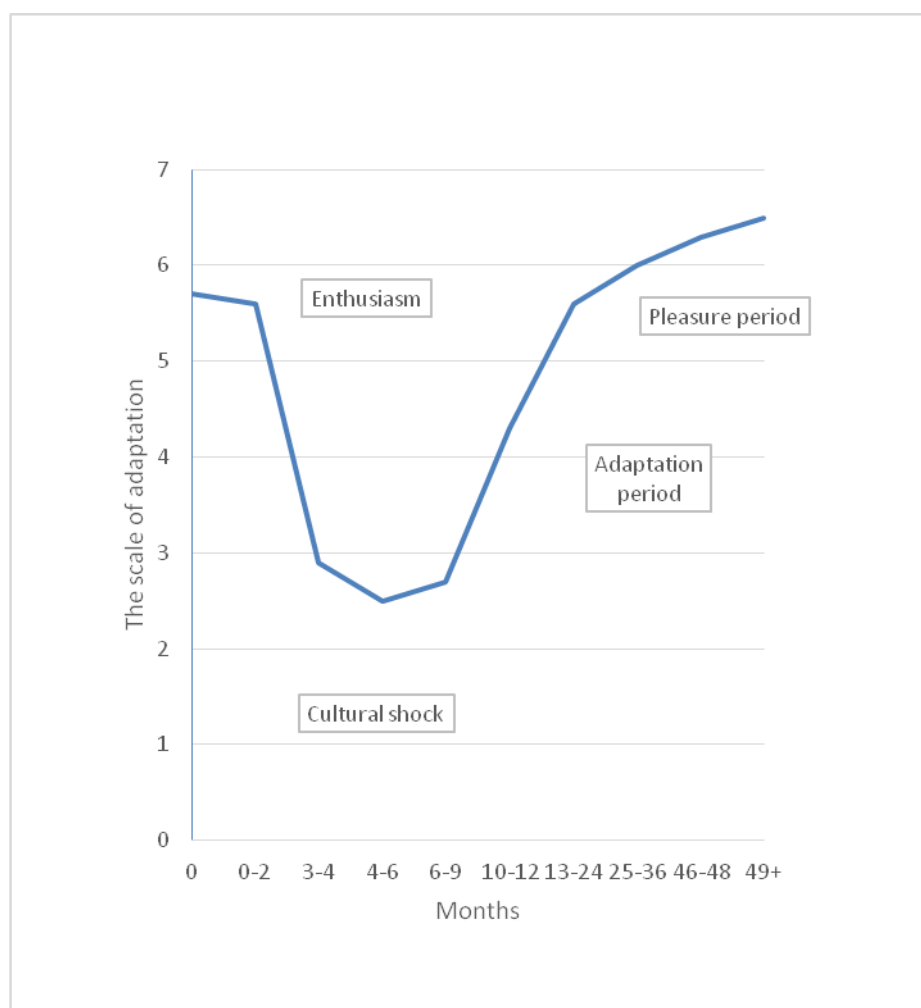


Fig. 1 U-shaped curve of an intellectual migrant's adaptation

Social adaptation is the process and result of an active adaptation of an individual to the conditions of a new or changed social environment through the harmonization of the requirements and expectations of its participants [Gorodyanenko, 2008: 14].

According to K. Oberg, the entry of a foreign student into a new society, getting acquainted with a new culture can lead to a culture shock accompanied by the unpleasant feelings of joining a new society, in addition the loss of communication with friends and family, a certain status, rejection, astonishment and discomfort differences between cultures [Stefanenko, 1999: 160]. The term "cultural shock" was introduced into scientific circulation by the anthropologist K. Oberg in 1954 [Oberg, 1954: 1]. "Cultural shock," he noted, "is the result of anxiety resulting from the loss of all common signs and symbols of social interaction". Subsequently, most scholars adhered to K. Oberg's approach, extending this definition. Traditionally, "cultural shock" refers to the reaction of anxiety to an unfamiliar environment because of the inability to understand, control and predict other people's behavior.

Proponents of the concept of "culture shock" believe that the process of adaptation to the new culture is in accordance with the U-shaped curve. Researcher S. Lysgaard emphasizes that adaptation of one who is temporarily in another country, looks like the U-shaped curve, that shows at first the satisfaction and well-being gradually decrease, but then increase again. In other words, migrants, when adapting to a new culture, go through three phases: the first is characterized by enthusiasm and high spirits; the second - frustration, depression and feeling of anxiety (actually a "culture shock"); in the third phase, these feelings turn into confidence and satisfaction. Also, scientists highlight another stage - the adaptation period, looking at the graph of the U-shaped adaptation curve of the intellectual migrant (Figure 1), you can see that it is between a culture shock and a period of complete pleasure. Thus, culture shock arises primarily in the emotional sphere of

the individual, but social factors such as maladaptation and rejection of new morals, style of behavior and communication, etc. [Lysgaard, 1955: 45].

Migrants have introduced various technologies to help themselves in the process of cultural adaptation and cultivation. In recent years, the most common and useful methods used by newcomers are social media, which play a key role in connecting people around the world to share the knowledge and cultural traditions. In fact, the world has become a "big village" after the emergence of social media programs. Therefore, people can interact and communicate with each other using the Internet, they can also receive information about the new society. Thus, thanks to social media, people from every culture can understand and respect the traditions and norms of other countries. The term "intercultural adaptation" means the adaptation of different behaviors, that is, to reduce the likelihood of being misunderstood while talking and communicating with a person of another culture [Gudykunst, 2003: 34]. In the process of intercultural adaptation, people use social media for several purposes, for example, to learn about other cultures and countries, to establish relationships with friends and family, and constantly be informed. In other words, interaction and communication over the Internet are influencing intercultural adaptation for newcomers to host countries.

The experience of people who have successfully switched from one culture and "merged" with another has enriched the multicultural world. That is, the term intercultural adaptation signifies this situation: after a person enters a new culture, he/she may initially be in a state of disequilibrium, but after a while he/she will find a balance [Kim, 2001]. It is natural to be in this state, because one does not know enough about the new culture. Adaptation to a new culture is a dynamic process by which people, moving to an unfamiliar cultural environment, establish (or restore) and maintain a relatively stable, reciprocal and functional connection with the environment [Gudykunst, 2003: 224].

Adapting to a new culture involves experiencing many factors in adaptation processes, such as behavioral and psychological changes, as people from different cultures interact in different ways [Kim, 2005]. According to Lee and Kim [Lee, Kim, 2012], people need to apply adaptive skills and learn about new culture while engaging within the target culture. This process involves a clear awareness of one's culture and new cultures in terms of differences and similarities. For example, being an interesting and open person to cultural differences helps to develop intercultural competence. Moreover, communication is important in this intercultural process, communicating with people in a new culture is very beneficial to overcome barriers and gradually adapt to the new culture. With regard to psychological factors, emotions have a significant impact on the process of cultural adjustment. According to Matsumoto, Hiraiyama and LeRoux [Matsumoto, Hirayama, LeRoux, 2006], people who cannot control their emotions may have difficulty in successful adaptation to new cultures. Therefore, people need to control their emotions to seamlessly and easily adapt to the new culture.

Currently, Facebook is the most popular application among social networks such as YouTube, Twitter and more. Mark Zuckerberg created Facebook in 2004 to encourage interaction between people from different cultures around the world. As of the second quarter of 2019, Facebook is the largest social network in the world, with an active user count of 2.41 billion (Figure 2). In the third quarter of 2012, the number of active Facebook users exceeded one billion, making it the first social network to ever do so. People use Facebook to stay in touch with friends and family, to find out what's going on in the world and to share important information.

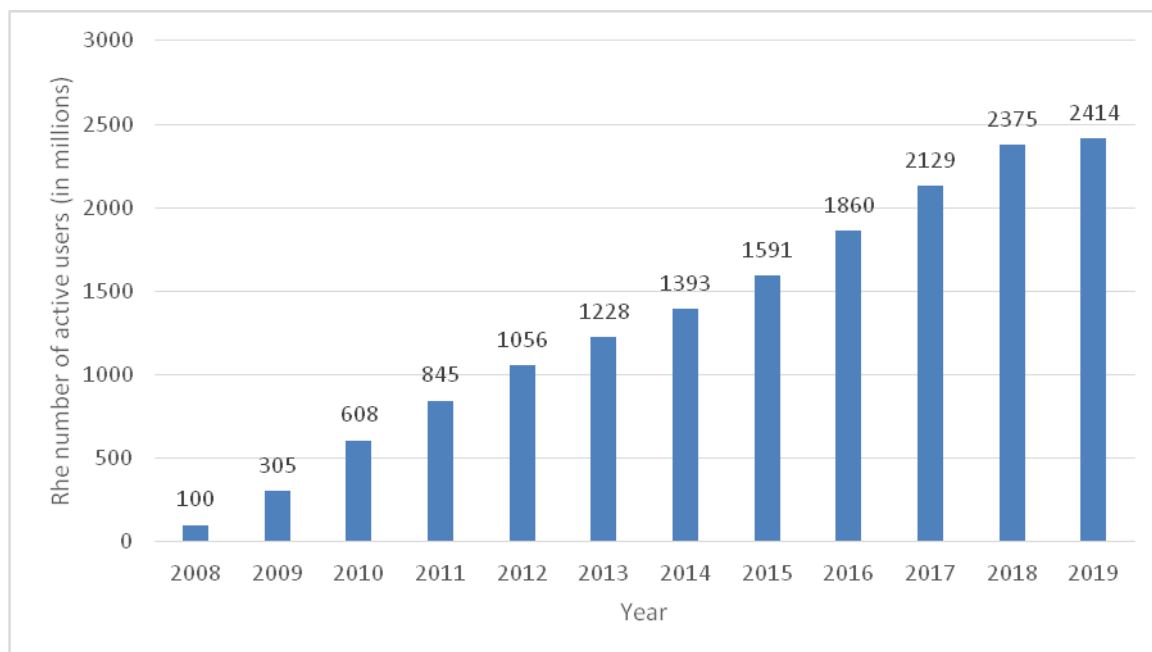


Fig. 2. Number of monthly active Facebook users worldwide as of Q2 2019 (in millions)

Does the material well-being affect on the decision of an intellectual to remain in developed countries or not? Better salary, access to cultural events, effective organization of society, real possibilities for using modern devices are all components that are considered by a scientist who has decided to stay in the country of residence. The largest extent of international labor migration is determined by differences in salaries. The official minimum wage in Ukraine is only UAH 4173 [Minfin, 2019a], or \$ 167 [Minfin, 2019b]. This makes neighboring countries like Poland more attractive option for employment of Ukrainians (Fig. 3).

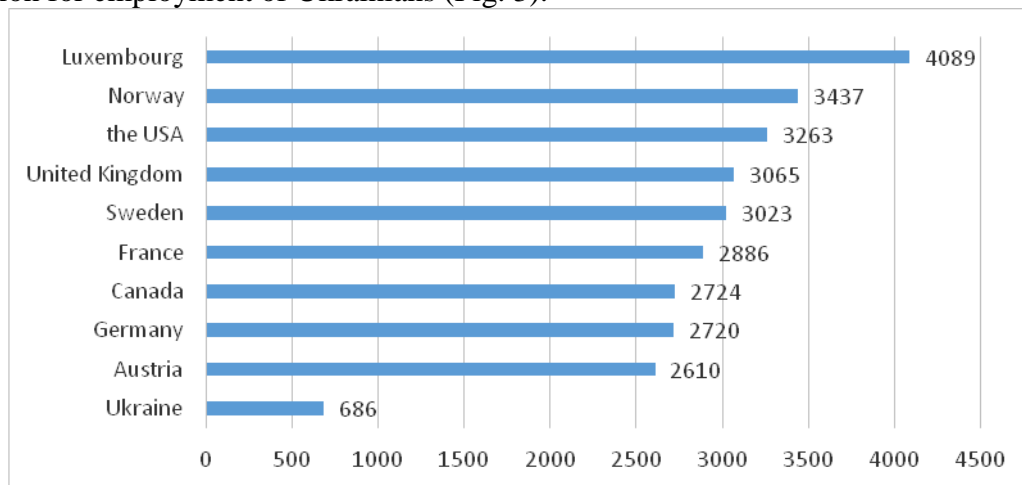


Fig. 3. Countries with the highest average wages and Ukraine's place in this ranking

Thus, according to the Ukrainian Delegation of the International Organization for Migration, Luxembourg was ranked first with an average salary of \$ 4,089, and Ukraine ranked fifty-sixth (\$ 686). I want to point out that this is the average, not the minimum wage [International Organization for Migration, 2018].

Contemporary international intellectual migration is conventionally made up of two parts: highly skilled professionals moving from one developed country to another (mainly within Europe) and specialists traveling from Asia, Africa, Latin America and Eastern Europe. Developing countries (Ukraine can be safely attributed to this group), due to the migration of highly skilled workers, have major complications due to a lack of highly qualified staff. This is why "brain drain" was considered as the migration of highly skilled and talented professionals from poor and / or isolated countries to industrial centers. This process is ongoing and constantly gaining momentum,

increasing the annual number of skilled migrants to EU countries and especially to the United States [Parhomenko, 2014: 37].

Considering the factors that stimulate emigration, most researchers rely on the “push-pull” theory, developed by English scientist Ernst Ravenstein, who was one of the first to begin to study migration processes [Romanyuk, 1999: 79-83]. Based on census data in England and Wales, he formulated the "Laws of Migration" in 1889. Ravenstein concluded that population migration can be explained by the effect of “push-pull” factors: unfavorable conditions in one area (rigid legislation, excessive taxes, etc.) "push" people out of their place of residence and favorable conditions created in others territories “pull” them. Accordingly, he divided all the factors that cause migration into internal (“push” factors) and external (“pull” factors). For example, for migrants from developing countries, a leading “push” factor in intellectual sphere is the elementary lack of a real sphere of intellectual labor, the isolation of some scientists, the inability to develop as a scientist in a normal way. For example, the USSR held 25% of the world's scientific potential. This has largely given it the status of a "superpower". In the early 1990s, countries of the former Soviet Union have experienced an extremely complex crisis in the collapse of the intellectual community due to the destruction of a unified system of development of research institutions.

Further development of Ravenstein's theory of migration was acquired in the works of E. Lee, who believed that the greatest influence on population migration is exerted by internal or external factors. In addition, Lee found that factors such as distance, physical and political barriers could not only deter but also prevent migration [Kovalik, 2012: 117]. All “push-pull” factors can be conditionally divided into 5 groups, namely: social, political, economic, environmental and cultural (Table 1).

Table 1.

Factors of influence on international migration

“Push” factors	“Pull” factors
Social	
Poor quality of education Poor working conditions Low level of health care Lack of self-realization	High quality of education Good working conditions Affordable and high level of health care Possibility of self-realization
Political	
Corruption Political instability	No corruption Stable political system
Economic	
Low wages Poor quality of life High unemployment rate Economic instability	High level of wages High quality of life Low unemployment Stable economy
Ecological	
Contaminated environment Poor quality of drinking water and food	Cleaner environment High quality drinking water and environmentally friendly food
Cultural	
Religious persecution Racism	Freedom of religion No racial discrimination

Source: constructed by authors based on [Kovalik, 2012: 118].

In Ukraine, migration processes are characterized by dynamism, diverse and complex causes not only internally scientific but also social and economic. In recent decades, researchers who have been unable to adapt to the new socio-economic conditions of post-Soviet Ukraine and have not been able to "stay in science" have shifted to other areas of human activity, such as business. This, in turn, has led to imbalances in the scientific and educational spheres, and has created new

challenges and threats to national educational and scientific sectors that affect the level of technical and technological development of Ukraine.

The consequences of migrating researchers are a significant problem for developing countries. After all, considerable funds were invested in the training of specialists, creating a competitive advantage for other countries, that is, the country does not receive a return on its own investment in human capital. Benefits from the migration of scientific personnel can only be realized when the donor country creates an effective policy for the circulation of highly skilled personnel [Howak, 2013: 29]. On the example of Ukraine, it can be argued that there is no state support for migrant scientists in the country, who, on their return, face psychological stress, and migrants have to go to work in other countries.

Among the main reasons for the migration of highly skilled workers can be identified [Malinowska, 2010: 48; Telefanko, 2011: 35; Malyutin, 2008: 101]:

1. insufficient funding for the scientific field;
2. low wages;
3. imperfect infrastructure and inefficient institutional support that makes it impossible to implement scientific developments;
4. unstable economic and political situation;
5. lack of prospects for professional realization [Tkach, 2005: 101].

The high concentration of these causes of migration makes it possible to identify centers of attraction for migrants from other countries. At present, the centers that attract the bulk of the workforce, including highly skilled workers, are:

- Western European countries (Germany, France, the United Kingdom, Switzerland, Belgium, Sweden, the Netherlands), where there is a tendency to use foreign labor for heavy, harmful works,
- The United States, Canada and Australia, which host predominantly qualified specialists,
- industrial countries of Southeast Asia,
- Middle East oil producing countries.

Conclusions. Thus, intellectual migration as a contradictory and ambiguous phenomenon requires concrete measures for its regulation, which should be carried out by means of international legal regulation of migration processes taking into account the global interests of the world community, the objective capabilities of individual states and the peculiarities of population development [Erfan, 2018: 10].

Not only nuclear scientists or biochemists move to more developed countries with well-equipped research laboratories, but also sociologists, international lawyers and people with similar professions migrate to academic centers where ideas are exchanged, with a well-equipped library and a free access to publications and articles. From the point of view of physics, the migrant's brain is constantly pierced and fed by a wealth of knowledge, and upon returning home, he/she will have to make a special effort to stay fit. An intellectual from a developed country with limited resources migrates either in order to have access to more sophisticated equipment or because his country does not offer professional satisfaction and interesting opportunities. It should be noted that this movement should be understood as a flow from European countries to the USA in the field of applied sciences and technologies. In the field of humanities and fine arts, the movement is bilateral and even more from developed countries outside Europe, such as Australia, New Zealand, Canada and even the United States to Europe. Therefore, intellectual migration is a complex phenomenon that has an ambiguous impact on the socio-economic development of donor and recipient countries.

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РЕЦЕНЗІЇ. ПРЕЗЕНТАЦІЇ.

НЕОГОЛОШЕНІ РОСІЙСЬКІ ВІЙНИ ПРОТИ УКРАЇНИ: УРОКИ ІСТОРІЇ

Даниленко В.М. Рецензія на монографію: *Микола Дорошко. Неоголошені війни Росії проти України в ХХ – на початку ХХІ ст.: причини і наслідки.* – К.: Ніка-Центр, 2018. – 196 с.

Коли у серпні 2019 року Український інститут книги оголосив результати конкурсного відбору соціально важливих видань для комплектування бібліотечних установ України, і в списку видань одне з чільних місць посіла монографія відомого дослідника історії України та українсько-російських відносин Миколи Дорошка, здалося, що українське суспільство здатне вилікуватись від синдрому «братерської дружби» з «великим російським народом». Адже уся наукова, викладацька і публіцистична діяльність М. Дорошка підпорядкована поширенню історичної правди, відтак розвінчуванню російських і радянських історичних міфів. Не стала винятком і наукова монографія автора з історії неоголошених війн Росії проти України впродовж останніх ста років, що вийшла друком 2018 р.

Рецензоване видання підсумувало багаторічні наукові пошуки М.С. Дорошка в питанні з'ясування причин російського зазіхання на українські території за останні сто років: від Української революції 1917-1921 рр. до теперішнього часу. Методологічною основою дослідження автора стали ретроспективний та метод історичних аналогій. Застосування цих методів разом із загальнонауковими та спеціальними методами дослідження дозволило автору дійти висновків, що є надзвичайно актуальними і своєчасними за теперішніх умов гібридної війни Росії проти України.

М. Дорошко наполегливо обстоює думку про окупаційну природу так званої радянської влади, накиненої більшовицькою Росією Україні на початку 1920-х років і має рацію. На відміну від низки відомих вітчизняних дослідників історії Української революції 1917-1921 рр., що заперечують окупаційний характер комуністичного режиму в Україні 1920-1980-х рр., М. Дорошко аргументовано і переконливо доводить, що разом з експортованою на багнетах російської Червоної армії так званою радянською владою, комуністичний Кремль відрядив до Наддніпрянської України окупаційну адміністрацію, що за прямими вказівками з Москви нав'язала українському народові тоталітарний комуністичний режим. Наслідками панування цього режиму стали три голодомори, масові репресії і терор проти носіїв української національної свідомості і, врешті, деукраїнізація України.

Про те, що за будь-якого політичного режиму в Росії ніколи не забували про те, що без України Російська імперія неможлива, свідчить й уважне прочитання автором новітньої історії українсько-російських стосунків. М. Дорошко не випадково нагадує читачеві про реакцію Кремля на проголошення незалежності України 24 серпня 1991 року, наводячи слова прес-секретаря президента РФ Б. Єльцина про можливі претензії Москви на українські Крим і Севастополь. У зв'язку з чим автор робить висновок, що з того часу російська влада розпочала неоголошену війну Україні на знищення її незалежності. Війну на кшталт тих трьох, що їх радянська Росія вела проти українських національно-державних утворень у 1917-1921 рр. задля їх поглинання в інтересах «світової пролетарської революції».

М. Дорошко закликає нас, українців, остерігатися не лише кремлівських реваншистів, що під гаслом відновлення російської імперської величі, здатні перенести навіть столицю імперії до Києва, а й своїх доморошених і виплечаних Москвою прихильників «єдиної і неподільної Росії», так звану «п'яту колону» Росії в Україні. Їх, попри майже 30 - літню історію новітньої української незалежності, усе ще дуже багато: в коридорах української влади, українському війську, силових структурах, засобах масової інформації тощо.

Діяльність підтримуваної Кремлем «п'ятої колони», спричинилась, не в останню чергу, до російської анексії українського Криму і нової неоголошеної війни Росії проти України, що розпочалася в 2014 році в найбільш зрусифікованому регіоні – на сході України. Вважаючи їх колаборантами, М. Дорошко застерігає українську владу від повторення подій, що вартували Україні втрати незалежності на початку 1920-х років.

Втім, попри глибокі знання причин і наслідків агресивної політики російських імперських державних утворень для незалежності України, автор монографії залишається оптимістом і рекомендує російському владному режимові не прагнути створення нового варіанту імперії, а зосередитись на вирішенні питання виживання самої Росії, що наразі неабияк потерпає від західних санкцій і від власних імперських амбіцій. А ще Микола Дорошко вичерпно відповів на питання, чому розпались Російська імперія і Радянський Союз. Прочитайте цю книгу. В ній Ви знайдете відповіді на багато непростих питань, в тому числі й на те, коли і за яких обставин розпадеться Російська Федерація.

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