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**КИЇВСЬКИЙ НАЦІОНАЛЬНИЙ УНІВЕРСИТЕТ  
ІМЕНІ ТАРАСА ШЕВЧЕНКА  
ІНСТИТУТ МІЖНАРОДНИХ ВІДНОСИН**

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**АКТУАЛЬНІ ПРОБЛЕМИ  
МІЖНАРОДНИХ ВІДНОСИН**

**ВИПУСК 143**

**ACTUAL PROBLEMS OF INTERNATIONAL RELATIONS**

ISSN 2308-6912



2 308691 200005 >

**КИЇВ – 2020**

Актуальні проблеми міжнародних відносин : Збірник наукових праць.  
Випуск 143.  
К. : Київський національний університет імені Тараса Шевченка.  
Інститут міжнародних відносин, 2020. – 105 с.

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**Резнікова Н. В.**, доктор економічних наук, професор, Інститут міжнародних відносин Київського національного університету імені Тараса Шевченка.

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**Адреса редакційної колегії:**

04119, Київ, вул. Юрія Ілленка, 36/1, Інститут міжнародних відносин.  
тел. 044 481-44-68.

Збірник наукових праць «Актуальні проблеми міжнародних відносин» заснований у 1996 році. Засновник: Інститут міжнародних відносин Київського національного університету імені Тараса Шевченка.

Збірник наукових праць включено до переліку наукових фахових видань України (категорія Б) у галузі політичних, юридичних і економічних наук (спеціальності – 051, 052, 072, 073, 081, 291, 292, 293).

*Рішення Атестаційної колегії Міністерства освіти і науки від 06.03.2020 р.)*

Електронну версію видання розміщено на сайті «Актуальні проблеми міжнародних відносин» за адресою <http://apir.iir.edu.ua/index.php/apmv/index> і передано до Національної бібліотеки України імені В. І. Вернадського на депозитарне зберігання та представлення на порталі наукової періодики: <http://www.nbuv.gov.ua>.

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## **ПОЛІТИЧНІ ПРОБЛЕМИ МІЖНАРОДНИХ ВІДНОСИН**

УДК 327.83 (477)

**MEGATRENDS IN THE MIDDLE EAST**

**МЕГАТРЕНДИ В БЛИЗЬКОСХІДНОМУ РЕГІОНІ**

**МЕГАТРЕНДЫ В БЛИЖНЕВОСТОЧНОМ РЕГИОНЕ**

### **Koppel O.A.**

Doctor of History, Professor at the Department of International Relations and Foreign Policy of Taras Shevchenko National University of Kyiv. E-mail: helenkoppel45@gmail.com

### **Parkhomchuk O.S.**

Doctor of Political Sciences, Professor at the Department of International Relations and Foreign Policy of Taras Shevchenko National University of Kyiv E-mail: parkhomchuk45@gmail.com

### **Коппель О.А.**

Доктор історичних наук, професор кафедри міжнародних відносин і зовнішньої політики Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: helenkoppel45@gmail.com

### **Пархомчук О.С.**

Доктор політичних наук, професор кафедри міжнародних відносин і зовнішньої політики Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: parkhomchuk45@gmail.com

### **Коппель Е.А.**

Доктор исторических наук, профессор кафедры международных отношений и внешней политики Института международных отношений Киевского национального университета имени Тараса Шевченко. E-mail: helenkoppel45@gmail.com

### **Пархомчук Е.С.**

Доктор политических наук, профессор кафедры международных отношений и внешней политики Института международных отношений Киевского национального университета имени Тараса Шевченко. E-mail: parkhomchuk45@gmail.com

**Abstract.** *The study of megatrends as the most revolutionary courses of mankind progress facilitates the definition of the time progression properties of both the global system and regional subsystems within the universal patterns. The objective of this study is to systematize and classify megatrends and determine the nature of their manifestation in the Middle East. On the basis of this analysis a reciprocal effect of the Middle East regional trends on the megatrends of the global world is defined, the nature of the co-evolution of global and regional megatrends is outlined and further courses of mankind progress are forecast.*

*Megatrends exert the influence on the state of the world, thus defining the qualitative sense of the modern stage of global system evolution. The major megatrends were defined: globalization, integration, democratization, a reduced degree of mankind security and an increasing severity of global problems; a change in the international political structure; a crisis of the global leadership institution; a shift of the center of universal development (orientalization); an inversion of the fundamental values (freedom versus security); a virtualization of sociopolitical relations; a new model for the change in political power and administration in certain countries; an increased role of network structures in the international politics; an ideological indoctrination of international relations, namely the growing impact of the religious and civilizational factors.*

*The processes that are now occurring in the Middle East are defined by and greatly influence global development megatrends and the establishment of the world order structure, which makes it necessary to forecast trends for their future development. It is thus advisable to examine these processes at multiple levels of analysis: global, regional, sub-regional, bilateral and national.*

*Political changes in the region also reflect its internal problems. These are, above all, the authoritarian regimes, religious divides, Islamic extremism, excessive military spending, arms imports, and societies' dissatisfaction with living conditions. At the political level it is the absence of a joint political entity that could consolidate regional actors which constitutes yet another problem. At the regional level the transformation of relations along with the growing conflict potential leads to destabilization and fosters more polarization of the region. The dysfunctional nature of internal elements of the region is used by more powerful external actors. The old order is disappearing whilst the phase of transition to a new one is still ongoing and is characterized by uncertainty, the strengthening of the role of political Islam along with the new geopolitical role of Islamic fundamentalism, unrestricted transit of Islamism ideas, recurrent internal and interstate conflicts, and the heightened threat of non-state actors. It was concluded that ever-growing instability, a potential redrawing of the existing national boundaries and the emergence of quasi-states, relying on ethnic and ethno-denominational powers and sustained by influential geopolitical centers of power, can all be expected.*

*An analysis of megatrends and the nature of their manifestation in the Middle East enables us to make conclusions about the feasibility of employing such a category in international political analysis and actualizes the research of megatrends management at the global and regional levels alike.*

**Keywords:** *megatrends, the Middle East, regional security, Islamism, Islamic fundamentalism, Pan-Islamism, Pan-Arabism.*

**Анотація.** *Дослідження проблематики мегатрендів як найбільш кардинальних напрямів розвитку людства надає змогу визначити характеристики часової ритміки як глобальної системи, так і регіональних підсистем в межах універсальних закономірностей. Завданням дослідження є систематизація та класифікація мегатрендів і визначення специфіки їх прояву в близькосхідному регіоні. На цій основі з'ясується зворотній вплив на мегатренди, акцентуються риси коеволуції глобальних та регіональних мегатрендів та прогнозуються подальші напрями розвитку.*

*Мегатренди здійснюють кумулятивний вплив на стан світу, визначаючи якісний зміст сучасного етапу еволюції світової системи. Визначені найголовніші з них - глобалізація, інтеграція, демократизація, зниження ступеня захищеності людства та посилення глобальних проблем, зміна політичної структури світу, криза інституту глобального лідерства, переміщення центру світового розвитку (орієнталізація), інверсія фундаментальних цінностей, віртуалізація суспільно-політичних відносин, нова модель зміни політичної влади і управління в окремих країнах, зростання ролі мережевих структур у світовій політиці, ідеологізація міжнародних відносин, зокрема зростання ролі релігійного та цивілізаційного чинника.*

*Процеси, що відбуваються в близькосхідному регіоні, визначаються і в значній мірі впливають на мегатренди загальносвітового розвитку, на формування структури майбутнього світоустрою, що викликає потребу в прогнозуванні подальших тенденцій їх розвитку. Ці процеси аналізуються на декількох рівнях: глобальному, регіональному, субрегіональному, двосторонньому, національному і транснаціональному. Політичні зміни в регіоні пов'язані з внутрішніми проблемами: насамперед, це авторитарні режими, релігійні розбіжності, ісламський екстремізм, надмірні військові витрати, імпорту зброї, незадоволення суспільств умовами існування, а на політичному рівні – відсутністю єдиного політичного проекту, який міг би консолідувати регіональних гравців. На регіональному рівні реконфігурація відносин та зростання конфліктогенності призводить до дестабілізації та більшої поляризації регіону. Дисфункціональність внутрішніх елементів регіону використовується більш впливовими зовнішніми акторами. Старий порядок у регіоні зникає, а стадія переходу до нового ще триває та характеризується невизначеністю, посиленням ролі політичного ісламу та новою геополітичною роллю ісламського фундаменталізму, небмеженим транзитом ідей ісламізму, постійними внутрішньодержавними,*

міждержавними та транснаціональними конфліктами, посиленням загрози з боку недержавних акторів. Зроблено висновки, що можна очікувати подальшого росту нестабільності, реконфігурації відносин та більшої поляризації регіону, можливого переділу існуючих міждержавних кордонів та появи квазі-держав, які спираються на етнічні та етноконфесійні сили і підтримуються впливовими геополітичними центрами сили.

Аналіз мегатрендів та специфіки їх прояву в близькосхідному регіоні дозволяє зробити висновки щодо доцільності використання цієї категорії в міжнародно-політичному аналізі і актуалізує дослідження управління мегатRENдами як на глобальному, так і на регіональному рівнях.

**Ключові слова:** мегатренди, близькосхідний регіон, регіональна безпека, ісламізм, фундаменталізм, панісламізм, панарабізм.

**Аннотація.** Исследование проблематики мегатрендов как наиболее кардинальных направлений развития человечества дает возможность определения характеристик временной ритмики как глобальной системы, так и региональных подсистем в пределах универсальных закономерностей. Целью исследования является систематизация и классификация мегатрендов и определение специфики их проявления в ближневосточном регионе. На этой основе констатируется обратное влияние на мегатренды, акцентируются характеристики коэволюции глобальных и региональных мегатрендов и прогнозируются дальнейшие направления развития.

Мегатренды осуществляют кумулятивное влияние на состояние мира, определяя качественное содержание современного этапа эволюции миросистемы. Определены важнейшие из них – глобализация, интеграция, демократизация, снижение степени защищенности человечества и усиление глобальных проблем, изменение политической структуры мира, кризис института глобального лидерства, перемещение центра мирового развития (ориентализация), инверсия фундаментальных ценностей, виртуализация общественно-политических отношений, новая модель смены политической власти и управления в отдельных государствах, возрастание роли сетевых структур в мировой политике, идеологизация международных отношений, в частности возрастание роли религиозного и цивилизационного факторов.

Процессы, которые происходят в ближневосточном регионе, определяются и в значительной степени влияют на мегатренды глобального развития, на формирование структуры нового мироустройства, что вызывает необходимость дальнейшего прогнозирования их развития. Эти процессы анализируются на нескольких уровнях: глобальном, региональном, субрегиональном, двустороннем и транснациональном. Политические изменения в регионе связаны с внутренними проблемами: прежде всего, авторитарные режимы, противоречия религиозного характера, исламский экстремизм, чрезмерные военные расходы, импорт вооружений, недовольство общества условиями существования, а на политическом уровне - отсутствием единого политического проекта, который мог бы консолидировать региональных игроков. На региональном уровне реконфигурация отношений и рост конфликтности приводят к дестабилизации и дальнейшей поляризации региона. Дисфункциональность внутренних элементов региона используется более влиятельными внешними акторами. Старый порядок в регионе исчезает, а стадия перехода к новому продолжается и характеризуется неопределенностью, усилением роли политического ислама и новой геополитической ролью исламского фундаментализма, неограниченным транзитом идей исламизма, постоянными внутренними, межгосударственными и транснациональными конфликтами, ростом угроз со стороны негосударственных акторов. Сделаны выводы, что следует ожидать дальнейшего роста нестабильности, реконфигурации отношений и еще большей поляризации региона, возможного пересмотра границ и появления квази-государств,

*опираючихся на етнічні та етноконфесійні сили і підтримуються впливовими геополітичними центрами сили.*

*Аналіз мегатрендів та специфіки їх проявлення в ближньосхідному регіоні дозволяє зробити висновки про наукову цільовість використання цієї категорії в міжнародно-політичному аналізі і актуалізує дослідження управління мегатрендами як на глобальному, так і на регіональному рівнях.*

**Ключевые слова:** *мегатренды, ближневосточный регион, региональная безопасность, исламизм, фундаментализм, панисламизм, панарабизм.*

**Problem statement.** Throughout the social sciences there has been a growing awareness that a solution to the global issues calls for the upper management of universal development. Which is why the case for megatrends as the most revolutionary course of mankind progress, of fundamental and to the maximum extent lasting tradition for societal pace plays an important role in modern science that comprises the research of conceptual and applied aspects of global trends in international relations in retrospective and prospective variations as well as their identification and analysis of their specific nature in any world region.

**Review of the main researches and publications.** The study of the given problem is marked by an insufficient theoretic and conceptual definition, which may for the most part be due to its interdisciplinary nature. For our research there are identified three main approaches. The first one is represented by the studies of philosophers, sociologists, political scientists and psychologists, which focus on the qualitative transformations of the international policy system as a whole [Гелд, МакГрю, Голбрайт, Перратон: 2003; Нейсбит, Эбурдин: 1992; Noehn, Parsasiliti, Efron and Strogin 2018:19; Naisbitt, 2017; Winston, 2019; Wise, 2020]. Second approach centers on the fact-based, applied analysis of global trends in international relations and on their manifestations in some world regions [Ден Сяопин, 1987; Ден Сяопин, 2002; Gaub, 2019; Global Trends 2020: the world in 2020: n.d.]. Third approach regards the management of megatrends [Megatrends. The main trajectories of the evolution of world order in the twenty-first century 2013; Fabian, O'connor and Hoile, 2017; Global Trends 2030: the world in 2030: n.d.].

For the wholesome understanding of the modern trends for the Middle East development the studies of H.Kissinger [H.Kissinger, 2017], P.Cockburn [P.Cockburn, 2017], M.Lynch [M.Lynch, 2016], F. Halliday [F. Halliday, 2017] etc. are used. Whereas the patterns of megatrends manifestations remain unexplored in this region. There is observed an insufficiency in the amount of publications dedicated to the subject of our article.

**Purpose and objectives** of the article are designed to determine the nature of megatrends manifestations within the Middle East regional subsystem, which in turn enables to identify their reciprocal impact on the global trends. An application study of the global trends and the nature of their regional manifestation calls for the definition of the time progression properties of both the global system and regional subsystems within the universal patterns; for the specification of some features and prospects, and of their nature.

**Methods of research.** In order to achieve the purpose and to realize the objectives the international process is being considered in the light of the system approach. The nature and the main tendencies of global development are characterized by the global trends as the main directions for the pace of global society, which define the main prospects of the modern world evolution and the future of mankind. In the meantime, they differ in scale, that is they emerge in different parts of the world with varied extent and intensity. It is through close interaction and mutual reinforcement that they exert the influence on the state of the world, thus defining the qualitative sense of the modern stage of global system evolution and its further prospects.

An analysis of global trends in international relations and of the nature of their manifestation in the Middle East involves the research of megatrends manifestation in international politics processes and fields where the area of “conceptual overview of the main international issues” is being shaped, an attempt to “grasp and outline the strategic essence of the complex historical and

modern foreign policy processes... to spot what is principal without neglecting the minutia, but also avoiding the overdetailedization" [Xaac, 2019:13].

On the basis of generalization of numerous efforts to outline the main megatrends a conclusion may be made that there is a certain consensus as to the definition of the three major ones: globalization, integration and democratization [Megatrends. The main trajectories of the evolution of world order in the twenty-first century. 2013:6]. Globalization as a megatrend implies the transformation of the Westphalian model of international politics; integration — the transformation of the current international system; democratization — the transformation of the political system in particular countries [Megatrends. The main trajectories of the evolution of world order in the twenty-first century, 2013:35]. Attention is heeded to the tendency to integrate within the economic and political areas, the international relations are set out to merge into the regional and holistically endogenous ones. Wherein it should be noted that the global trends are of cyclical and wave nature; they evolve erratically and non-linearly, following the axis center — semi-periphery — periphery while their intersection generates a new quality. The megatrends are the dyads of processes-antagonists interchanging one another in a certain cyclical rhythm. On the one hand, recognizing the certain voluntarism and an absence of consensus on megatrends definition among the researchers an attempt should be conducted to add to the aforementioned megatrends the other ones that are related to them. These are: a reduced degree of mankind security and an increasing severity of global problems; a change in the international political structure; a crisis of the global leadership institution; a shift of the center of universal development (orientalization); an inversion of the fundamental values (freedom versus security); a virtualization of sociopolitical relations; a new model for the change in political power and administration in certain countries; an increased role of network structures in the international politics; an ideological indoctrination of international relations, namely the growing impact of the religious and civilizational factors.

Their further analysis involves taking the interconnection of global, regional and state processes into account. In particular, within the Middle East region it can be observed by an example of such megatrends as the democratization, the growing impact of the religious and civilizational factors, the new model for the change in political power and administration, and the political structure transformation in certain countries.

Among the main megatrends of modern world development most political scientists name, above all, the globalization. This concept seeks to reflect what is general, which constitutes the nature of processes and events at the global stage; it is a process of the time and space expansion to the scale of the whole planet as any system aims at reaching its marginal integrity. But this process is of undulating nature, it occurs with varying regional intensity. The core elements of instability are the negative outcomes of globalization: uneven advantages distribution during the process of the world economy globalization, misguidance of globalization processes, polarization within the certain countries or regions (global asymmetry of the modern world), a risk of conflicts emerged on the global, regional, national and transnational levels, a threat for some countries to have the administration of their economy being transferred from the national governments to the more powerful states or transnational corporations. A neoliberal globalization model fosters the conservation of negative cases in the world economy. It leads to the regionalization or fragmentation that is to the reinforcement of the world's sociopolitical heterogeneity amidst the pressure to become westernized on the part of the western countries. Which is why there are attempts of various states and nations to distance themselves from the negative outcomes of globalization by pursuing the particularities of their region, their identity. The term "globalization" is at times used pragmatically in order to explain and justify the economic issues some countries are facing, even though they are caused by the specific rather than global situations. Those nations and groups that gain no advantage whatsoever from the globalization regard the regionalism, nationalism and separatism as the only recourse to protect themselves and to retain their own identity. Globalization 2.0 has to differ from the previous one. A new world order emerges where the economic power is shifting to Asia, the spatial outreach and density of global connections are



expanding while their structure is getting more complex, and the states and nations are becoming more deeply interconnected.

One of the main megatrends is a reduced degree of mankind security; the other megatrends are functionally derived from it. It is the international order where the hierarchy is being created among the power states that are crucial for the international system and its components to exist and evolve. The same applies to the regional order. H. Kissinger reflected an idea of the modern international system's heterogeneity and of the typological diversity of its subsystems, among others. While in his study *Diplomacy* he points out that in modern system the order is to be ensured by example of the Vienna "Concert of Nations", but the power balance will be maintained on the global scope, in his further studies, namely in *Does America Need a Foreign Policy?* [Kissinger, 2001] and *World Order* [Kissinger, 2017] he went on to underline the heterogeneity of the global international system. Thereupon he concludes that it is essential to form a concept of order within the certain regions, which would be acceptable for others, bearing in mind that the military dominance in the region of one totalitarian state poses threat to the international orders of other regions. Kissinger outlines several levels of order: as a theoretical model, in particular on the level of a certain region or civilization; on the level of international order as a practical embodiment of the given concepts in the considerable part of the world, considerable to the extent that it can influence the global power balance.

The global trends have substantially transformed not only the modern world as a whole, but also the particular regions, namely the Middle East. At the same time the regional trends, the Middle Eastern ones in particular, have a reciprocal effect on the megatrends of the global world, even though it were the extraregional countries that comprised the systemically crucial components of international relations within the region, serving as the warranties of sustaining the regional security with a view to its strategic, energy, trade-economy and culturally-religious value. The Arab researchers have long criticized the term "Middle East" as an artificial theoretic construct, claiming that it is essentially political as of the way it was coined and used. Nevertheless, it is deemed relevant to regard the Middle East region as a certain politically-problematic unity with the advanced connections between its constituent parts, which gives a sign of the strong interdependence. The key arguments thereupon are the presence of factors of regional interdependence, collective identity, and the way the regional order is formed as a set of devices for ensuring the regional security and settling the regional conflicts.

The Middle East region is engaged in the processes of globalization and completely fits into the trend of the growing globalization that was reflected by the involvement in the global political and economic practice. Meanwhile, it is regarded as problematic to evaluate their impact on the region, for there are various political regimes in different states as well as various stages of development. The Gulf States, based on their scale and technological development pace, have found themselves in the center of international politics and economic relations. Whereas for other states it is particularly difficult to reach the adequate level of well-being and for some — even to eradicate poverty. Thus, there may be confirmed a significant degree of differentiation and non-uniformity in the rates of socioeconomic development. The region in the context of globalization is not always regarded as one of the most influential subjects within the system of international relations. It is by virtue of a line of reasons, each of which calls for a separate research: its conflict potential, unstable political state in some countries, the unresolved Arab–Israeli conflict, the emergence of so-called new generation conflicts, the uneven development of certain countries in the region.

However, regardless of that, the Middle East remains one of the key regions in global politics, an area of complex intertwining of interests and rivalry among the great powers, foreign policy activity of the world power centers. The energy factor remains in many ways definitive in the geopolitical landscape, as neither in short-term outlook, nor in a mid-term one there could be a threat of losing one of the main components of ensuring the world energy security. In the context of the actualized issue of uneven resource distribution between the industrialized countries and the rest of the world this problem has gained an additional dimension. At the same time, in the long-term prospect the globalization involves the universal shift to a fundamentally new level of

modernization that is to the new alternative energy sources. Accordingly, the states with resource-oriented economies should switch to the new development model in the future in order not to face the severe systemic crises.

The historical and political hurdles standing in the way to stabilization remain as such: instability of its geopolitical landscape; the presence of various factors impeding the economic and political integration of the regional states, namely the presence of several comparable as to their impact and potency states in the region, which essentially adds complexity to the identification of any state as a geopolitical center that would be able to exert effect on the security state of the region. The ethnic-denominational and ethnic-political controversies are the crucial factor, as they are of transnational character and are potent not only to alter the power configuration, but also to lead to even more harmful consequences (terrorism, issue of allocation of water resources etc.). As the matter of fact, the amplification of the elements of chaos at the times of globalization shows negative impact on the international system as well as on the Middle East regional sub-system. The regional processes are becoming increasingly defined by the chaotic interaction between the actors of varied nature — from nations to the transnational actors to particular individuals. In analyzing them it is necessary to take into account the change in the international political structure; the crisis of the global leadership institution; the shift of the center of universal development; an inversion of the fundamental values.

The megatrends involve the re-ideologization of international relations, the growing role of national, religious and civilizational factors. As H.Kissinger puts it, nowadays the Middle East, transcending the limits of the Westphalian order, pertains in a confrontation somewhat similar to the pre-Westphalian religious wars in Europe, in a state of tension, disarray and violence [Киссинджер, 2017:119]. The nationalism and fundamentalism in many cases and in various regions act as independent political powers, or as allies, but mainly as competitors. A substitution of pan-Arabism ideology with the Islamistic paradigm occurs. Pan-Islamism has traditionally been deemed as an alternative to the pan-Arabism - a political doctrine that was built upon the idea of common historical destiny, language, religion and culture of the Arab peoples, the movement for unity and independence of the Arab nation based on the detachment of Islam from the state. The movement was related to the Arab nationalism, according to which Arabs constitute one nation sharing the common language, history and culture, which was reflected in the establishment and function of the League of Arab States. The proponents of the Arab Socialist Ba'ath Party, which for a long time was leading in Syria and Iraq, regarded the Arab unity as the establishment of the single Arab state to unify the whole Arab nation. The ideas of the religious and political alliance of Muslim nations were shaped as early as in the 1970s in pan-Islamism - the religious and political ideology and movement for the unity of all the nations that practice Islam, the proliferation of which became a reaction on the political and economic expansion of the European states into the Muslim world. It is based upon the premise of the leading role of Islam in the spiritual and secular life of the society, upon the unity, solidarity of all the members of the Muslim community regardless of their citizenship, race, nationality or social status, upon the necessity to consolidate all Muslims within the single state. Pan-Islamism becomes the official doctrine of the Ottoman Empire, which strived thereby to sustain the hegemony in the Muslim world. The Turkish expansion on the Arab territory under the pan-Islamic ideas led to its drop in popularity and the proliferation of the pan-Arab ideas. The XX century history is the history of opposition between the two ideologies - pan-Islamism with the concept of global Islamic ummah as a transnational community of laymen and pan-Arabism. The modern Turkish foreign policy once again employs the pan-Islamism mottos.

As for the megatrend of desecularization as an event of returning religion back to the world politics it should be stated that religion has entered the world politics and has established itself therein for long as a political ideology, political source, political institution, and a powerful geopolitical factor of impact. A higher awareness of the role of the religious factor in the international relations is connected to the Ba'ath as the rise in political activity under the so-called "Islamic project" or "Islamic alternative" also demands the special attention and a more detailed research. Islam serves as an organizing factor in the history of the East, as a core and a driving force

of Islamic civilization, possesses an enhanced capacity to mobilize the vast masses of people, in modern times is one of the most dynamic world religions, which in turn gives grounds for the projection that until the middle of the XXI century it will become the top largest world religion surpassing the Christianity. In particular, the deterritorialization indicated in favor of the global role of Islam.

Regardless of the growing significance of the religious factor in the regional international relations, the amplified internal differentiation in the Muslim world hinders the exercise of the Islam's bridging function on the international and regional stages. It is within such context that an approach of viewing Islam as a non-state subject of the world politics shows to be fairly topical and significant. Special attention should be paid to and much detailed research should be conducted with the so-called "Islamic project" or "Islamic alternative", the issues of Islamism as a political religion. The concept of political religion is used to denote the religious ideologies involving the exploit of religion for the political objectives rather than the application of politics to the religious causes, to characterize the ideologies that replaced the religions and continue to execute their functions. At the current stage, the phrase "political religions" is referring to the transnational religious communities, based not upon religions, but rather upon religious ideologies that bear a mild resemblance to religions while being a foundation for the mass political movements. As per usual, the political religions are named in such a way as to signify their links to a religion, e.g. "Islamism", "Orthodoxism", "political Hinduism". It should be recalled that the augmentation of the religious movements was forecast back in the 80s-90s by a renowned American futurologist John Naisbitt to whom we owe the introduction of the concept of megatrends into the scientific discourse [Нейсбит, 2003: 22].

Islam is in essence an overarching religion, an Islamic religious doctrine contains not only the religious-philosophical and moral grounds, but also the regulations of socioeconomic and political nature. The ideological beliefs in Islam are mostly divided into the traditionalist and reformative ones, the latter being sub-divided into modernism and fundamentalism. The crucial elements of Islamic fundamentalism are as follows: the world's segregation into the "territory of Islam" and "territory of war"; a concept of caliphate; the establishment of the single Islamic state and jihad; the rules of Islamic solidarity, that is its own principles of imposing an alternative international order.

An interconnection of the varying megatrends manifestations in the Middle East may be regarded in different ways. The change in the international political structure, the crisis of the global leadership institution and a shift of the center of universal development entail the new configuration of geopolitical centers on the global scale, within the Middle East landscape and in the Arab world; the reframing of the regional alliances; the increasing regional volatility relating to the possible overview of the Middle East political map, as in the formation of a complex and undefined regional configuration of geopolitical powers. It can be expected that in the foreseeable future the region would demonstrate the accumulation of global political volatility and ambiguity. The Middle East is facing the issue of the need for the regional anarchy prevention, the necessary prerequisites of which are the mitigation of the radical Islam impact and the establishment of a dialogue between the various political forces and states.

The manifestations of deterritorialization, as F. Halliday points out in particular, are the "erosion" of state sovereignty, the review of the borders, the collapse of statehood into the tribal and religious units (Syria, Lebanon, Libya, Yemen), which then are to be supported by influential regional geopolitical centers [Halliday, 2017]. P. Cockburn and F. Halliday focus on transnationalization, "new generation wars" and the emergence of quasi-state formations as a consequence of the actions of transnational actors [Cockburn, 2017; Halliday, 2017]. M.Lynch considers democratization within such system to be characterized by the mainly destructive attributes and outcomes [Lynch, 2016:47-49]. While World War I has transformed the Middle East, there were national states established and the borders outlined, the Arab Spring led to the emergence of the biaxial structures of the regional system - the Sunni "arc of moderation", which brings together the countries of the Cooperation Council for the Arab States of the Gulf and Jordan under the leadership of Saudi Arabia, to which Egypt is favorable, and the Iranian-Shiite axis with

the participation of Iran, Syria, Hezbollah in Lebanon and Shiite Iraq. A particular significance is being gained by the geopolitical rivalry between Iran and the Saudi Arabia, an internal Islamic geopolitical and ideological conflict surpassing the regional level and growing into the global one.

The contemporary research on the specifics of the Islamic factor impact, the new geopolitical role of Islamic fundamentalism indicate that the Islamic world is not the only one in determining the possible nature of relations with the outside world, which in its turn served as a basis for the shaping of three options for the "Islamic project": modernist, fundamentalist and traditionalist.

**Conclusions.** Our analysis of the specific megatrends manifestations in the Middle East and the way these regional processes inform global trends has lead us to conclude that the Middle East is a heterogeneous space; Middle Eastern regionalism is characterized by the emergence of integration models at the sub-regional level, is of fragmented, chaotic and disorderly character, as globalization acts as a catalyst for the aggravation of friction and the escalation of political strain.

The processes that are now occurring in the Middle East greatly influence global development megatrends and of the world order structure, which makes it necessary to forecast trends for their future development. It is thus advisable to examine these processes at multiple levels of analysis: global, regional, sub-regional, bilateral and national. Regarding the latter, there tends to be a governing crisis in the countries that have traditionally been recognized as strongholds of Arabism (Egypt, Syria), weakening their position in the region. At the regional level the transformation of relations along with the growing conflict potential leads to destabilization and fosters more polarization of the region. Such processes, however, reveal the contours of the new system of international relations — a polycentric one.

Turkey, Iran and Saudi Arabia are competing for the upper-hand in establishing the regional order. The confrontation between Tehran and Riyadh assumes ever-greater geopolitical importance. Israel, Turkey, Iran and Saudi Arabia remain as the main centers of power in the modern Middle East, just as Qatar and United Arab Emirates emerge as the centers of power of a new type. These act as finance, investment, trade, transport, infrastructure, information and communication centers of global, as well as regional level. Now it all depends on the kind of financial or political leverage used by the actors to solidify the new order. In any case, all this indicates the growth of the potential for conflict in the region and the desire of ambitious actors to fill 'the vacuum'.

It is clear that the old order is disappearing whilst the phase of transition to a new one is still ongoing and is characterized by uncertainty, the strengthening of the role of political Islam along with the new geopolitical role of Islamic fundamentalism, unrestricted transit of Islamism ideas, recurrent internal and interstate conflicts, and the heightened threat of non-state actors. Ever-growing instability, a potential redrawing of the existing national boundaries and the emergence of quasi-states, relying on ethnic and ethno-denominational powers and sustained by influential geopolitical centers of power, can all be expected. It is not merely about the long-standing conflict in Syria, but also about the conflict potential of the region as a whole, its ethno-religious peculiarities, security, trade and energy supply concerns and, finally, the reconfiguration of regional alliances. Such a reconfiguration may at any moment tear the 'political map' of the Middle East, thus engendering the problem of addressing regional anarchy.

It should be noted that the situation surrounding the Syrian issue (its regional aspect) and the Russia's and China's stances have helped outline the shape of a new system of international relations where there are other centers apart from the USA. U.S. Grand Strategy in the Middle East grows ever dysfunctional, and the USA currently faces a strategic failure in this vital region of the world. All this indicates that the period of U.S. dominance in the world has come to an end. In any event, the transformation of relations and the growth of instability has resulted in destabilization and further polarization of the region. The Middle East will continue to fall under the category of one of the most complex and heterogenous conflict zones of the modern world in the future.

Political changes in the region also reflect its internal problems. These are, above all, the authoritarian regimes, religious divides, Islamic extremism, excessive military spending, arms imports, and societies' dissatisfaction with living conditions. At the political level it is the absence of a joint political entity that could consolidate regional actors which constitutes yet another

problem. The dysfunctional nature of internal elements of the region is used by more powerful external actors, namely the U.S. Geopolitical rivals of the U.S. are China whose increasing clout is becoming more apparent, and Russia who has been conducting the policy of political, economic and humanitarian 'return' to the Middle East since the beginning of the 21st century. It is primarily the extraregional actors' policies that will determine the dynamics of the development of relations among the countries of the Arab world.

In the context of the crisis of neoliberal globalization a post-globalist paradigm premised on universally shared values, pluralism and accommodation of the interests of all world's civilizations. Current experience suggests, however, that no country in the world can indefinitely dominate the rest. Eventually, Americanization will probably be succeeded by either Sinicization or Arabization. There can be no doubt for now that it is China that is the main geopolitical rival of the U.S.

Thus, an analysis of megatrends and the nature of their manifestation in the Middle East enables us to make conclusions about the feasibility of employing such a category in international political analysis and actualizes the research of megatrends management at the global and regional levels alike.

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УДК 341.1

## **GUAM TRANSPORT CORRIDOR: POLITICS VS. ECONOMICS IN INTERNATIONAL RELATIONS**

## **ТРАНСПОРТНИЙ КОРИДОР ГУАМ: ПОЛІТИКА VS. ЕКОНОМІКА В МІЖНАРОДНИХ ВІДНОСИНАХ**

## **ТРАНСПОРТНЫЙ КОРИДОР ГУАМ: ПОЛИТИКА VS. ЭКОНОМИКА В МЕЖДУНАРОДНЫХ ОТНОШЕНИЯХ**

### **Nanavov A. S.**

PhD (Economics), Associate Professor, Institute of International Relations of Taras Shevchenko National University of Kyiv (Kyiv, Ukraine), e-mail: ananavov@ukr.net

### **Mamishova N. Sh.**

Independent researcher, Master of Arts in Diplomacy and International Affairs, ADA University (Baku, Azerbaijan), e-mail: narminamamishova@gmail.com

### **Нанавов А. С.**

Кандидат економічних наук, доцент, Інститут міжнародних відносин Київського національного університету імені Тараса Шевченка (Київ, Україна), e-mail: ananavov@ukr.net

### **Мамішова Н. Ш.**

Незалежний дослідник, магістр за фахом «Дипломатія та міжнародні відносини», Університет АДА (Баку, Азербайджан), e-mail: narminamamishova@gmail.com

### **Нанавов А. С.**

Кандидат экономических наук, доцент, Институт международных отношений Киевского национального университета имени Тараса Шевченка (Киев, Украина), e-mail: ananavov@ukr.net

### **Мамишова Н. Ш.**

Независимый исследователь, магистр по специальности «Дипломатия и международные отношения», Университет АДА (Баку, Азербайджан), e-mail: narminamamishova@gmail.com

**Abstract.** *The ODED-GUAM Organization for Democracy and Economic Development (GUAM) was originated more than two decades ago as a friendly cooperative forum of a few post-Soviet countries committed to Euro-Atlanticism. In 2006 the grouping was transformed into a full-fledged international organization bringing together Georgia, Ukraine, Azerbaijan, and Moldova. Notwithstanding the geostrategic role of cooperation within GUAM in terms of energy security, protracted conflicts, trade links and other key policy areas, the organization has been recurrently failing to create a common front for its member states. It has been mostly with the recent actualization of ambitious trade and transportation projects to engage the four states that GUAM started to “return to the big game” and attract significant attention from governments and scholars. This study explores the political and economic significance of international transport routes within the framework of intergovernmental relations exemplifying the origins and evolution, strengths and weaknesses of the GUAM Transport Corridor (GUAM TC) project, and also some insights on reingovirating the transport cooperation agenda in the GUAM region.*

**Key words:** *ODED-GUAM, transport corridor, free trade area, Georgia, Ukraine, Azerbaijan, Moldova*

**Анотація.** *Організація за демократію та економічний розвиток (ОДЕР-ГУАМ) була заснована понад два десятиліття тому в якості форуму для дружньої співпраці між кількома пострадянськими країнами, прихильними до євроатлантичних прагнень. У 2006 році група держав була перетворена на повноцінну міжнародну організацію, яка об'єднала Грузію, Україну, Азербайджан та Молдову. Незважаючи на геостратегічну роль співпраці в рамках ГУАМ в частині енергетичної безпеки, затяжних конфліктів, торговельних зв'язків та інших ключових політичних напрямків, організації залишається мало успішною у створенні потужної платформи політичної координації та багатовекторної співпраці між країнами-членами. Значною мірою завдяки актуалізації останнім часом амбітних проектів у сфері торгівлі і транспорту за участі чотирьох держав з'явилися сподівання на повернення ГУАМ «до великої гри» та привертання посиленої уваги з боку урядів та наукового складу. Ця стаття досліджує політичну та економічну значимість міжнародних транспортних маршрутів у рамках міждержавних відносин на прикладі походження та еволюції, сильних та слабких сторін проекту транспортного коридору ГУАМ, а також визначає окремі шляхи актуалізації порядку денного транспортного співробітництва у регіоні ГУАМ.*

**Ключові слова:** *ОДЕР-ГУАМ, транспортний коридор, зона вільної торгівлі, Грузія, Україна, Азербайджан, Молдова*

**Аннотация.** *Организация за демократию и экономическое развитие (ОДЭР-ГУАМ) была основана более двух десятилетий назад в качестве форума для дружественного сотрудничества между несколькими постсоветскими странами, приверженных евроатлантическим стремлениям. В 2006 году группа государств была преобразована в полноценную международную организацию, которая объединила Грузию, Украину, Азербайджан и Молдову. Несмотря на геостратегическую роль сотрудничества ГУАМ в области энергетической безопасности, затянувшихся конфликтов, торговых связей и других ключевых политических направлений, организации так и не удалось стать мощной платформой политической координации и многовекторного сотрудничества между государствами-членами. В значительной степени, возрождающиеся в последнее время амбициозные проекты в области торговли и транспорта с участием четырех стран дают надежду на возвращение ГУАМ в «большую игру» и привлечение усиленного внимания со стороны правительств и научного состава. Эта статья исследует политическую и экономическую значимость международных транспортных маршрутов в рамках межгосударственных отношений на примере происхождения и эволюции, сильных и слабых сторон проекта транспортного коридора ГУАМ, а также определяет некоторые способы актуализации повестки транспортного сотрудничества в регионе ГУАМ.*

**Ключевые слова:** *ОДЭР-ГУАМ, транспортный коридор, зона свободной торговли, Грузия, Украина, Азербайджан, Молдова*

**Introduction.** The very founding document of the GUAM grouping – the Strasbourg Declaration of 10 October 1997 – adopted by heads of Georgia, Azerbaijan, Ukraine, and Moldova at the margins of the Council of Europe summit acknowledged the prospects for employing their geographical location – a West-East gateway through the Caucasus and Eastern Europe – and corresponding economic opportunities to turn into a solid drive for their rapprochement. The four republics have had a justified interest in utilizing the transport and transit potential of the GUAM region and supplementing together a “very important element of the network of international economic security” [Cornell: 2005] – transportation corridor along the New Silk Road, especially since the development of a brand new transport corridor would bypass the existing routes via Russia which are economically more expensive and politically more fragile. In effect, new opportunities opened up with inaugurating the rail-ferry service from the Georgian town of Poti to the Ukrainian Black Sea port of Illichivsk (now – Chornomorsk) [Pavliuk: 2016]. Further agreements between Ukraine, Azerbaijan, and Georgia foresaw linking Baku-Tbilisi-Poti-Odesa-Kyiv with a joint



transportation line for cargo and passengers [Czerewacz-Filipowicz: 2011]. In this way, the GUAM region (at least, partially) started coming to the “forefront” of the transport geopolitics.

The purpose of research is to analyze the main tendencies and perspectives of both economic and political integration within the ranks of GUAM, with the special focus on the recent developments in GUAM transport corridor

**Recent literature review.** Due to the recent reinvigoration of the interest towards the GUAM TC among politicians and academia, its conceptual understanding and empirical explication attempts are quite poor. Katarzyna Czerewacz-Filipowicz and Agnieszka Konopelko address the GUAM TC as part of the overview of the integration processes as well as international political cooperation in the area of the Commonwealth of Independent States (CIS) [Czerewacz-Filipowicz: 2011]. Renata Dwan refers to the role of the initiative in the development of the Central Corridor (Transport Corridor Europe-Caucasus-Asia, or TRACECA) transport corridor as an attempt to establish an alternative transport outlet to Europe to complement the existing route via Russia [Dwan: 2016]. Nataliya Vasilyeva and Maria Lagutina merely point out that the contribution of transport to the solution of economic issues and unity consolidation of the GUAM nations [Vasilyeva: 2016]. The latest mass research concentration on the GUAM TC belongs to the special issues of the “Central Asia and the Caucasus” journal of 2008 [Central Asia and the Caucasus: 2008]. Meanwhile, a number of studies addressing as such the idea for establishing a competitive multimodal transport route running along the territories of Georgia, Ukraine, Azerbaijan, and Moldova date back predominantly to 2017, when Kyiv hosted in March the “revival” GUAM meeting at the level of heads of government – the first high-level one since 2008 [Ukrinform: 2017]. Essentially, the 2019 publication of the UNECE Group of Experts on Euro-Asian Transport Links (EATL) dedicated to Euro-Asian transport linkages provides a briefing of the target areas for the GUAM TC development [UNECE Group: 2019]. Oleksandr Sharov refers to the GUAM TC as a keystone for the economization of the activities of the international organization [Sharov: 2019]. Similarly, Pavlo Horin considers the initiative as the one to provide unique opportunities for the elaboration of transport-communications ties between the four republics [Horin: 2017]. Finally, Majorie van Leijen argues that a clear development strategy (at this stage – in the form of a feasibility study) is a must-have for the GUAM TC to move forward [Majorie van Leijen: 2015]. Obviously, the existing GUAM TC concept research has been underdeveloped and somehow neglected in academia. To address this gap, the current research examines the background of the GUAM TC project along with the prospects for its implementation from the perspective of a comprehensive political and economic approach.

**Main research results.** Introduced with the 1997 Strasbourg Declaration, essentially, the transport and transit integration of the GUAM countries has been inextricably interrelated with another strategic initiative of the grouping – the GUAM Free Trade Area (FTA), which was de jure introduced with the GUAM FTA Agreement of 20 July 2002 [GUAM: 2003]. Drawing on the best foreign practices, it was supposed to introduce necessary conditions for free movement of goods and services in the GUAM region. The establishment of the full-scale FTA and accordingly reduction in transportation costs would leverage the competitive power of the GUAM TC. It was from that perspective that the GUAM grouping approached its transformation into a full-fledged international organization with the 2006 Kyiv Summit. The Kyiv Charter – a “backbone” of GUAM enumerating the main purposes of the organization – referred inter alia to the development of transport potential of the four countries. The positive momentum continued during the 2007 Baku Summit of GUAM. Its final Declaration titled symbolically “GUAM: Bringing continents together” of firsts addressed the key geographical position and strategic importance of the GUAM member states, whose territories constitute a natural corridor linking Europe and Asia.

2008 brought another impetus to the expansion of the GUAM transport and transit potential. On 29-30 April the International Conference “GUAM-Transit” was held in Baku, Azerbaijan [Azerbaijan State News Agency: 2008] to voice officially the idea of developing the GUAM Transport Corridor across the route linking Baku-Tbilisi-Poti (Batumi)-Illichivsk (now – Chornomorsk)-Kyiv-Chisinau. Similarly, the year of 2013 was landmark in terms of advancing

transport and transit cooperation within and beyond GUAM. At the sidelines of another GUAM Working Group on Transport, which was held in Tbilisi in February, the Development Concept for the GUAM Transport Corridor [GUAM: 2013] was finally adopted. A strategically important step – particularly amidst the protracted crisis in the GUAM integration process – it signaled somehow “optimistic moods” towards the idea of developing the GUAM TC, ensuring its competitiveness, improving the network of communication routes along and beyond the corridor, and increasing the international traffic flow through Azerbaijan, Georgia, Ukraine, and Moldova. Kind of collective promise, it acknowledged the GUAM route – a complex of thoroughfares, both overland and over water, with appropriate infrastructure extending across the territories of the GUAM countries.

Technically, the four republics have been engaged with ambitious transport initiatives, particularly, in restoration of the ancient Silk Road in the face of today’s New Silk Road to cross Eurasia via a number of fast and cost-effective transport routes. Three key corridors connecting Asia and Europe via Central Eurasia engage some or all of the GUAM countries. Two out of the three alternative Southern Route options involve Georgia and Azerbaijan; Ukraine and Azerbaijan share commitment to one of the options for the so-called Northern Route [Ziyadov: 2012]. In turn, the TRACECA project – the EU-led international intermodal transport initiative and a “limping leg of the New Silk Road” [Ziyadov: 2012] – covers all the four. Georgia, Ukraine, Azerbaijan, and Moldova have been among twelve original signatories to the Basic Multilateral Agreement on International Transport for Development of TRACECA which was signed back in September 1998. Saying this, the GUAM TC would stand to become TRACECA’s internal, integral and decisive component. Finally, the GUAM republics have been alongside partnering within the framework of the Trans-European Transport Network (TEN-T), addressing the implementation and development of a Europe-wide network of railway lines, roads, inland waterways, maritime shipping routes, ports, airports and railroad terminals.

Meanwhile, the four countries remain “neighborly fragmented” in their contribution into regional and global transport routes. For Georgia and Azerbaijan, this refers to the 826-kilometer Baku-Tbilisi-Kars (BTK), or Baku-Tbilisi-Akhalkalaki-Kars railway (BTAK) between Azerbaijan, Georgia, and also Turkey which complemented a major part of the TRACECA Middle Corridor upon being inaugurated in October 2017. The ambitions are abundant – the BTK capacity is to process 2-5 mln tons of cargo per year in the short term and up to 20 mln tons of cargo and 3 mln passengers annually by 2034. For Ukraine and Georgia, there is a direct ferry connection that sails from Chornomorsk (former Illichivsk), the harbour of Odesa, to Poti/Batumi in Georgia. Individual private entities keep on making pathetic “b2b” attempts to go it alone with cargo transportation in the GUAM region. For example, in October 2019, the Lucien G. A. vessel arrived at the Pivdennyi sea port in Ukraine on the TIS container terminal as part of brand new weekly Maersk Line feeder service from the Georgian port of Poti to ship containers in transit both to the Caucasus and Central Asia and the other way to Ukraine and Europe. Despite being very much welcomed, the efforts fail to contribute to the establishment of the all-way-long transport chain to run across the territories of the four.

The trade overview by country provided by the World Integrated Trade Solution (WITS) TradeStat Database [World Bank: 2020] speaks for itself. According to the latest data, neither Georgia nor Ukraine and Moldova are among Azerbaijan’s top 5 export and import partners. To the word, Russia accounts for almost 17 per cent of Azerbaijan’s export portfolio, which makes Moscow an exporter number one for Baku these days. For Georgia, Azerbaijan is its leading import partner with a share of 15 per cent of the market. Meanwhile, both Azerbaijan and Ukraine are among Tbilisi’s top export partners. On its part, Moldova has close trade ties with Ukraine only in the GUAM region – with Kyiv accounting for 10 per cent of the former’s export portfolio. Surprisingly, none of remaining GUAM republics (Azerbaijan, Georgia, and Moldova) qualifies for Ukraine’s leading traders. The sad reality is that notwithstanding all the efforts of the four governments – the development of the GUAM TC with badly needed full-fledged FTA launch have remained merely declaratory agenda items for GUAM with poor practical performance. Here are a

few political, economic and regulatory insights on what can be done for the GUAM TC to get rid of its malfunction:

**-depoliticization of economics.** The globalization of the economy and trade is leading to the continual growth of freight traffic between Europe and Asia, which, in turn, increases the importance of the transport integration of the GUAM republics. At first sight, the idea of the GUAM TC is very much regular – to promote sub-regional integration and economic cooperation between one-to-one neighboring states – Georgia, Ukraine, Azerbaijan, and Moldova. On surface, it is basically a commercial purpose to establish a trade and transit route to connect Asia and Europe via the Caucasus and the Black Sea, on which two participating countries (Georgia and Ukraine) have sea-ports – Poti/Batumi and Chornomorsk (former Illichivsk) respectively. A transit short-cut, connecting Europe with Central Asia and beyond would definitely facilitate the rapid movement of goods between the GUAM countries, diversify their national economies and further integrate them into global supply chains. A typical multilateral and multimodal corridor, meant to transport cargo through the four countries using different modes, the corridor, is, however, designated through the well-frameworked sub-regional arrangement – the one of the GUAM international organization.

Mainly, the hallmark of the GUAM TC is its “chicken or the egg” genesis. Adjoining countries do usually initiate drawing international transport routes first to build up their institutional framework afterwards. In Eurasia, this was the case of let’s say the Trans-Caspian International Transport Route (TITR) Middle Corridor running from Southeast Asia and China through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia all the way to European countries. Basically, it met the world with the signing in 2013 of the purposed agreement to establish the Coordination Committee for the Development of TITR by the leaders of state-run sectoral transport companies of Kazakhstan, Azerbaijan, and Georgia [Middle Corridor: 2020]. The Ukrainian Railways (Ukrzaliznytsia) joined the commercial initiative soon as a full member (together with the state transport administrations of China and Turkey). Same was the example of TRACECA which came into being through the mentioned Basic Multilateral Agreement of Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine, and Uzbekistan [TRACECA: 2020]. This accords even more worth to the GUAM TC, as the one to follow clear security and political interests along with the basic economic motivation.

Since inception the West-oriented foreign and security attunement of the four countries within the GUAM grouping has been paved in tandem with the one of retaining their autonomy from Russia. Although GUAM has never claimed being an anti-Russian bloc or a buffer zone between NATO and Moscow, but rather as an interest-driven group of nations, the hunches describing GUAM an “anti-Russian, even Russophobic” coalition set up under the U.S. aegis to diminish the role of Moscow, isolate it from the West and control and exploit its communications with Europe, primarily in terms of oil and gas exports, keep on persisting [Markov: 2006]. In all fairness, the economic, communication, energy, and military (in the form of weapon and ammunition supplies) dependence on Russia coupled with the unresolved territorial conflicts created an understanding in GUAM’s corridors of power that dependence on Moscow should be slackened, if not completely liquidated, with the help of new systems of relations among the new sovereign states independent of the Big Brother [Polukhov: 2008]. In this way, the caucus of Georgia, Ukraine, Azerbaijan, and Moldova has been viewed as embodiment of the efforts of a few “daredevils” to counter the influence of Russia in the former Soviet territory.

This implies the GUAM TC has not been considered as a merely means of facilitating trade among the four republics, but also conducting trade of other states through this route, which has access to Asia and Europe via the Caucasus. Theoretically, the corridor would enable the landlocked Central Asian states to bypass Russia and Iran for their international trade by accessing Azerbaijan via the Caspian Sea, through which they could reach the Black Sea passing through neighboring Georgia – the matter of the U.S. government interest in the southern CIS countries since the 1990s [Peimani: 2009]. The idea of an Europe-Caucasus-Caspian Sea- (and eventually) Central Asia transportation and energy route has been critical, as are new energy routes that could diversify transit corridors to allow Caspian and Central Asian crude oil and other hydrocarbons to

easily make their way via the GUAM sub-region further to Europe and therefore decrease these countries' dependence on Russia for energy supply and transit [Kembayev: 2009]. Such a two-faceted background of the GUAM TC – a mixture of intertwined economic and political commitments – is both inspiring and intrusive. It is obvious that the significance of the GUAM TC will inevitably decline and even fade away over time if the four countries fail to strengthen the economic thrust of their interaction to supplement the political one.

It is revealing that these days to “make a comeback” [Shiriyev: 2017] GUAM needs to embrace a more economic agenda. If one prefers kind of Maslow's hierarchy of needs, the highest rungs (most important ones) have to cover the need for enhancing the attractiveness and competitiveness of the GUAM TC through coordinated policy efforts. Ultimately, this will help GUAM achieve correct positioning of itself – as a voluntary interest-run framework for quadrilateral cooperation. Unfortunately, rhetoric of “democracy”, incorporated into the organization's name, did not ensure a rise in status of the GUAM countries in their relations with the West, but did aggravate the contradictions with the Russian leadership in parallel with the increasing doubts over the “purity of purpose” of the West. At the end of the day, the bloc has to get rid of kind of “identity misperception”, which has always been a stumbling block for GUAM – causing distrust on the part of Russia and fear on the part of the West. With that, GUAM will manage to exploit more effective and mutually advantageous patterns of sub-regional cooperation in Eurasia. These days, GUAM needs to make sure that it picks the right targets. For that reason, the accents need to be shifted to lobbying “economic development”, at least for the time being;

**-FTA revival.** The transport and transit integration of Georgia, Ukraine, Azerbaijan, and Moldova has been indivisibly related to another strategic initiative of the grouping – introduction of a free trade regime. A few years before GUAM was transformed into a full-fledged organization, the participating countries succeeded to sign on 20 July 2002 in Yalta, Ukraine, the ambitious FTA deal – Agreement on Establishment of Free Trade Area between the GUAM Participating States [GUAM: 2008]. Positioned as a tribute to the best GATT/WTO practices, it entered into force on 10 December 2003 and foresaw the free movement of goods and services throughout the GU(U)AM region – Uzbekistan was counted as part of the bloc for some time, however, never signed the Agreement. Its provisions provided for the elimination of customs duties, taxes and dues having equivalent effect, and of quantitative limitations in mutual trade, the establishment of an effective system for mutual settlement of accounts and payments in trade and other operations, and also the harmonization of corresponding legislation. The proper implementation of the FTA deal promised not only to boost the intra-regional trade, but make it easier for the GU(U)AM countries to trade in Western markets and get better integrated into the world economy [Pavliuk: 2016]. So far, however, their markets have not been opened up, although Azerbaijan, Ukraine and Georgia ratified the Agreement.

It remains still an open question whether the four countries are ready to and capable of harmonizing their trade regulations, adjusting national legal systems accordingly, and making their economies more closely integrated. In fact, the free trade regime has been long operating in the GUAM region (for Azerbaijan and Moldova – based on the CIS multilateral agreement, for Georgia and Ukraine – in the form of bilateral agreements). Saying this, one should not expect in the short run the additional liberalization of the terms of trade in comparison with the ones of the CIS FTA, which are quite liberal (at least on paper) [Panchenko: 2017]. Meanwhile, the GUAM FTA Agreement is far from fully implementing its potential. Moreover, the GUAM republics remain asymmetric in this domain. Three out of the four countries (Georgia, Ukraine, and Moldova) have WTO membership and enjoy a free trade regime with the EU [Panchenko: 2017], which is not the case for Azerbaijan. In this sense, the latter significantly lags behind in terms of the GUAM trade integration. This is how the GUAM FTA Agreement was never translated into concrete action, with its full-scale implementation being “just around the corner”.

At the same time, the year of 2017 gave a new impetus to the GUAM FTA chances to become a reality. The long-awaited high-level quadrilateral meeting of the heads of government of Georgia, Ukraine, Azerbaijan, and Moldova has put an end to almost a decade of the GUAM “silence”. On

27 March the Prime Ministers of Georgia, Ukraine, and Moldova, and also the Deputy Prime Minister of Azerbaijan, met in Kyiv, Ukraine. The group appeared to try to move away from its former politics-oriented stance and embrace a more economic agenda [Shiriyev: 2017]. The meeting witnessed the signing of the Protocol to approve the procedures for the establishment and activities of the Working Body responsible specifically for the 2002 FTA Agreement implementation [Cabinet of Ministers of Ukraine: 2017]. The first technical step to “unlock the process”, it has introduced the Working Body meant to elaborate all the supplementary documents to move forward. Alongside, the Protocol on the recognition of customs control results in the GUAM area was signed to eventually simplify customs procedures and ensure efficiency in the introduction of the GUAM free trade regime. Similarly, the ongoing dynamic negotiations over the accompanying Protocol on regulations determining the country of origin of goods (negotiations on which have started in far 2006) have given hope for real progress.

In 2019, on the sidelines of the December “package of meetings”, two more “supplementary” documents were signed – the Protocol of intent between the customs administrations on the application of blockchain technologies for verification of certificates of the origin of goods being transported across the state borders [GUAM: 2019], and also the Protocol of intent between the customs administrations on the mutual Recognition of authorized economic operators [GUAM: 2019]. Both (despite their declaratory nature) have verified the GUAM commitment to proceed with the initiative. Alongside, the 2019 Joint Statement by the heads of government signaled their aspiration to encourage specifically the “real-world” GUAM free trade regime. Looking far ahead, the heads of government committed to facilitate the completion and signing in 2020 of the Protocol on regulations determining the country of origin of goods to the FTA Agreement of 20 July 2002 [GUAM: 2019]. Absolutely “economics-oriented”, the Statement listed among the priorities the support towards the implementation of the FTA Agreement to ensure the proper functioning of the free trade regime in the GUAM area.

Alongside, during the raucous meeting in Kyiv, the heads of government of the four republics committed to encourage and support further institutional strengthening of the GUAM business dimension to ensure active involvement and participation of the private sector in the implementation of the GUAM flagship initiatives, which are the development of the GUAM TC and of the GUAM free trade regime. GUAM has a record of having already two Business Forums being held on the sidelines of the Meetings of the heads of government. The agenda of the one of 2019 was focused specifically on public and private partnerships in the implementation of the strategic GUAM projects to facilitate trade and transport in the region. In practice, for what it’s worth, the GUAM Digital Trade Hub at [www.guamtrade.net](http://www.guamtrade.net) has been recently launched in a test mode [GUAM: 2019]. A comprehensive e-platform has been designed to provide users with the basic-need information and services in customs, trade, transport and tourism by member countries. Besides, as a follow-up of the first Business Forum the GUAM Association of Business Cooperation has been established recently. This is how the badly needed efforts are being made by GUAM at the level of businesses;

**-policy coordination.** For the GUAM TC to come into reality, definitely, an agreed-upon transport and tariff policy of Georgia, Ukraine, Azerbaijan, and Moldova, the harmonization of their legislation to the extent necessary for proper and effective functioning of the free trade regime, the simplification of customs procedures on the crossing of goods (elimination of customs duties, as well as taxes and dues having equivalent effect, and of quantitative limitations in mutual trade, the establishment and development of effective system of mutual settlement of accounts and payments in trade and other operations) are among essential conditions. In practice, one would consider *inter alia* the elaboration of a single tariff policy for the terminal and maritime component of traffic between the sea ports of Chornomorsk in Ukraine and Poti/Batumi in Georgia. The application by railway companies of the four countries of a single through tariff, which would take account of sea freight rate, terminal and railway components of the route, would certainly come in handy. In this way, the potential for rapprochement and integration of the GUAM national economies and further evolution of the economic space has been enormous. The establishment of the full-scale free trade

area and accordingly reduction in transportation costs would leverage the competitive power of the GUAM TC and ultimately consolidate the unity of the GUAM countries;

**-expansion and inclusion.** Along with enhanced cooperation in conducting trade and economic policy, the GUAM TC would certainly benefit from being incorporated into or merging with operating variety of East-West road, rail and sea links in Eurasia. In order to attract new cargo flows along the GUAM TC – even on a one-to-one basis for a while – it is vital for the transport corridor to “go beyond” its geographic space. In this sense, one would address the mentioned GUAM TC Concept, which took up GUAM’s role in establishing TRACECA – mainly through the Baku-Tbilisi-Kars and Almaty-Baku-Tbilisi-Poti-Odesa-Chisinau routes. Additionally, the Concept considered the prospects for linking the GUAM TC with the “Viking” (runs along the Illichivsk/Chornomorsk (Ukraine)-Minsk (Belarus)-Klaipeda (Lithuania) route) and “Zubr” (runs along the Illichivsk/Chornomorsk (Ukraine)-Minsk (Belarus)-Riga (Latvia)-Tallinn (Estonia) route), combined transport trains, connecting the Black Sea and the Baltic Sea, with involvement of sea ports, ferries, rail and road networks in Georgia, Ukraine, Azerbaijan, and Moldova, as well as transport links to Central Asia, China and other countries – as a potential extension of the GUAM TC. In this sense, the governments should definitely consider the actual launch of the “Viking” project in the territories of Georgia and Azerbaijan and the technological combination (interaction) let’s say between the “Viking” route and the GUAM TC.

**Conclusion.** Either way, the GUAM geography and its transport and transit potential sound even more relevant these days in terms of providing competitive and efficient connectivity between Europe and Asia amidst regional and wider geopolitics. What is now required is that the decisions taken by the leaders of Georgia, Ukraine, Azerbaijan, and Moldova towards one of the two flagship GUAM initiatives – the GUAM TC to address the opportunity popping up for the GUAM region to develop into an alternative transit short-cut, connecting Europe with Central Asia and beyond – are implemented in practice. Meanwhile, there is active talk now on the implementation of block chain technologies and the digital transformation of the transport connections in the GUAM area, and also on their multimodality. Likewise, taking an advantage of the GUAM TC requires eliminating a number of barriers – mainly, the harmonization of border and customs procedures and, once again, the full implementation of the FTA Agreement. With that, at the highest political level, the four republics have to intensify efforts towards engaging transport and transit capacity of the organization and attracting international support and investments to develop and bring into life a viable transport corridor bridging their territories. The GUAM TC to pass along realistically at least three GUAM republics – Georgia, Ukraine, and Azerbaijan – and ideally – all the four – will definitely facilitate the rapid movement of goods between the GUAM countries, diversify their national economies and further integrate them into global supply chains.

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УДК 327

## **AZERBAIJANI-UKRAINIAN RELATIONS IN THE SPHERE OF ART IN THE ERA OF GLOBALIZATION**

### **АЗЕРБАЙДЖАНСЬКО-УКРАЇНСЬКІ ЗВ'ЯЗКИ В СФЕРІ МИСТЕЦТВА В ЕПОХУ ГЛОБАЛІЗАЦІЇ**

### **АЗЕРБАЙДЖАНО-УКРАИНСКИЕ СВЯЗИ В СФЕРЕ ИСКУССТВА В ЭПОХУ ГЛОБАЛИЗАЦИИ**

**Efendiyeva A. F.**

Post-graduate student of the Department of Diplomacy and Foreign Policy of Baku Slavic University. E-mail: sevinc.n@mail.ru

**Ефендієва А. Ф.**

Докторант кафедри Дипломатії і зовнішньої політики Бакинського слов'янського університету. E-mail sevinc.n@mail.ru

**Эфендиева А. Ф.**

Докторант кафедры Дипломатии и внешней политики Бакинского славянского университета. E-mail sevinc.n@mail.ru

**Abstract.** *The article discusses the features of the strategy for the dynamic development of relations in the field of art of Azerbaijan and Ukraine. The successes of cooperation in the field of art, the further development of bilateral humanitarian ties, which served as a vivid example of strategic partnership between the republics in the new century, are noted. Bilateral and multilateral events are currently under way. States are trying to demonstrate the ideas of "equality" and "brotherhood" among themselves. Cultural ties between Ukraine and Azerbaijan are being carried out. Cultural ties with the two countries are subordinated primarily to political goals. It should be noted that historically, the Azerbaijani people have had extensive international relations. The rich culture of the Azerbaijani people also attracted various states. The effective development of Ukrainian-Azerbaijani cultural ties in the modern period is a clear demonstration of the construction of the foreign policy of both states in accordance with the requirements of the time. Monitoring the development of humanitarian relations in this aspect has a certain political science relevance. A humanitarian policy in the context of bilateral cooperation of states in the context of globalization requires constant updating of the form and content of relations in this area of international relations. Therefore, both in Azerbaijan and Ukraine, new short-term and long-term projects are constantly being developed, agreements and cooperation agreements are concluded for the further development of relations between the two countries in various fields of the humanitarian sphere.*

**Keywords:** *Azerbaijan, Ukraine, art, music, international relations, twin cities*

**Анотація.** *У статті розглядаються особливості стратегії динамічного розвитку відносин в галузі мистецтва Азербайджану та України. Відзначено успіхи співпраці в сфері мистецтва, подальший розвиток двосторонніх гуманітарних зв'язків, які послужили яскравим прикладом стратегічного партнерства між республіками в новому столітті. Проводяться двосторонні і багатосторонні заходи в даний час. Держави намагаються*

демонструвати ідеї «рівності» і «братства» між собою. Здійснюються культурні зв'язки між Україною та Азербайджаном. Культурні зв'язки з двома країнами підпорядковані переважно політичним цілям. Слід зазначити, що історично у азербайджанського народу були великі міжнародні зв'язки. Найбагатіша культура азербайджанського народу також притягувала різні держави. Ефективний розвиток україно-азербайджанських культурних зв'язків в сучасний період є наочною демонстрацією побудови зовнішньої політики обох держав відповідно до вимог часу. Спостереження за розвитком гуманітарних відносин в даному аспекті має певну політологічну актуальність. Гуманітарна політика в контексті двостороннього співробітництва держав в умовах глобалізації вимагає постійного оновлення форми і змісту зв'язків в цій галузі міжнародних відносин. Тому як в Азербайджані, так і в Україні постійно розробляються нові короткострокові і довгострокові проекти, укладаються угоди і договори про співробітництво для подальшого розвитку відносин між двома країнами в різних галузях гуманітарної сфери.

**Ключові слова:** Азербайджан, Україна, мистецтво, музика, міжнародні відносини, міста-побратими

**Аннотація.** В статті розглядаються особливості стратегії динамічного розвитку відносин в області мистецтва Азербайджана і України. Відзначені успіхи співробітництва в сфері мистецтва, подальше розвиток двосторонніх гуманітарних зв'язків, послуживших яскравим прикладом стратегічного партнерства між республіками в наступному столітті. Проводяться двосторонні і багатосторонні заходи в теперішній час. Держави намагаються продемонструвати ідеї «рівності» і «братства» між собою. Здійснюються культурні зв'язки між Україною і Азербайджаном. Культурні зв'язки з двома країнами підпорядковані переважно політичним цілям. Слід зазначити, що історично у азербайджанського народу були великі міжнародні зв'язки. Найбагатіша культура азербайджанського народу також притягувала різні держави. Ефективний розвиток україно-азербайджанських культурних зв'язків в сучасний період є наочною демонстрацією побудови зовнішньої політики обох держав в умовах глобалізації. Спостереження за розвитком гуманітарних відносин в даному аспекті має певну політологічну актуальність. Гуманітарна політика в контексті двостороннього співробітництва держав в умовах глобалізації вимагає постійного оновлення форми і змісту зв'язків в цій галузі міжнародних відносин. Тому як в Азербайджані, так і в Україні постійно розробляються нові короткострокові і довгострокові проекти, укладаються угоди і договори про співробітництво для подальшого розвитку відносин між двома країнами в різних галузях гуманітарної сфери.

**Ключевые слова:** Азербайджан, Украина, искусство, музыка, международные отношения, города-побратимы

### **Introduction.**

There is a large legal framework between Ukraine and Azerbaijan that regulates relations between our countries in the cultural sphere. The basic document in the field of cultural cooperation is the Agreement on cooperation in the field of culture and art between the Ministry of Culture and Arts of Ukraine and the Ministry of Culture of the Republic of Azerbaijan, signed in Kiev in 1997.

Since its signing, great positive changes have taken place in the Azerbaijani - Ukrainian cultural relations. The main large-scale in the Azerbaijani - Ukrainian cultural relations were and remain ties in the field of art. The dynamics of bilateral cultural cooperation between our states in the context of globalization requires a constant renewal of the form, types and content of ties in this area. Therefore, both in Azerbaijan and in Ukraine, new short-term and long-term projects are constantly being developed, agreements and cooperation agreements are being concluded for the

further development of relations between the two countries in various fields of art. Naturally, globalization gave dynamics to relations in this area. In this sense, the study of the connection in the field of art in the era of globalization between Azerbaijan and Ukraine is very relevant.

**The purpose of research** is to analyze international relations between Azerbaijan and Ukraine in the field of culture

**Recent literature review.**

Relations in the field of art in the era of globalization between Azerbaijan and Ukraine are devoted to the scientific works of domestic and foreign scientists. Scientists of Azerbaijan paid special attention to studying the problems. So, in the work of G.N. Mamedov, A. Abbasov, E. Nadzhafov, N.S. Mamedzade, T.M. Aliyev, Z. Jafarova and others are investigating the comprehensive ties in the field of art of Azerbaijan with Ukraine.

In recent years, books and articles dedicated to cultural ties between our peoples have been published in Ukraine. Among foreign scientists, it is worth highlighting the works of such as Sokhan P.S., Parakhonsky B., Dergachev A, and others.

In these works, the authors propose expanding and increasing the effectiveness of these links. Relations in the field of art in the era of globalization between Azerbaijan and Ukraine are devoted to the scientific works of such domestic and foreign scientists: Mamedov G.G., Abbasov A., Najafov E., Mamedzade N. N. Abbasov A., Aliev.T.M., Dzhaparov.Z., And others. Among foreign scientists, it is worth highlighting the works of such as P. Sokhan, B. Parakhonsky, A. Dergachev, and others.

**Main research results.** Art is a spiritual treasure that improves and deepens the fraternal and friendly relations of the peoples of the world. Sometimes, it knows no boundaries, overcoming all obstacles, fills, spiritually enriches the hearts of people. Art is an ethnocultural code for its carrier. When it contains universal significance, when it has a high aesthetic taste, then overcoming the boundaries it penetrates the soul of people, delights and becomes their value.

Music is also a communication that has its own language. Therefore, art has its place among international humanitarian relations. The ways to implement it are diverse. Prof. H. Mammadov in his work "Azerbaijan-Eastern Europe: the history of intercultural cooperation" writes: "Cultural cooperation between Azerbaijan and the countries of Eastern Europe is carried out in different ways: touring, sending notes, phonograph records, discs, relations between composers and performers, participation in international music festivals and competitions, etc." [Мамедов: 2009]. Such events are mainly held in the form of anniversaries, international competitions, anniversaries, festivals, etc. For example, in June 2002 – on the Day of the Ukrainian Constitution – People's Artist of the Azerbaijan Republic M. Magomayev and T. Senyavskaya gave a concert. And also on October 23-29, 2002 the staff of the Azerbaijan State Musical Theater named after Rashid Behbudov performed concert programs in such cities of Ukraine as Nikolayev, Dnepropetrovsk, Kharkov and Kiev [Мамедов: 2009].

Events related to the anniversary of the establishment of diplomatic relations also relate to the above. For example, on April 2-4, 2013, in honor of the 20th anniversary of Azerbaijan-Ukraine diplomatic relations in Ukraine, the days of Azerbaijani culture were held. In this regard, the Union of Composers of the two countries (Firangiz Alizade from Azerbaijan, Igor Shcherbakov from Ukraine) prepared a socio-cultural program. Under the motto Days of Azerbaijani Culture were the Minister of Culture and Tourism of Ukraine M. Shved, chairman of the M. Magomayev Cultural Center, Gurban Abbasov and the representative of the Diaspora Hikmet Javadov. M. Shved noted that, since the last years the cultural relations between Azerbaijan and Ukraine have gained a wide scale, we already see their results. The musical part was performed by the soloist of the Kievskaya Kamerata ensemble, People's Artist of Ukraine Valery Matyukhin. Here were performed "Garabagname", "Mugamsayagi" on the container, as well as the symphony "Nizami" by F. Amirov. At the end, F. Alizadeh notes: "Our music is evidence that in the history of the Azerbaijani people there were not only holidays, but also tragic pages, as well as in the history of each people" [Бабаева: 2018]

At this event, the music told everyone the Karabakh realities and their universal tragedy: “Even from the rehearsal, many remembered “No comments” - the work of R. Khalilov, dedicated to the tragic events in the village of Khojaly in 1992. Three stages of the development of thought alternated in a single breath - an influx of sad memories that arose from afar, the revival of tragic scenes of events in dramatic comparisons, and finally, the deep, mournful afterword of the piano. Amazed-transmitted halftones struck, it sounded very organically and the tape recording (not reproduced in previous versions) played its expressive role. Transmitting the overall impression of the performance of this composition, I think that the opus “No comments” found its vivid embodiment in the performance of the Kiev Camerata” [Мамедалиева: 2013].

Then the National Symphony Orchestra of Ukraine, as well as the Honored Art Worker of Azerbaijan, conductor Fakhraddin Kerimov and folk instrument performers S. Pashazade and Ch. Mutallibova entered the stage of the Column Hall of the National Philharmonic named after N. Lisenko. The press wrote about the atmosphere of the concert:

“The brightly epic symphonic canvas “Koroglu” by S. Farajev, setting a magnificent tone throughout the concert, smoothly gave way to the classical model of A. Zeynalli – the song “My Country”, which was warmly and sincerely performed by People’s Artist of Ukraine Gurban Abbasov. In the “Monologue” by Rauf Aliyev, the image of the homeland was remembered in a peculiar, heroic and tragic spirit. The fantasy of Dadash Dadashov “Patterns” that followed, for the canon and symphony orchestra, introduced a brightly ethnic, genre flavor. Her delicately arranged and technically complex melodic part was masterfully performed by the soloist Chinara Mutallibova” [Мамедалиева: 2013]. Subsequent performances, especially the symphonic parable by Ch. Abbasova “Where are you, Ulyses?” deeply touched people, “Tales” by F. Alizade, “Azerbaijan Dance” by Musa Mirzoyev, mugam “Bayaty Shyrax” performed by J. Pashazade fascinated everyone. At the very end, one of Kara Karayev’s masterpieces was performed by the People’s Artist of Ukraine Bogdan Pivenko. Participants of the event admitted that the Days of Azerbaijani Culture in Ukraine left a deep mark in the memory of Ukrainians.

“It should be noted that for the purpose of international cultural cooperation in the musical sphere and its development, a number of musical societies function in the republic, such as “New Music”, etc. The society was organized in 1995 by the Honored Art Worker, composer, Professor F. Garayev and conducts propaganda on the establishment of international relations, on the need for a worthy presentation of national music on the world stage. Moscow and other Eastern European colleagues highly appreciate the activities of the President of the Society F. Guliyev in the development and dissemination of our contemporary music, and thus a new page opens in the annals of Azerbaijani music. The New Music Society is a representative in such a prestigious organization as the Azerbaijan International Music Society, and also plays the role of an intermediary in creating business relations between Azerbaijani-Ukrainian and foreign performers. Art, as a universal method of cultural cooperation, plays an important role in the development of relations in all areas of public life. Therefore, creative forums in which representatives of various national schools of composers participate are of particular importance. And for this purpose, the modern music association “New Music” constantly holds festivals in Baku that study the new achievements of national and world music, and organizes trips of Azerbaijani musicians to different countries” [Мамедов: 2009].

On October 10, 2016, the Azerbaijani ensemble operating in Ukraine celebrated its 15th anniversary in the city of Kiev. The event was organized on the initiative of the Azerbaijan Embassy in Ukraine, the Joint Congress of Azerbaijanis of Ukraine, the Muslim Cultural Center named after Muslim Magomayev and the Association of Azerbaijani Youth of Ukraine [Hüseynli: 2017]. Also note that the ensemble was created by the Congress of Azerbaijanis of Ukraine under the leadership of the chairman of the Azerbaijan Cultural Center named after M. Magomayev and Gurban Abbasov. Such events are bilateral in nature. In this activity, the anniversaries of great masters also play a huge role. For example, on August 27, 2006, in connection with the anniversary - the 120th anniversary - of Uzeyir Hajibeyov, the comedy “Arshyn mal Alan” was shown on the stage of the Dnipropetrovsk National Theater named after T. Shevchenko. International

competitions also play a huge role in this area. For example, in August 2003, with the assistance of the Ministry of Culture, Azerbaijani pop singers participated in the Yalta 2003 international competition, and T. Agayeva was awarded the Grand Prix of the competition. This can also include festivals. In 2003, through the Azerbaijani Embassy in Ukraine, in accordance with an agreement with the Dovzhenko Film Studio, the final work of the film “The shooting is canceled” was carried out in Kiev and the film was dubbed and presented to the audience there. Also in 2004, the works of V. Mustafazade were demonstrated at the IV International Audiovisual Festival and documents relating to him were sent to the National Radio of Ukraine. In June 2002, at the II International Festival of Children’s Creativity of BSEC and GUUAM Member Countries, which was held in Crimea at the Artek International Children’s Center, the Smile Children’s Music Theater participated in Azerbaijan, which was distinguished by songs, dances and performances.

In order to disseminate the upcoming cultural processes, twentieth-century intercultural dialogues, the Ministry of Culture of the Republic of Azerbaijan together with the Initiative Center for Contemporary Music Sonor organized for the first time the I International Festival “Culture ... Contact 2003” of contemporary and traditional music. The festival was attended by the Bakustik Jazz group, representatives of modern Western music from different countries, as well as from Ukraine [Мамедалиева: 2013].

From May 7 to 14, 2003, the State Pantomime Theater represented the Republic of Azerbaijan at the Kiev Mayski International Theater Festival in Ukraine. On May 8, the State Pantomime Theater performed at the Ukrainian State Academic Musical Theater, and on May 9 the pantomime ballet Leyli and Majnun based on the eponymous poem by M. Fizuli was played at the Plastic Drama Theater.

From June 24 to July 3, 2007 in the city of Yevpatoria, Crimean region of Ukraine, the IX International Festival of Ancient Art “Bosphorus Lights” was held. The staff of the Baku Chamber Theater received an award for the play “Oedipus Rex” based on the work of the same name by Sophocles.

Festival. On May 15, 2017, during the organization of the Azerbaijan Embassy in Ukraine, the City Administration of Kiev and the Association of Azerbaijani Youth of Ukraine in Kiev, the ethno-jazz festival was held in the recreation park named after the Great Leader Heydar Aliyev. The Ambassador spoke about the historical merits of National Leader Heydar Aliyev in establishing economic, political, scientific, cultural relations between Azerbaijan and Ukraine and noted that from now on every year in May there will be an ethno-jazz festival dedicated to the memory of Great Leader Heydar Aliyev.

On January 6, 2018, outstanding masters of Ukraine participated in a large concert held as part of the XII International Humor and Music Festival “Fun” in Kabbalah at the Heydar Aliyev Congress Center.

As an artistic representative, contests play a huge role in Azerbaijani-Ukrainian relations. For example, the chairman of the Azerbaijan-Ukraine Union Elmar Mammadov said that in 2018 Ukraine plans to hold an international song contest dedicated to Muslim Magomayev. The organizers intend to collect at the competition, which will be held in Ukraine in the city of Truskavets, the best performers who will perform the songs of the legendary singer. The jury will include famous cultural and public figures of both countries. The chairman of the jury is planned to choose People’s Artist of Ukraine Gurban Abbasov.

Participants of the competition, along with a demonstration of vocal data, must answer questions about the biography and achievements of Muslim Magomayev, about his films, concerts and about the musical works he created. The main purpose of the event is the popularization of Azerbaijani culture in Ukraine, as well as the strengthening of cultural relations between friendly states.

Azerbaijani artist Vagif Nagiyev, who lives in Ukraine, participates in prestigious international competitions and demonstrates excellent musical abilities. In an interview, he says: “This year we performed at concerts in 15 cities of Ukraine, dedicated to the 75th anniversary of the immortal singer Muslim Magomayev. I think that it’s incredible not only to sing, but to stand on

stage together with Vladimir Grishko. All opera singers, youth want to be on the same stage with him” [Бабаева: 2018].

Implementation of joint projects. Such projects are bilateral in nature, and activity is required from them; rapprochement of peoples, the elimination of barriers. For example, according to the Azerbaijani Embassy in Ukraine, the Ministry of Culture of Ukraine and the embassy agreed to hold a joint project “My Song”. According to this project, concerts will be organized with the participation of famous singers from both countries. “Within the framework of the project, concerts will be organized with the participation of famous singers, soloists, opera performers of both countries. The first such concert, dedicated to the 75th anniversary of the world famous opera and pop singer, composer, People’s Artist of the USSR Muslim Magomayev, will be held at the end of October in Kiev. People’s artist Vladimir Grishko and opera and pop singers will perform from Ukraine under his leadership, and Azerbaijan’s famous opera and pop singers Azer Zeynalov, Afag Abbasova and Samir Jafarov” (a new project is beginning to strengthen cultural relations between Azerbaijan and Ukraine) [Бабаева: 2018].

Relations between museums also occupy a large place within the framework of bilateral cultural relations. On December 9, 2016, a cooperation agreement was signed between the National Museum of Art of Azerbaijan and the Taras Shevchenko National Museum of Ukraine.

The agreement will give rise to mutual scientific research, the exchange of experiences of museum workers, the preparation of joint exhibitions and the establishment of Azerbaijani-Ukrainian cultural relations. At the same time, this cooperation agreement will serve to spread Ukrainian culture in Azerbaijan, Azerbaijani culture in Ukraine” [Бабаева: 2018].

Relations in the field of theater between the two countries also received great success.

“The theater plays a big role in the Azerbaijani-Ukrainian humanitarian relations” The development of Azerbaijani theaters shows itself in the international exchange of experiences, which is expanding from year to year and gives positive results. New performances, tours, of course, adorn the boiling theatrical life. The state program “Azerbaijan Theaters 2009-2019” was an important step in the development of this industry and contributed to the entry into a new stage of our rich stage art. Today, the Azerbaijani theater conquers world scenes, is the author of international initiatives, the owner of prestigious events. Over the past two years, our theaters have successfully represented Azerbaijan at international events held in 20 countries, 11 theater groups from foreign countries have come on tour, about 30 well-known foreign directors, choreographers, theater artists have staged performances on the country’s stages. According to the state program, in September 2014 the I International Theater Festival was organized in Sheki with the participation of 12 state and 2 foreign theaters operating in the republic. On November 3-6, 2014 the Baku International Theater Conference was held for the third time, which is of great importance from the point of view discussion of priority issues of theatrical art, exchange of experience, integration of the Azerbaijani theater in the world theater society. The conference “The Place of Theater Art in the Universal Values of Multiculturalism” was attended by approximately 150 renowned theater specialists, international theater critics, directors, artists, choreographers and playwrights from 40 countries (USA, UK, Canada, France, Italy, South Africa, Netherlands, Australia, Ireland, Russia, the United Arab Emirates, Spain, Morocco, Ukraine, Poland, Turkey, Lithuania, Georgia, Bulgaria, Germany, Greece, Israel, etc.). The development of cinema is a priority in the field of culture and occupies a significant place in the activities of the Ministry of Culture and Tourism. The orders signed by the president created favorable conditions for the development of this industry. The II International Festival of Tourist Films, held last year in Baku, was a significant event. At the festival, 405 films from 55 countries were presented. Another project in the field of cinema - the II Baku International Festival of Sports Films - gathered in one place 115 screen works from 33 countries. On October 23-29, 2002 the collective of the Azerbaijan State Song Theater named after R. Behbudov - Honored Artists of the Republic V. Aliyev, sisters Mammadov Gulyaz and Guljanag, harmonist K. Vezirov, dancers A. Alkhasova, Z. Ibrahimova, G. Talybova and other members of the ensemble - performed in the cities of Nikolaev, Dnepropetrovsk, Zaporozhye,

Kharkov, and Kiev with concert programs dedicated to the 11th anniversary of the independence of the Republic of Azerbaijan and the demonstration of Azerbaijani culture [Мамедов: 2009].

From October 4 to 7, 2007, the Golden Autumn music festival was held in Baku. At this festival a man's sextet chapel of Ukraine performed. We know that in the modern world theater is one of the main forms of international humanitarian relations. Theatrical groups of Azerbaijan successfully performed at international festivals held in Kiev.

"The creative relationship between the famous choreographers of Azerbaijan and the Ukrainian ballet company, the exchange of experience, participation in anniversaries and festivals have become a source of expansion of cultural relations between peoples. Through the embassy in Ukraine, according to the agreement with the Dovzhenko film studio, the final work on the film "The shooting is canceled" took place in Kiev. There, the film was dubbed in Russian and a screening was organized for Ukrainian filmmakers. In October 2004, films of Ukrainian directors were shown at the VI International Audio-Visual Festival. On June 13, 2005, the editor-in-chief of the analytical programs of Ukrainian National Television N. Bazvin interviewed UNESCO Goodwill Ambassador P. Bulbuloglu for the broadcast "Audience" [Мамедов: 2009].

Television plays a significant role in the system of humanitarian relations between Azerbaijan and Ukraine.

"In 2002, the ceremonial opening of the representative office of Azerbaijani television in Kiev was held in Ukraine. The programs "President", "Politics and Jazz", "Ordinary Courier", "Facts and Comments", and others Ukrainian national television covers the socio-political life, culture and traditions of Azerbaijan, the activities of the Azerbaijani community in Ukraine. On March 26, 2002, Ambassador T. Aliyev gave a 45-minute interview about cultural relations to the prestigious channel of Ukraine's MBT; on May 11, Deputy Interior Minister M. Mammadgulyev gave an interview to the World: Consciousness program of the UT-I television and the INTER TV channel" [Мамедов: 2009].

The forums also have a special position in the Azerbaijani-Ukrainian humanitarian relations.

"On March 7, 2018, the Forum "Unlimited: Unlimited Art", held in Ukraine at the initiative of the British Council, was attended by 200 representatives from Britain, Ukraine, Azerbaijan and Georgia.

Director of the Cinema Center Nizami Leyli Mirzayeva along with representatives of the British Council participated in the forum "Unlimited: Unlimited Art" held in Kiev. At the opening of the forum, the First Lady of Ukraine noted the importance of involving people with disabilities in active public life, preparing inclusive projects in this area, and also mentioned that these projects are part of state policy. During the discussion panels, Leyli Mirzayeva shared her experience with the participants of the forum, telling them about the project of the Nizami cinema center "Cinema for All", within the framework of which the first screening of films with sound translation for people with hearing and speech impairments was organized in Azerbaijan, and noted the success of the project" (Cinema center Nizami represented Azerbaijan in Ukraine at the forum "Unlimited: unlimited art") [Мамедалиева: 2013].

Ambassador Extraordinary and Plenipotentiary of Ukraine to Azerbaijan A.Mishenko, taking into account the prospects for cultural relations between the countries, noted: "Let's approach the culture from a broad perspective, recall several events in the field of music and organized exhibitions. For example, the famous Ukrainian artist and photographer Yevgeny Kovtonyuk held a photo exhibition in Baku from August to September last year. Azerbaijani artists also often hold such events. The Azerbaijani Embassy in Ukraine is very active in this direction. In the field of theater, there are cooperative relationships. Last year, the Puppet Theater of Poltava represented Ukraine at the International Puppet Theater Festival, which was held in Baku. It was also a great opportunity to familiarize children with the culture of another country. For example, my daughter is studying in Baku. She performs local national dances, at school they even staged a small play "Leyli and Majnun". I see that my eight-year-old daughter began to sing Azerbaijani songs. And of course, we welcome this. If a small Ukrainian woman at this age respects Azerbaijani

culture and customs, she will reach a higher level when she is a politician, deputy, diplomat. Azerbaijani children in Ukraine also participate in events. Our country has a large Azerbaijani diaspora. Here, the Ukrainian diaspora is also active and participates in the events of the embassy” [Мамед-заде: 2006].

The state program “Azerbaijan Theaters 2009-2019” was an important step in the development of this industry and contributed to the entry into a new stage of our rich stage art.

In 2012, the Unions of Composers of Ukraine and Azerbaijan prepared a socio-cultural program dedicated to the 20th anniversary of the establishment of diplomatic relations between the two countries. In this regard, it was decided to hold Culture Days of these countries in March 2012 in Azerbaijan and in March 2013 in Ukraine.

The Days of Azerbaijani Culture were held on April 2-4, 2013 in Ukraine, and the Days of Ukrainian Culture were held on October 9, 2015 in Baku. The events were attended by the Ambassador of Ukraine to Azerbaijan A. Mishchenko, who noted that such events contribute to further expansion of existing relations between the two peoples [Бабаева: 2018].

On June 16-19, 2013, the Days of Ukrainian Culture were held in the Azerbaijan Philharmonic named after M. Magomayev. The event was attended by representatives of the ministries of culture and tourism of both countries, as well as deputies of the Milli Majlis of Azerbaijan and employees of the diplomatic corps of the Embassy of Ukraine. After the official part of the event, a concert was held with the participation of the world famous National Honored Academic Dance Ensemble of Ukraine named after P. Virsky. In the lobby of the Philharmonic, the participants got acquainted with a photo exhibition dedicated to Ukraine [В Азербайджане пройдут Дни культуры Украины: 2013].

**Conclusions.** Analysis of international relations in the field of art of Azerbaijan and Ukraine in the era of globalization indicates the expansion of the scale, boundaries and volumes of these ties. The musical art of Azerbaijan has acted as an important instrument of peace, cooperation and friendship between peoples.

So, in the context of globalization, cultural cooperation between the peoples of Azerbaijan and Ukraine turned into a unique channel of spiritual communication and mutual understanding of people.

It can be concluded that the future of the world depends not on confrontation and collision, but on the victory of good, the development of cultural dialogue and cultural ties. So, one of the most important building blocks in art cooperation is equality and mutual respect. These factors are also important to remove obstacles to its implementation.

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## **СУЧАСНА СИСТЕМА МІЖНАРОДНОГО ПРАВА**

УДК 341.2

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### **СТАНДАРТИ ПРАВА НА ЖИЛЬЕ ЕВРОПЕЙСКОЙ СОЦИАЛЬНОЙ ХАРТИИ: ВЫПОЛНЕНИЕ УКРАИНОЙ ВЗЯТЫХ ОБЯЗАТЕЛЬСТВ**

#### **Fedorova A. L.**

PhD in Law, Associate Professor, Associate Professor of the Chair of Comparative and European Law of the Institute of International Relations of Taras Shevchenko National University of Kyiv, Ukraine. E-mail: pep.fal@clouds.iir.edu.ua

#### **Lysenko O. M.**

PhD in Law, Associate Professor, Associate Professor of the Chair of Comparative and European Law of the Institute of International Relations of Taras Shevchenko National University of Kyiv, Ukraine. E-mail: pep.lom@clouds.iir.edu.ua

#### **Федорова А.Л.**

Кандидат юридичних наук, доцент, доцент кафедри порівняльного і європейського права Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка, Україна. E-mail: pep.fal@clouds.iir.edu.ua

#### **Лисенко О.М.**

Кандидат юридичних наук, доцент, доцент кафедри порівняльного і європейського права Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка, Україна. E-mail: pep.lom@clouds.iir.edu.ua

#### **Федорова А.Л.**

Кандидат юридических наук, доцент, доцент кафедры сравнительного и европейского права Института международных отношений Киевского национального университета имени Тараса Шевченко, Украина. E-mail: pep.fal@clouds.iir.edu.ua

#### **Лысенко Е.Н.**

Кандидат юридических наук, доцент, доцент кафедры сравнительного и европейского права Института международных отношений Киевского национального университета имени Тараса Шевченко, Украина. E-mail: pep.lom@clouds.iir.edu.ua

**Abstract.** *The article is devoted to the protection of the human right to housing in Ukraine in the context of the analysis of the fulfillment of obligations of Ukraine under the article 31 of the European Social Charter revised. Ukraine accepted the first two paragraphs of Article 31 devoted to the right to housing, avoiding the provision enshrined under third paragraph. Since the time of ratification of the ESC, the fulfillment of these obligations has remained problematic for Ukraine in spite of including the key aspects of the right to housing in the Constitution of Ukraine, detailing in numerous national legal acts. European Committee of Social Rights' recommendations issued following the consideration of Ukraine reports for different periods, including the latest recommendations in 2020 for 2014-2017 are analyzed in the article. The main problems of bringing*

*Ukrainian legislation into accordance of ESC standards in the sphere of right to housing have been identified and highlighted.*

*By comparing the main comments of the European Committee of Social Rights of different years on the right to housing, authors concluded that the lack of significant progress in the implementation of Committee's recommendations in Ukraine is associated with many factors, among which the total lack of Ukrainian translation of the decisions and conclusions of the Committee, the lack of understanding of the Committee's interpretation of the right to housing and as a result, delays in the submission of state reports, not providing sufficient information in reports, even statistical (for example, data of the number of homeless people), as well as the lack of an integrated complex understanding of the necessary changes in national legislation and practice for the adequate implementation of the Charter standards.*

**Keywords:** *the right to housing, social rights, European Social Charter revised, European Committee of Social Rights, adequate standard of living, homelessness.*

**Анотація.** *Стаття присвячена захисту права людини на житло в Україні у контексті аналізу виконання взятих зобов'язань за Європейською соціальною хартією переглянutoю. Основні аспекти права на житло закріплено у Конституції України, деталізовано у численних нормативно-правових актах. Це дозволило Україні при ратифікації Європейської соціальної хартії у кінці 2006 року погодитися на обов'язковість перших двох пунктів статті 31 щодо права на житло, однак, виконання взятих зобов'язань залишається проблемним для України питанням. У статті аналізуються рекомендації, надані за результатами розгляду доповідей України за різні періоди, включаючи останні рекомендації 2020 року за 2014-2017 рр.*

*Порівнюючи основні зауваження Європейського комітету з соціальних прав різних років щодо права на житло автори доходять висновку, що відсутність суттєвого прогресу їх виконання Україною пов'язана з багатьма чинниками, серед яких можна виділити відсутність перекладу українською мовою рішень та висновків Комітету, недостатнє розуміння тлумачення Комітетом права на житло та, як наслідок, затримки у представленні державних доповідей, ненадання достатньої інформації у доповідях, у тому числі статистичної, наприклад, щодо кількості бездомних осіб, а також відсутність комплексного бачення необхідних змін національного законодавства і практики для імплементації стандартів Хартії.*

**Ключові слова:** *право на житло, соціальні права, Європейська соціальна хартія переглянута, Європейський комітет з соціальних прав, достатній життєвий рівень.*

**Аннотация.** *Статья посвящена защите права человека на жилье в Украине в контексте анализа выполнения взятых обязательств по Европейской социальной хартии пересмотренной. Основные аспекты права на жилье закреплены в Конституции Украины, детализированы в многочисленных нормативно-правовых актах. Это позволило Украине при ратификации Европейской социальной хартии в конце 2006 года согласиться на обязательность для нее первых двух пунктов статьи 31, предусматривающей право на жилье, тем не менее, исполнение взятых обязательств остается проблемным вопросом для Украины. В статье анализируются рекомендации, предоставленные по результатам рассмотрения докладов Украины за разные периоды, включая последние рекомендации 2020 года за 2014-2017 гг.*

*Сравнивая основные замечания Европейского комитета по социальным правам разных лет о праве на жилье, авторы приходят к выводу, что отсутствие существенного прогресса их выполнения Украиной связано со многими факторами, среди которых можно выделить отсутствие перевода на украинский язык решений и выводов Комитета, недостаточное понимание толкования Комитетом права на жилье и, как следствие, задержки в предоставлении государственных докладов, не предоставление достаточной информации в докладах, в том числе статистической, например, по количеству бездомных*

лиц, а также отсутствие комплексного видения необходимых изменений национального законодательства и практики для имплементации стандартов Хартии.

**Ключевые слова:** право на жилье, социальные права, Европейская социальная хартия пересмотренная, Европейский комитет по социальным правам, достаточный уровень жизни.

**Research problem setting.** In today's world, one of the basic human rights, which is directly related to the satisfaction of its basic needs, is the right to housing. The European Court of Human Rights in its judgment “James and Others v. The United Kingdom” emphasized that:

[...] modern societies consider housing of the population to be a prime social need, the regulation of which cannot entirely be left to the play of market forces. [European Court of human Rights, James and Others v. the United Kingdom: 1986]

This highlighted the importance of this right and the need for states to guarantee the right to housing. Today, this human right is enshrined in many international legal instruments, mentioned in the constitutions of more than a hundred countries [Golay C., Özden M.: 2008]. At the same time, more than a billion people do not have adequate housing [Office of the United Nations High Commissioner for Human Rights: 2014], and states continue to face the need to solve the problems of homeless people, people who are in need, who do not have their own housing and / or enough income to rent it or who are representatives of vulnerable groups etc. States create various housing funds, programs for certain categories of population, try to solve housing issues during crises, armed conflicts, disasters, and so on. However, in many cases, the measures taken by States are not sufficient for individuals to exercise their right to housing.

Different types of violations of the international legal obligations regarding to the right to housing by Ukraine are stated; this requires further analysis of compliance of national legislation with international legal standards of the right to housing, in particular, outlined in the European Social Charter revised.

**The purpose of the article.** The purpose of the article is to provide a detailed analysis of the recommendations of the European Committee of Social Rights to Ukraine considering the Article 31 of the ESC on the right to housing in the context of repeated violations, despite the clear enshrinement of this right in the national Constitution and legislation.

**Analysis of the latest researches and publications.** Despite the importance of this issue and the attention of Ukrainian scientists, practitioners to national pension reform and social security system in general, the attention has not been paid to social human rights, including the right to housing, in the context of international standards and their implementation in Ukraine. Most domestic scholars such as N. Bolotina, K. Borisova, S. Verlanov, V. Zhernakov, L. Lichman, N. Sidorenko, E. Kharitonov, M. Shumylo and others analyze this right exclusively through the national provisions or pay attention to various aspects of the right to housing in the context of the analysis of social rights in general, examining the European Convention on Human Rights. However, the ESC and ECSR recommendations remain unexplored in Ukraine.

Ukraine undertook the obligations to respect the right to housing under the European Social Charter revised almost 15 years ago in earlier 2007 [Verkhovna Rada of Ukraine: 2006], but monitoring bodies have been stated the lack of sufficient progress and failure commitments under this article during all this time. Gaps in the study of international legal standards of right to housing and obligations arising for Ukraine from international treaties, in particular, under the European Social Charter revised, impact on people's misunderstanding of the scope of this right, and on the other hand, the corresponding misunderstanding by state representatives of the difficulties in the process of fulfilling commitments taken in this sphere and guaranteeing its citizens the right to housing. Therefore, this situation, in combination with the urgent need to solve the housing problems of more than 1 million internally displaced persons, indicates the necessity for detailed consideration and analysis of relevant Ukrainian legislation and international standards.

### **Basic research material.**

*The history of the right to housing in international documents.* The right to housing as a human right of second dimension is a part of social rights, along with the right to social security, pension, health care and medical assistance, a decent standard of living, protection of motherhood and childhood, protection against unemployment and so on. Social rights are aimed at provide a person with social security and a decent standard of living. Namely the right to a decent or sufficient standard of living is contained in international legal universal documents. Thus, the right to a decent standard of living, family protection and assistance is enshrined in Article 25 of the Universal Declaration of Human Rights 1948:

...Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social service, as well as the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control... [The United Nations General Assembly: 1948]

Similarly, the right to housing is incorporated into the text of the right of everyone to an adequate standard of living in the International Covenant on Economic, Social and Cultural Rights, Article 11 of which provides for the right to housing along with adequate food, clothing and the right to adequate living conditions [The United Nations: 1966]. Thus, despite the non-enshrinement of the right to housing as an independent separate article into the texts of the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights, it was included as a component of broader right, forming part of the right to a sufficient standard of living. The right to housing for various vulnerable groups in the context of equality and non-discrimination in its exercise was provided for numerous other international treaties: the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Rights of the Child, the Convention on the Rights of All Migrant Workers and their Families, the Convention on the Rights of Persons with Disabilities, etc.

At the regional level, the right to housing is included in the African Charter on Human and Peoples' Rights, the American Convention on Human Rights, the European Convention for the Protection of Human Rights and Fundamental Freedoms, the EU Charter of Fundamental Rights, the European Convention on the Legal Status of Migrant Workers and others. Moreover, if the right to housing was not directly enshrined in some documents, the monitoring bodies separated it from the scope of other rights. In particular, in conclusions in the case against Nigeria in 1996 the African Commission on Human and Peoples' Rights acknowledged that destroying housing has a negative impact on rights such as property rights, health, privacy and, consequently; the cumulative effect of articles providing for the abovementioned rights lead to the African Charter guaranteeing both the right to housing and asylum. [Office of the United Nations High Commissioner for Human Rights: 2014] The article 8 of the ECHR enshrined the right to respect for private and family life, which consists of four elements. Respect for housing is one of them:

[...Everyone has the right to respect for his private and family life, to their housing and correspondence ... [The Council of Europe: 1950]

The European Court widely interpreted the definition of housing and emphasized that in exceptional cases the obligation to provide some vulnerable persons with shelter / adequate housing may also arise from the provisions of Article 8 of the European Convention on Human Rights [European Court of human Rights, Budina v. Russia: 2009]. Furthermore, the Court considered that the term "housing" should be interpreted broadly and includes the guarantees of the of the Article 8 to those who do not have their own home but live with the permission of the owner with whom they have strong family ties, or if they regularly spent a significant part of their time in such a "non-own house" [European Court of human Rights, Mentés and Others v. Turkey:1998, Dogan and others v. Turkey: 2004, Diogenous and Tseriotis v. Turkey: 2009, Demades v. Turkey: 2003], etc. The state's failure to provide a person with basic/adequate housing in certain circumstances can be considered as inhuman and degrading treatment, which is prohibited by Article 3 of the ECHR.

Bearing in mind that the realization of the vast majority of social rights as positive rights depends on active action by the state and its financial and economic situation, it is important to understand the content of the right to housing, including the obligation of the state to provide it. According to the analysis of the Office of the UN High Commissioner for Human Rights, one of the most common mistakes of people within the meaning of the right to adequate housing is considered the idea of the possibility of those who do not have housing, to require an automatic grant an adequate housing for free from the state authorities [Office of the United Nations High Commissioner for Human Rights: 2014]. The answer to the question of the unconditional direct obligation of the state to provide all persons under its jurisdiction or at least to all its citizens who do not have it with adequate housing is obvious. Ensuring the right to housing, states are not obliged to create the entire national housing stock, although states are involved in this process. The proper fulfillment of States' obligations in this sphere includes the elaboration of programs, provide assistance, reduction and prevention of homelessness, forced evictions, combating discrimination, protection of vulnerable groups of population, ensuring security of the housing for all and so on.

The Committee on Economic, Social and Cultural Rights explains the right to housing as the right to live anywhere in security, peace and dignity. The Committee applies a broad interpretation of this term that includes the concept of adequate housing protection against forced evictions and arbitrary destruction and / or demolition, as well as protection from unlawful interference with housing, private and family life, the right to choose the place of residence, to determine the place of residence and freedom of movement [Office of the United Nations High Commissioner for Human Rights: 2014].

The right to housing and the requirements for adequate housing or basic shelter for certain vulnerable categories of persons are also defined in other international legal instruments. Thus, the Guiding Principles on Internal Displacement provides for the right of internally displaced persons to housing with the interpretation of “adequate standard of living”, meaning housing that provides the occupants with the facilities and necessary elements such as following:

- legal security of residence, especially the protection against forced eviction;
- availability of services and infrastructure (availability of water, electricity, heating, etc.);
- affordable price that does not risk the other basic needs;
- suitability for living in terms of sufficient space, physical security, as well as protection from cold, moisture, heat, rain, wind, structural hazards of the building, protection from diseases;
- an adequate level of accessibility, which should guarantee that vulnerable groups could enjoy the housing which meets their specific needs;
- physical location, which provides low-cost access to employment options, health services, school education, childcare centers and other social facilities, as well as the absence of sources of environmental pollution;
- possibilities to express cultural identity;
- compliance with safety standards aimed at minimizing damage from natural disasters that could occur in future. [Revised Baseline analysis: 2019]

***The right to housing under the ESC and the constitutions of the state-members.*** Despite the abovementioned approaches to understanding the right to housing, this right in the most detailed form is enshrined in the European Social Charter revised (ESC) in 1996 and interpreted by its monitoring body - the European Committee of Social Rights (ECSR). The Charter was elaborated and adopted within the Council of Europe shortly after the adoption the European Convention for the Protection of Human Rights and Fundamental Freedoms in 1950, which included civil and political rights. Over time, under the influence of the development and popularization of the concept of welfare state, social function of the state and changes towards importunacy of social rights, the number of rights protected by the Charter has been supplemented and expanded in new revised European Social Charter adopted in 1996.

The revised Charter incorporates all the major European standards in the social and labor spheres that the Council of Europe achieved in the mid-1990s. These standards remain relevant today for almost all 47 member states of the Council of Europe, of which only four states

(Liechtenstein, Monaco, San Marino, Switzerland) have not ratified either the original Charter 1961 or Revised Charter. The refusal to be a party of the European Social Charter is mainly due to the fact that these states do not enshrine social rights at the constitutional level and, therefore, try not to impose any international obligations in this sphere.

For instance, the Swiss Federal Constitution does not enshrine the right to housing, which is a logical continuation of its national approach not to recognize social rights as rights and treat them as the intentions of the state formulated as social goals which couldn't guarantee direct social rights and benefits to all. The right to housing is formulated as follows:

...any person seeking accommodation for themselves and their family can find suitable accommodation on reasonable terms. [The Federal Constitution of the Swiss Confederation: 1999]

Two more articles of the Swiss Constitution are about encouraging the housing construction and ownership, prohibits arbitrary rent fees and other abuses at the same time (Art. 108, 109).

Upon ratification of the ESC, States have the option of choosing a certain minimum number of articles, paragraphs and, accordingly, will not be bound by obligations under all articles. Once ratified, States may accede to other provisions at their own discretion at any time. Namely, states, when ratifying, may not even fully ratify the whole article, but may choose only certain paragraphs which will be bound for them. Thus, Albania, Armenia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Cyprus, Estonia, Georgia, Hungary, Ireland, Malta, Moldova, Montenegro, Romania, Russia, Serbia, Slovakia, Northern Macedonia have totally not ratified Article 31, which provides for the right to housing. Countries such as Andorra, Lithuania, Latvia and Ukraine have partially recognized the right to housing. Among the states that have fully ratified Article 31, only 10 states, most of which are Western European countries. This situation reflects the possibility of choice of articles and parts during the ratification, as has been mentioned above and the absence of this right in ESC 1961 because some states are still parties of the Charter 1961.

Such selectivity, introduced during the drafting of the Charter, was aimed at facilitating the ratification process and increasing the number of States parties. However, states still use the established mechanism to avoid problematic issues and show unwillingness to take on responsibilities that will be difficult to fulfill.

When choosing the provisions of the Charter for ratification, states take into account the interpretation of relevant articles by the European Committee of Social Rights, which like the European Court of Human Rights, interprets the provisions of the Charter in broad, expanding, evaluative and supplementing meaning, including the interpretation of terms of "fair remuneration", "reasonable working hours", "decent, sufficient standard of living", "price of housing accessible to those without adequate resources", etc.

The European Committee of Social Rights in the one of cases the European Roma Rights Center against Bulgaria has outlined the main tasks for states to fulfill their obligations under Article 31 of the Charter:

- a) take the necessary legal, financial and operational measures to ensure continued progress in achieving the objectives set out in the Charter;
- b) keep meaningful statistics on needs, resources and results;
- c) regularly review the effectiveness of adopted strategies;
- d) establish a work schedule and do not indefinitely postpone the achievement of the goals of each stage;
- e) pay attention to the consequences of the policy established for each of the categories of persons, especially the most vulnerable groups of the population. [European Committee of Social Rights: 2018]

However, legal measures should not be the main things, but the availability of resources and the introduction of procedures is necessary for the actual implementation of the law. [European Committee of Social Rights, International Movement ATD Fourth World (ATD) v. France: 2007] The Committee, while acknowledging the complexity of the requirements and the financial component, also points to the need to use the maximum possible resources available and to set reasonable deadlines for States to meet their commitments.

***The main requirements for the implementation of the article 31 of the ESC and its interpretation by the ECSR.*** In general, the right to housing fixed in Article 31 of the ESC revised consists of 3 parts: facilitating access to housing of an adequate standard; prevention of homelessness and its reduction with the purpose of its gradual elimination; setting prices of housing affordable for people without adequate resources.

There are a number of requirements for adequate housing mainly for the inclusion into national legislation the safe, healthy conditions of housing and its minimum size. States undertake to promoting access to housing for various vulnerable groups, such as the low-income, the unemployed, single-parent families, young people, people with disabilities, including those with mental health problems.[European Committee of Social Rights: 2018] The ECSR, in its recommendations to Ukraine and France in particular, recalled that the requirements and definition of "adequate housing" should apply not only to new constructions, buildings, but also to existing housing stock, rental housing. The Committee consider as important to ensure the safety of housing from a sanitary and hygienic point of view, the availability of all basic facilities, such as water, heating, waste disposal, electricity, sanitation. In addition, the construction of housing should be safe and the housing itself should not be overcrowded. [The Government of Ukraine, European Social Charter (revised): 2017]

In interpreting the first paragraph of Article 31 on adequate housing, the ECSR draws attention to the effectiveness of measures taken by States and the legal protection of those in housing. The implementation of an effective policy to prevent homelessness, providing adequate housing for emergencies for the homeless is also important. The ECSR has repeatedly defined in its conclusions and decisions the definition of a homeless person as a person who legally does not have any adequate (proper) housing. [European Committee of Social Rights: 2003, Conference of European Churches (CEC) v. the Netherlands: 2013, European Federation of National Organisations working with the Homeless (FEANTSA) v. the Netherlands: 2014]

Among the methods of preventing homelessness, the Committee considers the provision of social housing to vulnerable groups, the right to shelter, including temporary, which is linked to the right to life and is considered extremely important in the context of respect for human dignity. The shelter should be provided to all persons, including those who were in the state illegally. Moreover, in its decisions, the Committee emphasizes the absence of any maximum period, arguing that this obligation applies to the State for as long as the person is under its jurisdiction [European Committee of Social Rights, European Federation of National Organisations working with the Homeless (FEANTSA) v. the Netherlands: 2014], however, the obligation to provide migrants with permanent housing does not arise from Article 31 of the ESC.

Part 2 of article 31 does not textually fixed the protection against eviction, but the ECSR includes to its scope the protection against forced evictions, imposing on states the obligation to create legal and procedural guarantees in the case of eviction and allowing only a narrow range of grounds to do so. Thus, forced evictions should be prohibited in the winter time, at night; a person who is evicted should receive free legal aid and compensation in case of illegal eviction.

The content of the right to housing includes, as noted above, the States' obligation to guarantee affordable prices for housing for some vulnerable, impoverished people; affordable housing should be provided through social housing of adequate quality and quantity and by other means. ECSR emphasized that such affordable prices should be determined for people with limited financial recourses, reaffirming the state's obligation to provide social housing for the most disadvantaged vulnerable people, to provide benefits and housing on a non-discriminatory basis. [European Committee of Social Rights, International Movement ATD Fourth World (ATD) v. France: 2007]

***The process of implementation the obligation of the Article 31 of the ESC by Ukraine.*** Ukraine has ratified the first two paragraphs of Article 31 of the Charter revised, and has enshrined the right to housing in the national legislation of Ukraine, devoting to the guarantees of this right article 47 of the Constitution of Ukraine. It proclaims the right of everyone to housing, as well as the obligation of the state to create conditions under which every citizen will be able to build a



house, buy it or rent it. The article declared a ban on forced deprivation of housing other than on the basis of the law under the court decision. In addition, citizens in need of social protection are provided with housing by the state and local governments free of charge or for a fee available to them in accordance with the law. [Verkhovna Rada of Ukraine: 1996]

Although the cited article of the Constitution of Ukraine does not directly address the requirements for the quality of housing, it follows from a number of other articles of the Constitution and the norms of Ukrainian legislation. Thus, at present time in contrast to the Soviet times, when the right to housing was mostly limited to the right to premises area, its content has been significantly expanded and is not limited to the availability of living space, but requires quality of housing. The change of the state's concept affected also the content of the right to housing. Satisfaction of housing needs, first of all, means providing the minimum level of living space, it's appropriate level: the availability of water supply, heating, sewerage, and even the Internet in modern time, the availability of social infrastructure and the healthy environment. It means that in Ukraine, like in other European countries during last years, there has been developing an approach in which the constitutional right to housing is multifaceted and includes a number of interrelated rights:

- 1) opportunity to have housing for person's residence and the residence of family members, to use and dispose of it;
- 2) opportunity to improve housing conditions, to receive other housing if necessary;
- 3) right to a healthy and safe environment for living, worthy of a civilized person, in accordance with international law, which has been repeatedly emphasized in the national judicial documents and papers [Lichman L. : 2005, Solomyiany V.: 2006].

The multifaceted nature of the right to housing is also evidenced by lawsuits demanding the ensure housing of proper quality, size, recognition of buildings as inappropriate for habitation, and so on.

In general, the constitutions of European countries guarantee the right to housing in different ways. Many constitutions do not contain special provision devoted to the right to housing. This concept used in the constitutions of Austria, Bulgaria, Georgia, Estonia, Latvia, Lithuania, Romania, Slovakia, Croatia and other countries. Some constitutions include the right to housing into article on decent living conditions. For example, Article 23 of the Belgian Constitution states that "Everyone has the right to lead a life in keeping with human dignity" which, inter alia, includes the right to decent the right to decent accommodation..." [Belgian Constitution: 2019]. The third group of countries enshrines the right to housing as a separate right. These include Ukraine (Article 47), Azerbaijan (Article 43), the Republic of Belarus (Article 48), Venezuela (Article 82), etc. According to Art. 47 (section 47) of the Spanish Constitution: "All Spaniards have the right to enjoy decent and adequate housing..." [Spanish Constitution: 1978]

However, the realization of this right does not depend on its proclamation in the Constitutions. So, despite the Constitution of Ukraine explicitly guarantees the right to housing, its realization is still at a low level. Thus, in 2015 and 2017 the ECSR acknowledged that Ukrainian legislation and its application did not meet the requirements of the Charter to promote access to adequate housing and it was found that the right to adequate housing was not guaranteed, there was a lack of adequate supervision of housing and that the authorities failed to improve housing conditions for Roma. [European Committee of Social Rights: 2016] ECSR has requested the additional information on measures to ensure adequate housing for internally displaced persons and measures to provide adequate housing for Roma.

The European Committee of Social Rights has found that Ukraine has also failed to comply with the second paragraph of Article 31, which provides for the prevention of homelessness, by finding the lack of legal protection for persons subject to eviction. The Committee did not recognize that the right to shelter is adequately guaranteed in Ukraine and requested statistical information on the number of homeless people. [The Government of Ukraine, European Social Charter (revised): 2017] Having enough time to analyze the recommendations and gather information on the Committee's requests, Ukraine submitted another state report in 2019 under the 4th thematic theme

(children, families and migrants), which includes the right to housing. New recommendations to states, including Ukraine, and general conclusions for the reporting period from 2014 to 2017 were published by the European Committee of Social Rights in March 2020.

Unfortunately, in its recommendations to Ukraine the Committee once again drew attention to the delay in submitting the report, which has been presented on June 6, 2019, despite the deadline of October 31, 2018, and, what is even more important, once again to the failure to provide sufficient information for the conclusion on 5 situations.

***Current situation in Ukraine: is there any progress in the fulfilment of obligations in the sphere of housing under the ESC?*** Therefore, it is obvious to state that the general situation in implementation of the commitments remained unchanged and ECSR recommendations constituted again and again non-fulfilment of majority of Ukraine's commitments, including obligations under the right to housing. Thus, ECSR analyzed 23 situations and there were only 7 conclusions of conformity, 11 situations were found not to meet the requirements of the ESC, and in respect of 5 situations, as were already mentioned, Ukraine did not provide the Committee with sufficient information to. [European Committee of Social Rights: 2020]

Analyzing the Ukrainian report on paragraph 1 of Article 31 of the ESC, the Committee has drawn attention to the need to apply the requirements of adequate housing not only to new buildings, but also to housing in stock. It was proposed to reflect the application of the established requirements or similar requirements to the housing stock in the next report, that existed before the entry into force of the national standards specified in the report (i.e. until 2006). Also in the next report, the Committee requests updated information on the minimum size of housing. In general, the Committee did not reach a positive conclusion on this aspect of paragraph 1, leaving previous negative conclusions until further information is available.

The Committee's negative previous conclusions about the proper control of housing standards were also reserved until further information on the bodies generally responsible for ensuring compliance with housing rules and requirements (for the entire housing stock, regardless of rent, form of ownership) would be provided; as well as the powers of the relevant authorities to carry out inspections, the frequency of such inspections and audits, and the implementation of decisions establishing that housing does not meet the standards. There were made no conclusions for the appropriate legal protection of the right to housing by the ECSR. The Committee underlined that it is interested in information on any national judicial cases on the right to adequate housing and the information about the categories of cases are allowed to be brought before the courts and whether non-judicial remedies are available.

In the conclusions, the Committee also considered the measures taken to protect the right to housing for vulnerable groups. In particular, it was emphasized that only 7% of internally displaced persons live in state-provided accommodation, such figures require additional information on guaranteeing the right to housing for this category of persons by Ukraine. According to the ECSR, Ukraine has not taken sufficient measures to improve the living conditions of Roma that had been determined in previous conclusions. In fact, no positive developments in the implementation of the requirements under Article 31 § 1 of the ESC have been identified by Ukraine in comparison with the previous cycle of conclusions.

Ukraine has fulfilled its obligations under paragraph 2 of Article 31 of the ESC no better than under paragraph 1 of the Article 31. Identifying the lack of information provided on the prevention of homelessness the Committee reserved the situation until receiving further information and reiterated its previous unsatisfactory findings about non-conformity. The Committee assumed that the legal protection of persons threatened by forced eviction is insufficient and the fact that the right to shelter is adequately guaranteed in Ukraine cannot be recognized. [European Committee of Social Rights: 2020]

As already mentioned, Ukraine has not ratified paragraph 3 of Article 31 of the ESC, which concerns the establishing prices affordable for the low-income citizens. Nowadays, States present their annual report only on the ratified provisions of the ESC; however, the ECSR periodically reviews national laws and practices of States on compliance with non-ratified provisions of the

Charter. In 2017, the ECSR analysis stated that among other issues the situation in Ukraine had not fully complied with paragraph 3 of Article 31 of the European Social Charter. [European Committee of Social Rights: 2017]

**Conclusions.** Ukraine's failure to fulfil its commitments under the European Social Charter, including the obligations under the article ensuring right to housing, no providing sufficient information to the Committee for its conclusions and delays in reporting, depends on many factors. And a lack of understanding of the Charter's basic requirements among a wide range of people in Ukraine is one of such factors. Taking into account that the provisions of the ESC, as many other human rights treaties has been formulated in a rather general abstract manner, the content and scope of its provisions are disclosed in interpretations, legal positions of the European Committee of Social Rights. Neither decisions, no conclusions of the ECSR have not been translated into Ukrainian, as well as general recommendations for any cycle and recommendations to any state-parties. All these factors, combined with the lack of proper attention to this fundamental international treaty in human rights sphere, affect the overall situation of implementation of the provisions of the ESC in Ukraine.

Thus, despite the declaration of the right to housing by the Constitution of Ukraine, the functioning of the developed national legislation which provide for social protection of homeless people and homeless children, the creation of social housing, temporary housing, etc., as well as commitments taken under the revised European Social Charter, ensuring the right to housing, remains unsatisfactory in Ukraine. This is confirmed by the European Committee of Social Rights conclusions, which have been repeated for almost 15 years for many provision, including the Article 31. The ECSR has stated the lack of appropriate positive developments and a lack of comprehensive understanding of necessary changes in national legislation and practice to implement ESC standards concerning the housing.

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**ОСОБЛИВОСТІ РОЗВИТКУ**  
**СВІТОВОГО ГОСПОДАРСТВА ТА МЕВ**

УДК 339.564:330.33.01:614.46

**FOREIGN TRADE STRENGTH OF COUNTRIES UNDER THE COVID-19 PANDEMIC**

**СТІЙКІСТЬ ЗОВНІШНЬОЇ ТОРГІВЛІ КРАЇН В УМОВАХ ПАНДЕМІЇ COVID-19**

**УСТОЙЧИВОСТЬ ВНЕШНЕЙ ТОРГОВЛИ СТРАН В УСЛОВИЯХ ПАНДЕМИИ COVID-19**

**Chugaiev O. A.**

Doctor of Science (Economics), Associate Professor of the Department of World Economy and International Economic Relations of Institute of International Relations of Taras Shevchenko National University of Kyiv. E-mail: alxcv@ukr.net

**Чугаєв О. А.**

Доктор економічних наук, доцент, доцент кафедри світового господарства і міжнародних економічних відносин Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: alxcv@ukr.net

**Чугаев А. А.**

Доктор экономических наук, доцент, доцент кафедры мирового хозяйства и международных экономических отношений Института международных отношений Киевского национального университета имени Тараса Шевченко. E-mail: alxcv@ukr.net

**Abstract.** *In 2020 the COVID-19 pandemic became the major event affecting the global economy. Both supply- and demand-driven recession and changes in consumption and investment behaviour became a new reality. The purpose of the paper is to estimate foreign trade strength and vulnerability of countries under the shrinking global demand for specific groups of goods and services as a result of the COVID-19 pandemic and the measures to contain it. The proposed foreign trade strength index under pandemic is based on exports of pharmaceutical products, medical equipment, food, IT and audiovisual goods and services etc. (+); tourism and transport services, oil, ores and metals, transport vehicles and most other types of machinery etc. (-); and imports of medical and related products (-) in comparison to a country's GDP. The ranking is provided for the largest 100 economies. 90% of the countries have absolute trade vulnerability under the pandemic. There are 3 types of economies with relatively better trade soundness: exporters of medical products and ICT services (Ireland and Switzerland), food exporters and closed economies. The most vulnerable economies include small island countries which depend on*

*tourism services exports, oil exporting countries and exporters of machines and equipment. Ukraine ranks 38th and has a standardized value of the index +0.4 mainly because of its food exports which help offsets the weakness due to the metal exports. Vulnerability of large economies is caused by their merchandise export structure, while vulnerability of small economies is due to their services export structure.*

**Key words:** *foreign trade, economic resilience, demand for goods and services, dependence on global markets, pandemic, quarantine measures.*

**Анотація.** *У 2020 році пандемія COVID-19 стала основною подією, що впливає на світову економіку. Спад, обумовлений як падінням попиту, так і пропозиції, зміни в поведінці споживачів та інвесторів стали новою реальністю. Метою даного дослідження є оцінка стійкості зовнішньої торгівлі та вразливості країн в умовах скорочення глобального попиту на різні групи товарів і послуг в результаті пандемії COVID-19 і заходів для її стримування. Запропонований індекс стійкості зовнішньої торгівлі в умовах пандемії базується на експорті фармацевтичної продукції, медичного обладнання, продуктів харчування, товарів і послуг в сфері ІТ, аудіовізуальної сфери тощо (+); туристичних і транспортних послуг, нафти, руд і металів, транспортних засобів, більшості інших видів техніки тощо (-); імпорту медичної та супутньої продукції (-) відносно ВВП країн. У статті представлений рейтинг для 100 найбільших економік. 90% країн мають абсолютну вразливість торгівлі в умовах пандемії. Існує 3 типи країн з відносно більшою стійкістю за зовнішньою торгівлею: експортери медичної продукції або послуг в сфері ІТ (Ірландія і Швейцарія), експортери продуктів харчування і країни із закритою економікою. Найбільш вразливі групи країн – це малі острівні держави, які залежать від експорту туристичних послуг; експортери нафти та експортери машин і обладнання. Україна займає 38-е місце у рейтингу і має стандартизоване значення індексу +0,4 переважно завдяки експорту продуктів харчування, який допомагає компенсувати вразливість, пов'язану з експортом продукції металургії. Вразливість великих економік обумовлена структурою їх експорту товарів, а малих – структурою експорту послуг.*

**Ключові слова:** *зовнішня торгівля, економічна стійкість, попит на товари та послуги, залежність від світових ринків, пандемія, карантинні заходи.*

**Аннотация.** *В 2020 году пандемия COVID-19 стала основным событием, влияющим на мировую экономику. Спад, обусловленный как падением спроса, так и предложения, изменения в поведении потребителей и инвесторов стали новой реальностью. Целью данного исследования является оценка устойчивости внешней торговли и уязвимости стран в условиях сокращающегося глобального спроса на различные группы товаров и услуг в результате пандемии COVID-19 и мер по ее сдерживанию. Предложенный индекс устойчивости внешней торговли в условиях пандемии основан на экспорте фармацевтической продукции, медицинского оборудования, продуктов питания, товаров и услуг в сфере ИТ, аудиовизуальной сферы и т.д. (+); туристических и транспортных услуг, нефти, руд и металлов, транспортных средств, большинства других видов техники и т. д. (-); импорте медицинской и сопутствующей продукции (-) относительно ВВП стран. В статье представлен рейтинг для 100 крупнейших экономик. 90% стран имеют абсолютную уязвимость торговли в условиях пандемии. Существует 3 типа стран с относительно большей устойчивостью по внешней торговле: экспортеры медицинской продукции или услуг в сфере ИТ (Ирландия и Швейцария), экспортеры продуктов питания и страны с закрытой экономикой. Наиболее уязвимые страны – это малые островные государства, которые зависят от экспорта туристических услуг; экспортеры нефти и экспортеры машин и оборудования. Украина занимает 38-е место в рейтинге и имеет стандартизированное значение индекса +0,4 в основном из-за экспорта продовольствия, который помогает компенсировать уязвимость, связанную с экспортом продукции*

*металлургии. Уязвимость больших экономик обусловлена структурой их экспорта товаров, а малых – структурой экспорта услуг.*

**Ключевые слова:** *внешняя торговля, экономическая устойчивость, спрос на товары и услуги, зависимость от мировых рынков, пандемия, карантинные ограничения.*

**Introduction.** In 2020 the COVID-19 pandemic became the major event affecting the global economy. At the moment of writing this paper, on March 31, 2020 there were more than 801 thousand confirmed cases of the disease worldwide, almost 39 thousand deaths and almost 173 thousand recovered persons [Center for Systems Science and Engineering (CSSE) at Johns Hopkins University (JHU): 2020]. As a country of the first wave, China has successfully contained the epidemic. Western Europe and Iran became the next hotbeds of the disease. Then the sickness rate soared in the US. The next epicenters can emerge anywhere.

Despite currently the COVID-19 is far from being the major cause of death, its danger potential is large enough if the disease gets out of control. Many countries try to use various unprecedented restrictions to contain the infection in order to save time to find efficient means for cure and especially to prevent the disease from spreading so quickly that the health system will not be able to cope with the flow of seriously ill patients. The chances of avoiding getting sick or recovering for vulnerable groups of the population can greatly depend on this. At the same time the quarantine measures also disrupt the regular economic activity. There is a discussion about the length and severity of the measures to be taken. But in any case, the pandemic has already hurt many national economies and the global demand, and will probably continue to do that in the nearest future. Uncertainty about the further development of the pandemic, the restrictive measures and their effects is currently the major factor affecting forecasts, policy and business decisions. This uncertainty may be decreased by assessing the relative strength of countries and in particular their exports under the current challenges.

**The purpose of the research** is to estimate foreign trade strength and vulnerability of countries under the shrinking global demand for specific groups of goods and services as a result of the COVID-19 pandemic and the quarantine measures to contain it.

**Recent literature review.** R. J. Barro, J. F. Ursúa and J. Weng analyzed the effects of the 1918-1920 Great Influenza Pandemic and assumed that they may be used as the upper bounds for the expected outcomes of the COVID-19 pandemic. A typical country experienced a decline of the GDP per capita by 6% as a result of the Spanish flu pandemic a century ago. They also stated that the current pandemic already resulted in declines of stock prices and lowering interest rates, and is also likely to decrease GDP, although a lot of uncertainty remains about the future spread of the disease [Barro, Ursúa and Weng: 2020].

G. Verikios et al. modelled two scenarios of a global pandemic of influenza (scenario 1 with a higher infection rate and lower virulence rate, and scenario 2 with a higher virulence rate and lower infection rate in comparison to the Spanish flu pandemic). The virulence rate was calculated as the number of deaths per case. They concluded that under the second scenario the global economy would be hurt more. More globalized regions would also be the most affected ones. They also summarized the various economic effect of illness:

- increased medicals expenditures by patients or governments and increased workloads for a healthcare system;
- decrease in labor supply due to deaths (permanent losses), illness, absenteeism from work to avoid infection, necessity to care for children if schools are closed (temporary losses);
- decrease in public gatherings, closures of educational institutions;
- reduced demand for services that need face-to-face contact (tourism, transport, retail trade etc.) [Verikios et al.: 2011].

M. Casares and H. Khan modelled efficiency of social distancing using the data on Spain (which has quite a similar population size to Ukraine). If the average daily number of face-to-face contacts is 25, the number of deaths may reach 350 thousand and the daily number of people to be

hospitalized may peak at the level of 1.9 million persons. This would overwhelm the capacities of the healthcare sector. If the number of face-to-face contacts is reduced to 3 (social distancing scenario), the number of deaths would be reduced to 54 thousand and the daily peak of the hospitalized people would be only 154 thousand people [Casares and Khan: 2020]. We must note that there is a trade-off between higher death rate because of lack of healthcare capacities on one hand and economic slump and the number of victims due to economic disruption and possibly social unrest on the other hand.

A. Atkeson modelled the progression of COVID-19 in the United States to test when the share of infected people reaches 1% (assuming that it is very challenging for the healthcare system) and 10% (which may cause severe shortages for financial and economic infrastructure) under various mitigation policy scenarios [Atkeson: 2020].

A. W. A. Boot et al. mentioned both production and consumption shocks for the economy in the current situation. Since supply chains are affected under the epidemic, depletion of inventories may cause slowdown in production and shortages in distribution. Services sector also faces interruptive effects, especially travels, mass events, education etc. Companies experience reduction in cash flows and still have to pay their employees, suppliers and creditors. A. W. A. Boot et al. also suggested that fiscal measures should be taken to provide liquidity to the affected companies in order to prevent a banking crisis because monetary policy measures would not be enough to do that. They also stated that the current crisis has not originated in the financial sector, therefore the risk of moral hazard is low [Boot et al.: 2020].

A. A. Toda modelled two scenarios of COVID-19 epidemic. Under the benchmark scenario without mitigation efforts the share of simultaneously infected persons may reach 28% at the peak, which would overwhelm the healthcare system capacities. The alternative scenario with optimal restrictive measures ensuring social distancing may result in lowering the peak to 6.2%. Under the benchmark scenario stock prices would decrease by 50% temporarily. A lower but longer decrease would take place under the alternative scenario.

C. Albulescu provided an empirical analysis of the COVID-19 effect for financial market volatility index. The analysed period was between January 20, 2020 and February 28, 2020. The index grows as a result of new cases reported outside China, if the death ratio increases (especially outside China) and as more countries are affected by the disease [Albulescu: 2020a]. In another study C. Albulescu proved that there is a marginal negative direct impact of daily reported cases on oil prices. But there may also be an indirect effect on oil prices by amplifying the financial markets volatility [Albulescu: 2020b].

W. McKibbin and R. Fernando analysed 7 scenarios for development of the COVID-19 epidemic. If the disease was isolated in China the total losses would be between 283 and 1922 billion dollars. Under the pandemic scenarios the estimated losses may be between 2230 and 9170 billion dollars. This shock will require monetary, fiscal and health policy responses. They also mention disruption of supply chains as one of the effects of the coronavirus epidemic [McKibbin and Fernando: 2020].

C. Michelsen et al. expected the losses for industry and services (especially transport, tourism and financial sector). The imposed restrictions and uncertainty will deter consumption (although there was a temporary increase in retail sales due to a panic). They also expect that after the economic crisis in the 1<sup>st</sup> half of 2020 the precautionary measures will be relaxed. They provided decreased forecasted GDP growth rates for the world (+2.5% in 2020), euro area (-0.2%), US (+0.8%), Japan (-0.3%), Central and Eastern Europe (+2.8%), Russia (+1.1%), China (+4.6%), India (+5.0%). At the same time they stated that the forecast was becoming increasingly unlikely as downside risks were increasing. Policy responses and possibility of trade conflicts may also influence future trends [Michelsen et. al : 2020a].

In another publication C. Michelsen et al. provided forecasted indicators for Germany: GDP growth -0.2% (or lower) in the second quarter of 2020; growth of value added in manufacturing -1.4%; in construction -0.5%; trade, accommodation and transport -0.4%; business and production services +0.1%; public administration, community and social services +0.2%; investment in



machinery and equipment -0.9%, exports -1.3%, imports -0.3% [Michelsen et. al : 2020b]. Despite all the forecasts are not sufficiently reliable under the current uncertainty, they provide valuable information about the most vulnerable sectors of economy.

Currently the most recent forecast for the global economy was provided by IHS Markit on March 30, 2020 [IHS Markit: 2020]. They expect the new recession to be deeper than in 2008-09. The world GDP is expected to drop in 2020 (-2.8%). Some economies may suffer from double-digit annualized declines in the second quarter. The forecasted economic growth is -5.4% in the US, -3.3% in Canada, -4.5% in euro area and the UK, -6% in Italy, -2.5% in Japan and +2.0% in China. Emerging economies may suffer from the infection itself, the global recession and the related drop in commodity prices. Most economies will reach the pre-crisis level of output only in 2-3 years.

The main problem of the current economic forecasts is a huge uncertainty of the pandemic future trends and directions of further contagion. But regardless the uncertainty about the absolute losses, it is still possible to assess the relative vulnerability of countries considering the dropping global demand and the practiced restrictions for people and business.

**Methodology.** First we have to determine the most vulnerable industries. According to [Trading economics: 2020; National Bureau of Statistics of China: 2020] in January – February 2020 the year-on-year growth of industrial output in China was -13.5%. The industry specific output growth rates were:

- -28.2% for transport equipment, -44.6% for metal-cutting machine tools, -30.8% for power generating equipment, -37.4% for household refrigerators, -45.5% for copy and offset printing equipment (most types of machines and equipment);
- -43.2% for passenger turnover in civil aviation (passenger transport and tourism);
- -13.9% for gasoline (fuel for transport);
- -29.5% for cement (construction material);
- -4.6% for crude iron ore, +3.1% for pig iron and crude steel (metallurgy industry);
- -27.2% for textiles;
- -12.3% for chemicals (particular rates vary largely if we consider specific chemical products);
- -17.8% for paper and paperboard, -23.8% for newsprints (printed materials cannot be used distantly, although paperboard may be used for delivery services);
- -30.8% for mobile telephones, -26.6% for color television sets (communication and audiovisual equipment);
- -1.5% refined sugar, -28.5% for soft drinks (food and beverages industry);
- -8.2% for electricity.

But the slump in China took place under the national epidemic and was caused by both the supply shock (undermined labor supply) and the national demand shock. As for the global pandemic, we expect that the demand shock will be more important because it includes drop in both domestic and foreign demand. The industry specific effects may be different especially taking into account that the expected negative effect of the pandemic may last for a longer period than under a local epidemic scenario.

Therefore we should account for radical and more prolonged changes in consumption behavior in the majority of countries, which may transmit into drop of investment in the vulnerable industries causing lower demand for investment goods. As a result, we account for both the post-hoc review of the current trends in specific industries in China and our assumptions about future global trends in order to determine the most and the least vulnerable industries. E.g. the negative effect for metal industry may be underestimated as it produces mostly durable and investment goods (e.g. under the global crisis in 2009 the exports of metals decreased by 34% [UNCTAD: 2020]). Sales of TV sets and mobile phones may restore under quarantine restriction when people have to rely on means of distant communication and entertainment at home.

Thus, we included 5 components (measured as % GDP) into our index of foreign trade strength under pandemic (IFTSP):

1. Strong merchandise exports SME (+) – total exports of food (including animal fats and vegetable oils); computer and audiovisual equipment; medical equipment, pharmaceutical products, cosmetics and toilet preparations. The last subcomponent is multiplied by 3. We assume that these types of products are relatively more consumed under pandemic and the related quarantine restrictions as they may be used inside one's house or in hospitals.

2. Strong services exports SSE (+) – total exports of telecommunications, computer and information services; audiovisual and related services. We assume that people have to communicate more and to consume video content at home instead of going outside for entertainment.

3. Weak merchandise exports WME (-) – total exports of oil and related products; ores, metals and related products; works of arts, jewelry and related goods; machinery (transport vehicles and most other machinery); cement and related construction materials; printed matter, office and stationery supplies; furniture; travel goods; footwear. We assume that these products may be the most vulnerable when demand for investment goods, durable goods etc. shrinks. Textile industry is also vulnerable, but it may switch to producing e.g. face masks, protective apparel etc. Gas and coal industries are vulnerable too due to decreasing fuel prices. But unlike oil it gas and coal are mostly consumed for heating or producing electricity, while oil products are relatively more used by transport.

4. Weak services exports WSE (-) – total exports of passenger transport, travel and construction services. Quarantine measures significantly hamper travels, while shrinking demand negatively affects investments in residential, commercial and industrial buildings.

5. Imports of medical equipment, pharmaceutical products, cosmetics and toilet preparations IMPCT (-) multiplied by 3.

Thus, we compare strong and vulnerable exporting industries in comparison to countries' GDP and make a correction for import dependence on products for medical purposes and cleaning. We pay special attention to competitiveness and self-sufficiency of medical and pharmaceutical sector of a country. We use the data of [UNCTAD: 2020] for about 200 countries in 2018. But the index is calculated for the largest 100 economies considering the data availability and their role in the global or regional economies. GDP by exchange rate was used as an indicator of economy size.

After calculating the Index we consider the structure of exports of small and large economies, the leading countries and outsiders in the ranking, main global and regional powers, and Ukraine. Finally we define the leading countries by contribution of particular resilient and vulnerable industries in the IFTSP (in % GDP).

Our methodology also has some drawbacks:

- classification of industries into strong and weak may be imperfect considering different demand elasticities and vulnerability to quarantine restrictions;
- there are cases of missing data for some services exports especially for smaller countries, therefore positive or negative effect of services trade for some countries may be underestimated.

But we are making this research in a situation of high uncertainty of future scenarios of the pandemic trends and unprecedented challenges when past economic research results and models are not fully applicable. Only real developments in future will show actual resilience of countries.

**Research results. Overall ranking.** In Table 1 we ranked 100 largest economies by our index of foreign trade strength under pandemic (IFTSP). As we see, 90% of countries export more vulnerable products than rely on strong types of exports. Very different countries are in the top of the list. The top 3 countries with stronger foreign trade are Ireland, Paraguay and Switzerland. India ranks 19th, Brazil 20th, US 26th, China 28th, France 35th, Ukraine 38th, UK 41st, Japan 48th, Spain 50th, Italy 56th, Germany 60th, Russia 70th, Libya 100th.

Table 1

**Ranking countries by the index of foreign trade strength under pandemic**

| Rank | Country                       | IFTSP | Rank | Country           | IFTSP | Rank | Country                      | IFTSP |
|------|-------------------------------|-------|------|-------------------|-------|------|------------------------------|-------|
| 1    | Ireland                       | 57.2  | 35   | France            | -7.7  | 68   | Serbia                       | -18.1 |
| 2    | Paraguay                      | 12.3  | 36   | Uzbekistan        | -7.8  | 69   | Greece                       | -19.1 |
| 3    | Switzerland,<br>Liechtenstein | 7.2   | 37   | Latvia            | -8.0  | 70   | Russian<br>Federation        | -20.0 |
| 4    | Côte d'Ivoire                 | 6.6   | 38   | Ukraine           | -8.2  | 71   | Austria                      | -20.7 |
| 5    | Costa Rica                    | 5.5   | 39   | Colombia          | -8.7  | 72   | Lithuania                    | -20.8 |
| 6    | New Zealand                   | 3.0   | 40   | Australia         | -8.8  | 73   | Qatar                        | -21.8 |
| 7    | Argentina                     | 2.3   | 41   | United<br>Kingdom | -9.2  | 74   | Romania                      | -21.9 |
| 8    | Uruguay                       | 2.0   | 42   | Lebanon           | -9.4  | 75   | Belgium                      | -22.3 |
| 9    | Denmark                       | 1.8   | 43   | Bolivia           | -9.4  | 76   | Tunisia                      | -23.0 |
| 10   | Guatemala                     | 0.3   | 44   | Egypt             | -10.0 | 77   | Dem. Rep.<br>of the<br>Congo | -23.0 |
| 11   | Pakistan                      | -0.1  | 45   | Viet Nam          | -10.5 | 78   | Belarus                      | -23.4 |
| 12   | Kenya                         | -1.1  | 46   | Sweden            | -10.9 | 79   | Republic<br>of Korea         | -24.8 |
| 13   | Zimbabwe                      | -1.2  | 47   | Peru              | -11.3 | 80   | Thailand                     | -25.4 |
| 14   | Bangladesh                    | -1.3  | 48   | Japan             | -11.9 | 81   | Bulgaria                     | -26.5 |
| 15   | Cuba                          | -2.8  | 49   | Chile             | -12.6 | 82   | Portugal                     | -27.9 |
| 16   | Turkmenistan                  | -2.9  | 50   | Spain             | -13.0 | 83   | Croatia                      | -29.9 |
| 17   | Indonesia                     | -2.9  | 51   | Philippines       | -13.1 | 84   | Saudi<br>Arabia              | -31.3 |
| 18   | Israel                        | -3.0  | 52   | Panama            | -13.4 | 85   | Malaysia                     | -32.2 |
| 19   | India                         | -3.1  | 53   | Nigeria           | -13.4 | 86   | Estonia                      | -32.2 |
| 20   | Brazil                        | -3.5  | 54   | Norway            | -13.5 | 87   | Hungary                      | -32.7 |
| 21   | Yemen                         | -4.0  | 55   | Finland           | -13.9 | 88   | Slovenia                     | -33.2 |
| 22   | Cameroon                      | -4.0  | 56   | Italy             | -13.9 | 89   | Kazakhstan                   | -33.7 |
| 23   | Sudan                         | -4.2  | 57   | Canada            | -14.1 | 90   | Kuwait                       | -37.0 |
| 24   | Ghana                         | -4.5  | 58   | Jordan            | -14.4 | 91   | Angola                       | -37.2 |
| 25   | Tanzania                      | -4.6  | 59   | Morocco           | -14.4 | 92   | Oman                         | -37.6 |
| 26   | United States<br>of America   | -4.6  | 60   | Iran              | -15.2 | 93   | Czechia                      | -38.1 |
| 27   | Ethiopia                      | -4.8  | 61   | Germany           | -15.7 | 94   | Bahrain                      | -40.6 |
| 28   | China                         | -5.2  | 62   | Turkey            | -15.9 | 95   | Iraq                         | -44.6 |
| 29   | Myanmar                       | -5.5  | 63   | Venezuela         | -16.4 | 96   | United<br>Arab<br>Emirates   | -46.0 |
| 30   | Ecuador                       | -5.6  | 64   | South<br>Africa   | -16.5 | 97   | Azerbaijan                   | -46.0 |
| 31   | Sri Lanka                     | -5.6  | 65   | Mexico            | -16.7 | 98   | Slovakia                     | -48.6 |
| 32   | Dominican<br>Republic         | -6.1  | 66   | Poland            | -17.0 | 99   | Singapore                    | -50.5 |
| 33   | Netherlands                   | -6.2  | 67   | Algeria           | -17.0 | 100  | Libya                        | -68.0 |
| 34   | Luxembourg                    | -6.9  |      |                   |       |      |                              |       |

Source: Authors' calculations based on the [UNCTADStat: 2020].

*IFTSP structure.* Table 2 shows components of the Index for several selected economies and the standardized values of the Index (the difference in standard deviations from the average value of the IFTSP).

Table 2

**Standardized values and components of the index of foreign trade strength under pandemic – for selected countries**

| Country                     | Standardized IFTSP | SME  | SSE  | WME   | WSE   | IMPCT |
|-----------------------------|--------------------|------|------|-------|-------|-------|
| Ireland                     | 4.4                | 55.1 | 27.2 | -6.6  | -3.9  | -14.6 |
| Paraguay                    | 1.7                | 20.5 | 0.0  | -1.6  | -1.3  | -5.4  |
| Switzerland + Liechtenstein | 1.3                | 37.0 | 1.8  | -14.3 | -2.6  | -14.7 |
| Argentina                   | 1.0                | 6.9  | 0.4  | -1.7  | -1.2  | -2.2  |
| Pakistan                    | 0.9                | 2.4  | 0.4  | -0.7  | -0.3  | -1.9  |
| Indonesia                   | 0.7                | 4.6  | 0.1  | -5.3  | -1.4  | -1.0  |
| India                       | 0.7                | 3.3  | 2.1  | -6.5  | -1.2  | -0.9  |
| Brazil                      | 0.7                | 4.7  | 0.1  | -6.3  | -0.3  | -1.7  |
| United States of America    | 0.6                | 2.6  | 0.2  | -3.8  | -1.2  | -2.4  |
| China                       | 0.6                | 4.8  | 0.3  | -8.8  | -0.5  | -1.1  |
| Netherlands                 | 0.5                | 39.7 | 3.1  | -30.9 | -3.2  | -14.9 |
| France                      | 0.4                | 9.3  | 0.8  | -10.7 | -2.8  | -4.3  |
| Ukraine                     | 0.4                | 16.2 | 2.8  | -17.3 | -1.9  | -7.9  |
| Australia                   | 0.4                | 3.4  | 0.2  | -6.2  | -3.2  | -3.1  |
| United Kingdom              | 0.3                | 6.1  | 1.0  | -9.6  | -2.0  | -4.7  |
| Sweden                      | 0.2                | 9.5  | 2.7  | -16.4 | -2.8  | -3.9  |
| Japan                       | 0.2                | 1.8  | 0.1  | -10.5 | -1.1  | -2.3  |
| Spain                       | 0.1                | 8.1  | 1.0  | -12.1 | -5.2  | -4.9  |
| Nigeria                     | 0.1                | 0.4  | 0.1  | -12.4 | -0.5  | -1.0  |
| Italy                       | 0.0                | 8.5  | 0.5  | -15.0 | -2.5  | -5.4  |
| Canada                      | 0.0                | 5.5  | 0.7  | -14.7 | -1.5  | -4.0  |
| Iran                        | 0.0                | 1.5  | -    | -14.9 | -     | -1.8  |
| Germany                     | -0.1               | 13.5 | 1.1  | -22.8 | -1.6  | -6.0  |
| Turkey                      | -0.1               | 3.6  | 0.0  | -11.8 | -4.9  | -2.8  |
| South Africa                | -0.1               | 4.2  | 0.2  | -15.1 | -2.4  | -3.4  |
| Mexico                      | -0.1               | 11.4 | 0.0  | -23.5 | -1.9  | -2.6  |
| Poland                      | -0.1               | 14.0 | 1.4  | -22.8 | -3.0  | -6.5  |
| Russian Federation          | -0.3               | 2.0  | 0.3  | -17.8 | -1.5  | -3.1  |
| Republic of Korea           | -0.6               | 5.7  | 0.3  | -26.6 | -1.9  | -2.3  |
| Thailand                    | -0.7               | 14.7 | 0.1  | -24.2 | -12.5 | -3.4  |
| Saudi Arabia                | -1.0               | 1.2  | 0.1  | -27.5 | -1.5  | -3.5  |
| Slovakia                    | -2.1               | 18.7 | 1.6  | -57.2 | -3.2  | -8.5  |
| Singapore                   | -2.2               | 33.9 | 3.9  | -71.2 | -7.8  | -9.2  |
| Libya                       | -3.3               | 0.3  | -    | -63.5 | -     | -4.9  |

Source: Authors' calculations based on the [UNCTADStat: 2020].

*Size of economy.* We also calculated that the Index does not significantly correlate with the logarithm of GDP. But there is a significant positive correlation between the logarithm of GDP and

strong goods exports (0.23), weak goods exports (0.36) and a negative correlation with weak services exports (-0.51). Therefore under pandemic there is also no optimal size of economies if protectionism does not rise globally. But the export vulnerabilities of large and small economies are structurally different: small economies are vulnerable because of their services exports structure, while large economies – because of their goods exports structure.

*The top 15 countries by the IFTSP index.* Ireland (ranks 1<sup>st</sup>) is the most promising country. It is definitely a positive outlier as its IFTSP standardized value is 4.4. The reasons of its leadership in the ranking are its large exports of telecommunications, computer, and information services (27% GDP), medicinal and pharmaceutical products (15%). It also imports a lot of medicinal and pharmaceutical products (4%), but this may evidence in favor of involvement of the industry in the global value chains.

Paraguay (2<sup>nd</sup>) relies mainly on food exports (20%) and has minor foreign trade weaknesses. Switzerland (3<sup>rd</sup>) has large exports of medicinal and pharmaceutical products (12%), although it exports also a lot of machinery (10%). Its substantial imports of medicinal and pharmaceutical products (4%) may also be a result of involvement in the global value chains.

Côte d'Ivoire (4<sup>th</sup>) relies mainly on food exports (20%). Costa Rica (5<sup>th</sup>) and New Zealand (6<sup>h</sup>) export mostly food too (8% and 12%), although they also have certain dependence on travel services exports (6% and 5%). Argentina (7<sup>th</sup>) and Uruguay (8<sup>th</sup>) have relatively large food exports (6% and 7%). Denmark (9<sup>th</sup>) exports both food (6%) and medicinal and pharmaceutical products (4%), although it exports a lot of machinery too (7%). Guatemala (10<sup>th</sup>) relies mainly on food exports (6%).

The next group of countries (Pakistan, Kenya, Zimbabwe, Bangladesh and Cuba (11<sup>th</sup>-15<sup>th</sup>)) are relatively closed economies in terms of strong and weak exports.

If we consider smaller economies too, the leaders could also include such economies as Guinea-Bissau (IFTSP = 18.0), Greenland (16.6), Micronesia (12.9), Kiribati (1.9) thanks to their food exports. But their IFTSP values are not robust because of the missing data for their services exports structure (except for Guinea-Bissau).

*The bottom 15 countries.* Libya (ranks 100<sup>th</sup>) depends a lot on its oil exports (62% GDP). Since its IFTSP standardized value is -3.3, we can obviously define it as a negative outlier in our sample of countries.

Singapore (99<sup>th</sup>) exports mainly machinery (49%), oil and related products (18%), and travel services (6%). These weaknesses under pandemic are not offset by exports of medical equipment, pharmaceutical products, cosmetics and toilet preparations (7%), computer and audiovisual equipment (8%). Slovakia (98<sup>th</sup>) exports mostly machinery (43%), metals and related products (9%). They are not compensated by its exports computer and audiovisual equipment (12%).

Azerbaijan (97<sup>th</sup>) largely depends on its oil exports (37%) as well as exports of travel services (6%). United Arab Emirates (96<sup>th</sup>) exports oil and related products (24%), machinery (9%), jewelry and related products (8%). Iraq (95<sup>th</sup>) depends a lot on its oil exports (40% GDP). Bahrain (94<sup>th</sup>) exports mainly oil (23%), metals and related products (13%).

Czechia (93<sup>th</sup>) exports mostly machinery (38%), metals and related products (7%). These exports are not offset by exports computer and audiovisual equipment (12%). Oman, Angola and Kuwait (92<sup>th</sup>-90<sup>th</sup>) depend a lot on their oil exports (30%, 35% and 31%). Kazakhstan (89<sup>th</sup>) relies largely on oil exports (23% GDP), metals and related products (7%).

Slovenia (88<sup>th</sup>) exports mostly machinery (27%), metals and related products (8%), and travel services (6%). They are not balanced by exports of medicaments (6%). Hungary (87<sup>th</sup>) exports mainly machinery (38%), which is not offset by exports of computer and audiovisual equipment (8%), and other strong exports. Estonia (86<sup>th</sup>) exports machinery (16%), oil products (8%) and travel services (6%). These weaker exports are not balanced by stronger exports computer and audiovisual equipment (12%).

If we consider small economies too, the outsiders would also include such economies as Aruba (IFTSP = -80.2), Antigua and Barbuda (-61.9), Maldives (-58.2), Saint Lucia (-54.8), Grenada (-51.5), Saint Kitts and Nevis (-43.9), Anguilla (-42.8) because of their large dependence

on travel services exports (34-71% GDP).

*Global and regional economic powers.* As for the largest economies, the USA has few strong and weak exports relatively its GDP as it is a relatively self-sufficient economy. China's minor weakness is the exports of machines (6% of GDP), but it is largely compensated by exports of computer and audiovisual equipment (4%).

The largest EU economies have exports of machines as a minor or moderate weakness: 18% in Germany, although it is partially offset by exports of products for medical purposes (3%), 9% in Italy, 8% in France, 6% in the UK. The same is relevant for Japan (9%) and especially South Korea (20%).

Spain's weaknesses are the exports of machines (8%) and travel services (5%). The Netherlands export a lot of machines (15%) and oil products (9%), but they are offset by exports of food (12%), products for medical purposes (6%), computer and audiovisual equipment (7%). Poland's weaknesses are the exports of machines (15%) and metals (5%), which are slightly offset by exports of food (6%).

Canada's weaknesses are the exports of machines (7%) and oil (5%). Australia has exports of ores and metals (5%) as a minor weakness. The weak exports of Russia and Saudi Arabia are the exports of oil (13% and 25%). India, Brazil and Indonesia are quite closed economies with few strong and weak exports. Mexico exports mainly machines (18%), it is slightly compensated by exports of computer and audiovisual equipment (5%). Turkey has two minor weaknesses: the exports of machines (7%) and travel services (3%).

*Ukraine* has a better than average rank (38th) with the standardized IFTSP value of +0.4. It is supported by its food exports (15% GDP) as well as exports of telecommunications, computer, and information services (3%). But its total exports of medical equipment, pharmaceutical products, cosmetics and toilet preparations; computer and audiovisual equipment; audiovisual and related services are less than 1% of its GDP. Ukrainian weak exports under the pandemic include mainly exports of metals and related products (12%) as well as machinery (4%). Other weak exports are minor ones: travel services (1%), passenger transport services (0.7%) and construction services (0.1%) etc.

*Product specific export dependence.* Next we define the leading countries by contribution of particular industries in IFTSP (in % GDP).

Countries which are the most dependent on exports of food include Guinea-Bissau, Seychelles (22%), Micronesia (21%), Greenland, Paraguay (20%), Nicaragua (17%), Côte d'Ivoire, Honduras (16%) and Ukraine (15%). The main countries which specialize in exports of computer and audiovisual equipment are Vietnam (24%), Czechia, Slovakia (12%), Singapore, Hungary (8%), Malaysia, the Netherlands (7%), United Arab Emirates and Thailand (6%).

The most intensive exporters of medical equipment, pharmaceutical products, cosmetics and toilet preparations are Ireland (16%), Belgium, Switzerland (12%), Slovenia (8%), Singapore (7%), the Netherlands (7%), Hungary (5%) and Denmark (5%). But they are also present in the list of the most intensive importers of these products: Belgium (10%), Slovenia, the Netherlands, Switzerland, Ireland, Malawi (5%), Hungary, Kyrgyzstan and Nicaragua (4%). If we calculate the most intensive net exporters of such goods, the leaders would be Ireland (12%), Switzerland (7%), Singapore (4%), Slovenia and Denmark (3%).

Countries with the largest contribution of telecommunications, computer and information services exports to their GDP are Ireland (27%), Cyprus (10%), Luxembourg (6%), Montserrat (5%), Israel and Singapore (4%). Luxembourg (5%) ranks 1<sup>st</sup> by intensity of audiovisual and related services exports, but there are too many countries with missing data by this indicator to provide a genuine ranking in this case.

As for weak exports, the most intensive exporters of oil and related products are Libya (62%), Republic of Congo (46%), Iraq (40%), Azerbaijan (37%), Angola (35%), Kuwait (31%), Oman, Equatorial Guinea (30%), Saudi Arabia (25%), Gabon (24%), United Arab Emirates (24%), Kazakhstan, Bahrain (23%) and Brunei Darussalam (20%). Exports of ores and metals are the most important for Zambia (25%), Mongolia (21%), Democratic Republic of the Congo (18%), New

Caledonia (17%), Guinea (16%), Chile (14%), Bahrain (13%), Namibia, Ukraine and Bhutan (12%). The most dependent countries on exports of precious and semi-precious stones, jewelry, works of art or related products are Botswana (31%), Lesotho (10%), United Arab Emirates (9%) and Namibia (7%).

The most intensive exporters of transport vehicles and most other vulnerable types of machinery and equipment are Singapore (49%), Slovakia (43%), Czechia, Hungary (38%), Slovenia, Malaysia (27%), Republic of Korea (20%), Germany, Mexico, Belgium, Vietnam, Thailand (18%) and North Macedonia (17%). The same for footwear – Vietnam (7%), Cambodia (5%) and Albania (4%); for furniture – Lithuania (4%) and Vietnam (3%); for travel goods, handbags and similar containers – Cambodia (2%) and Vietnam (1.4%). Exports of cement and similar construction materials, printed matter, some types of office and stationery supplies provide only a minor contribution to national economies in all countries.

Aruba (71%), Maldives (57%), Saint Lucia (50%), Antigua and Barbuda (50%), Grenada (47%), Saint Kitts and Nevis (38%), Seychelles (36%), Anguilla (34%), Saint Vincent and the Grenadines (28%), Dominica (26%), Belize (25%), Bahamas, Cabo Verde (24%), Barbados (23%), Montenegro (22%), Jamaica (20%), Georgia (20%), Montserrat, Croatia, Fiji (19%), Cambodia, and Sao Tome and Principe (18%) are economies that are the most dependent on travel services exports. The same for passenger transport services – Fiji, Antigua and Barbuda (7%), Panama and Malta (4%), although about half of countries have missing data for this indicator. There is also some minor dependence on construction services exports in Estonia (2%), Armenia and Belarus (about 1.5%).

**Conclusions.** The COVID-19 pandemic is currently the main factor of the global and domestic demand, although it is not easy to forecast what country may become the next epicenter of the pandemic. E.g. Italy was far from being the main country of origin or destination for tourism links with China. But recession and changes in consumption and investment behavior are already taking place simultaneously in many countries.

We used trade structure analysis to elaborate and calculate our index of foreign trade strength under pandemic. We can conclude that there are three groups of the most resilient countries:

- which specialize in exports of medical and pharmaceutical products (Ireland and Switzerland) or telecommunications, computer and information services (Ireland);
- food exporting countries (mainly some developing economies);
- several closed developing economies.

The most severely affected countries through the trade channel are likely to include:

- countries which largely rely on exports of machines and equipment (Singapore and several Central European countries);
- oil exporting countries (mainly in the Middle East);
- heavily dependent countries on exports of travel services (especially small island countries) as the most vulnerable group.

As for the main powers, India, Brazil, USA and China outperform Japan and the EU, while the latter outperform Russia. Inside the EU Western European countries (they usually have an average performance globally) have better positions than the Central European countries. But the EU still may improve its resilience under cohesion scenario. Controlling for the fact that most of the EU trade is within the union itself can also provide it with more optimistic ranks. Thanks to its food exports, Ukraine has a better than average situation considering foreign trade strength under the current COVID-19 pandemic. Small economies are vulnerable mainly because of their services exports structure, while large economies – because of their goods exports structure.

However, our research results should be treated with caution because of uncertainty related to the future trends in the pandemic and the mitigation measures. But our research is an early attempt to decrease the uncertainty in forecasting international trade developments when a full-scale post-hoc analysis is not possible yet.

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UDC: 339.924

## **TRADE AND COMPETITIVE COOPERATION OF THE EU WITH THE MAJOR INTERNATIONAL INTEGRATION GROUPINGS**

### **ТОРГОВО-ЕКОНОМІЧНА ВЗАЄМОДІЯ ЄС З НАЙБІЛЬШИМИ ІНТЕГРАЦІЙНИМИ ОБ'ЄДНАННЯМИ**

### **ТОРГОВО-ЭКОНОМИЧЕСКОЕ ВЗАИМОДЕЙСТВИЕ ЕС С КРУПНЕЙШИМИ ИНТЕГРАЦИОННЫМИ ОБЪЕДИНЕНИЯМИ**

#### **Zayats O. I.**

PhD. in International Economic Relations, Associate Professor at the Department of International Economic Relations, Uzhorod National University. E-mail: olena.zayats@uzhnu.edu.ua

#### **Заяць О. І.**

Кандидат економічних наук, доцент кафедри міжнародних економічних відносин Ужгородського національного університету. E-mail: olena.zayats@uzhnu.edu.ua

#### **Заяц Е. И.**

Кандидат экономических наук, доцент кафедры международных экономических отношений Ужгородского национального университета. E-mail: olena.zayats@uzhnu.edu.ua

**Abstract.** The article examines the current interaction, convergence and the state of formalization of trade and competitive cooperation between the largest international integration groupings, namely, negotiating the free trade area between them and determining the possible prospects for the development of transregional integration. The aim of the study is to analyze the main trends of free trade zones and agreements between the European Union (EU), United States-Mexico-Canada Agreement (USMCA), Association of Southeast Asian Nations (ASEAN), South American economic organization (MERCOSUR), the impact of transregional integration on trade and investment activities of Member States and integration groupings in general. The analysis of current trends has indicated the strengthening of the momentum of the negotiations on free trade zones between international integration groupings and the establishment of the major global trend: the number and types of agreements on trade and economic cooperation not only between countries, but also between interstate integration groupings are growing, new free trade zones are being announced, and the range of concepts regarding competitive advantages is being extended. It has been determined that trade and competitive interaction of the global economy creates a stable platform for building up both economic and competitive force, which leads to global economic development and enhances hypercompetition. It has been proved that trade and competitive convergence of interstate integration groupings leads to new forms and mechanisms of activities organization and as a result, the prospects for the consolidation of free trade zones are emerging. Thus, the competitive position of international integration associations in the global economy is being strengthened due to active development of economic and trade cooperation, not only within the grouping of Member States, but also in the parallel process of interaction with non-Member States and with international integration groupings.

**Key words:** transregional integration, EU, USMCA, ASEAN, MERCOSUR.

**Анотація.** Стаття присвячена дослідженню сучасної взаємодії, зближення та стану формалізації торговельно-конкурентного співробітництва між найбільшими міжнародними інтеграційними угрупованнями, а саме ведення переговорів про створення зони вільної торгівлі між ними та визначення можливих перспектив розвитку трансрегіональної інтеграції.

Метою даного дослідження є аналіз основних тенденції створення зон вільної торгівлі та домовленостей між Європейським союзом (ЄС), зоною вільної торгівлі США-Канада-Мексика (ЮСМКА), Асоціацією країн Південно-Східної Азії (АСЕАН), спільним ринком країн Південної Америки (МЕРКОСУР), вплив трансрегіональної інтеграції на торговельну та інвестиційну діяльність країн-членів та інтеграційних об'єднань в цілому. Аналіз сучасних тенденцій продемонстрував посилення динаміки переговорів щодо створення зон вільної торгівлі між міжнародними інтеграційними союзами та утворення найважливішого глобального тренду: зростає кількісна і видова різноманітність домовленостей про торговельно-економічну взаємодію не тільки між країнами, але й між міждержавними інтеграційними угрупованнями, анонсуються нові зони вільної торгівлі, розширюється коло концепцій створення конкурентних переваг. Було визначено, що торговельно-конкурентна взаємодія суб'єктів глобального господарства створює стабільну платформу для нарощення як економічної, так і конкурентної сили, що зумовлює загальносвітовий економічний розвиток та сприяє посиленню гіперконкуренції. Обґрунтовано, що торговельно-конкурентне зближення міждержавних інтеграційних об'єднань призводить до формування нових форм і механізму організації діяльності і як наслідок вимальовуються перспективи укрупнення зон вільної торгівлі. Таким чином, конкурентні позиції міжнародних інтеграційних об'єднань у глобальному господарстві зміцнюються завдяки активному розвитку економіко-торгівельної співпраці, не тільки у межах об'єднання між країнами-членами, але і у паралельному процесі взаємодії з країнами, які не є членами та з міжнародними інтеграційними союзами.

**Ключові слова:** трансрегіональна інтеграція, ЄС, ЮСМКА, АСЕАН, МЕРКОСУР.

**Анотація.** Стаття посвячена дослідженню сучасного взаємодія, зближення і стану формалізації торгово-конкурентного співробітництва між найбільшими міжнародними інтеграційними групуваннями, а саме ведення переговорів про створення зон вільної торгівлі між ними і визначення можливих перспектив розвитку трансрегіональної інтеграції. Метою даного дослідження є аналіз основних тенденцій створення зон вільної торгівлі та домовленостей між Європейським союзом (ЄС), зоною вільної торгівлі США-Мексика-Канада (ЮСМКА), Асоціацією держав Юго-Східної Азії (АСЕАН), спільним ринком країн Південної Америки (МЕРКОСУР), вплив трансрегіональної інтеграції на торговельну та інвестиційну діяльність країн-членів і інтеграційних об'єднань в цілому. Аналіз сучасних тенденцій продемонстрував посилення динаміки переговорів про створення зон вільної торгівлі між міжнародними інтеграційними союзами та утворення найважливішого глобального тренду: зростає кількісна і видова різноманітність домовленостей про економіко-торгівельну взаємодію не тільки між країнами, але й між міждержавними інтеграційними групуваннями, анонсуються нові зони вільної торгівлі, розширюється коло концепцій створення конкурентних переваг. Було визначено, що торговельно-конкурентне взаємодія суб'єктів глобального господарства створює стабільну платформу для нарощення як економічної, так і конкурентної сили, що приводить до загальносвітового економічного розвитку і сприяє посиленню гіперконкуренції. Обґрунтовано, що торговельно-конкурентне зближення міждержавних інтеграційних об'єднань призводить до формування нових форм і механізмів організації діяльності і як наслідок вимальовуються перспективи укрупнення зон вільної торгівлі. Таким чином, конкурентні позиції міжнародних інтеграційних об'єднань у глобальному господарстві зміцнюються завдяки активному розвитку економіко-торгівельної співпраці, не тільки в межах об'єднання між країнами-членами, але і в паралельному процесі взаємодії з країнами, які не є членами і з міжнародними інтеграційними союзами.

**Ключевые слова:** трансрегиональная интеграция, ЕС, ЮСМКА, АСЕАН, МЕРКОСУР.

**Introduction.** Within today's globalized world economy, almost all interstate integration groupings face uncertainty regarding cooperation with non-Member States and other integration groupings. While in recent years the economic integration of countries has developed intensively, today the formalization of cooperation between interstate integration groupings, namely the negotiation of a free trade zone between them is the phenomenon of great importance. The position of any integration grouping proved to be determined not only by the internal potential and interaction between the Member States of the grouping, but also by the degree of economic and competitive cooperation, since it becomes apparent that the economies of the Member States of the integration grouping cannot be restricted by the grouping, but must develop their economic and competitive relations.

**Analysis of latest researches and publications.** The theoretical definition of transregionalization is comprehensively presented in the works by Hännigi, H., Roloff, R., & Rüländ, J. [Hännigi, H., Roloff, R., & Rüländ, J., 2006], which prove that a broad understanding of transregionalism includes both relations between regional groupings and regional groups and between groupings and third countries. Baert, F., Scaramagli, T. & Soderbaum, F. in their work [Baert, F., Scaramagli, T. & Soderbaum, F., 2014] highlight the existence of two integration groupings as a necessary precondition for the establishment of classical transregional relations. Lay, Y. & Lopez, L. in their study [Lay, Y. & Lopez, L., 2008], identify types of transregional interaction. The issues of free trade zones and trade and competitive cooperation of international integration groupings were covered in the works by L. Ghiotto & J. Echaide [L. Ghiotto & J. Echaide, 2019], M. Baltensperger & U. Dadush [M. Baltensperger & U. Dadush, 2019], S. Michalopoulos [S. Michalopoulos, 2019], C. Felter, D. Renwick & A. Chatzky [C. Felter, D. Renwick & A. Chatzky, 2019], S. Manservisi & F. Fontan, 2019 [S. Manservisi & F. Fontan, 2019], M. Schneider-Petsinger [M. Schneider-Petsinger, 2019], E. Wragg [E. Wragg, 2020].

**The purpose of research is** to study the interaction and convergence of interstate integration groupings in terms of trade and competition and closely examine and analyze the negotiation processes, as well as agreements between the largest interstate integration groupings: USMCA, EU, ASEAN and MERCOSUR.

**The main results of the research.** The competitive status of interstate integration groupings in the international arena is ensured not only by using the benefits of intra-regional cooperation, but also by deepening trade and economic ties with other actors in the global economy, including international integration associations. Current realities show a tendency to strengthening the momentum of the negotiations on free trade zones between international integration groupings and the establishment of the major global trend: the number and types of agreements on trade and economic cooperation not only between countries, but also between interstate integration groupings are growing, new free trade zones are being announced, and the range of concepts regarding competitive advantages is being extended. Trade and competition between actors of global economy creates a stable platform for building up both economic and competitive forces, which leads to global economic development and enhances hypercompetition.

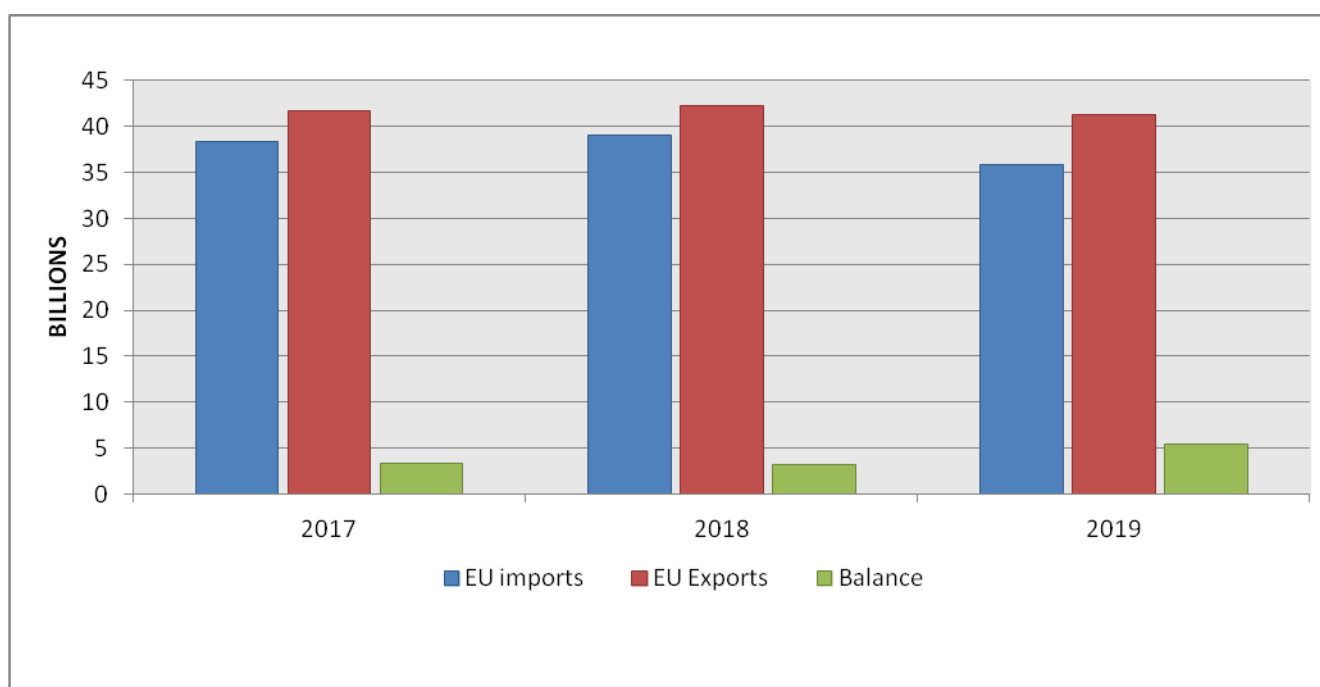
The process of interaction between groupings is inherently a new phenomenon, so it deserves a detailed analysis. Negotiations on the free trade zone are actually at the stage of arrangement of all major trade and competitive blocs. In other words, today there is a transformation of foreign economic activity in terms of the processes of international economic integration and disintegration. Thus, the rapid growth of “inter-grouping ties” within the framework of the recent interaction of the largest interstate integration groupings, is explained by the search for competitive advantages.

In June 2019, after twenty years of negotiations between the European Union and the countries of the South American Common Market (MERCOSUR), the agreement was reached to establish an ambitious, balanced and comprehensive free trade zone. The agreement will partially repeal most of the current tariffs on exports from the EU to the MERCOSUR countries. However, there is still considerable uncertainty about the next steps [L. Ghiotto & J. Echaide, 2019].

“The agreement will create free trade zone for 780 million people, will bring the two continents in a spirit of cooperation and openness. We agreed with our colleagues and allies with

whom we have strong historical links and with whom we have successful cooperation in other areas. The agreement will save European companies over €4 billion in duties”, Commissioner for Trade Cecilia Malmström said [European Commission, 2019].

Thus, in our opinion, the free trade agreement between the EU and MERCOSUR will have positive economic effects for both groupings, especially given the growing trade tensions in the global market. In terms of the MERCOSUR Member States, the aforementioned free trade zone will contribute to the diversification of trade and competition relations and reduce their dependence on USMCA Member States, significantly build up competitive force and enhance international prestige of the grouping, not to mention the markets for products (it will allow Argentina and Brazil to strengthen their integration into global value chains). The European Union is one of the largest partners for MERCOSUR in trade and investment. Trade with EU Member States accounts for 17.1% of the bloc's total trade (see Figure 1).



**Figure 1. EU-MERCOSUR: trade in goods**

*Source:* [European Commission, 2020]

In 2019, EU exports to MERCOSUR Member States amounted to €41 billion (vehicles, transport equipment, chemicals and pharmaceuticals), while MERCOSUR exports to the EU was €35.9 billion (agricultural products such as food, beverages and tobacco; plant products, including soy and coffee and animal products). The European Union exported €21 billion in services to MERCOSUR, while MERCOSUR exported €10 million in services to the EU in 2018. The EU is the largest foreign investor in the region, and accumulated investment capital increased from €130 billion in 2000, when negotiations had just begun, to €365 billion in 2017. MERCOSUR is the EU's main investor, with €52 billion in 2017 [European Commission, 2020]. It should be noted that the mutual trade between these two integration groupings developed dynamically. Viewed the EU-MERCOSUR export as a whole, from 1998 to 2018 it increased 1.9 times, and MERCOSUR-EU export increased 2.3 times (see Table 1).

Table 1

**EU-Mercosur trade over time in \$ billions**

| <b>EU exports to Mercosur</b>       | <b>1998</b> | <b>2008</b> | <b>2018</b> |
|-------------------------------------|-------------|-------------|-------------|
| Agricultural, forestry, and fishery | 0.2         | 0.2         | 0.5         |
| Mineral commodities                 | 0.1         | 1.7         | 3.5         |
| Manufacturing                       | 25.9        | 44.6        | 44.7        |
| <b>Total exports</b>                | <b>26.1</b> | <b>46.5</b> | <b>48.6</b> |
| <b>Mercosur exports to EU</b>       | <b>1998</b> | <b>2008</b> | <b>2018</b> |
| Agricultural, forestry, and fishery | 5.3         | 16.0        | 8.0         |
| Mineral commodities                 | 1.9         | 12.9        | 5.7         |
| Manufacturing                       | 11.9        | 44.2        | 30.0        |
| <b>Total exports</b>                | <b>19.1</b> | <b>73.1</b> | <b>43.7</b> |

*Source:* [M. Baltensperger & U. Dadush, 2019]

The interest of the European Union is based not only on the attractive commercial opportunities of MERCOSUR, but also on the restoration of historical relations with the states of South America and the possibility of creating another multipolar world. However, some experts express concern about this agreement, which is mainly based on the following issues: possible economic losses for the EU agriculture; Brazil's stance on environmental protection, since tariff reductions will affect deforestation (Amazon fire outbreak in 2019).

“The trade deal recently reached between the EU and MERCOSUR countries is devastating for European farmers”, Pekka Pesonen, Secretary-General of the EU farmers and cooperatives’ association said [S. Michalopoulos, 2019]. In general, European farmers strongly criticize this agreement and emphasize that lowering tariffs and increasing quotas on agricultural products such as beef and chicken threaten their business [EU-MERCOSUR, 2019]. Analysts warn that interest groups could once again delay progress [C. Felter, D. Renwick & A. Chatzky, 2019]. Thus, it is evident that the problems of interaction and behavior patterns of interstate integration groupings in global competitive space depend on many factors.

At the heart of trade and competitive cooperation between the European Union and the Association of Southeast Asian Nations is the start of the dialogue in 1977, which was officially institutionalized in 1980. However, relations between the EU and ASEAN changed and expanded, and in January 2019, at the 22nd ASEAN-EU Ministerial Meeting, a joint statement was approved, where it was agreed to upgrade trade and competition relations. The Foreign Ministers reaffirmed their bilateral interest in strengthening relations and enhancing cooperation of mutual importance [ASEAN Secretariat’s, 2020].

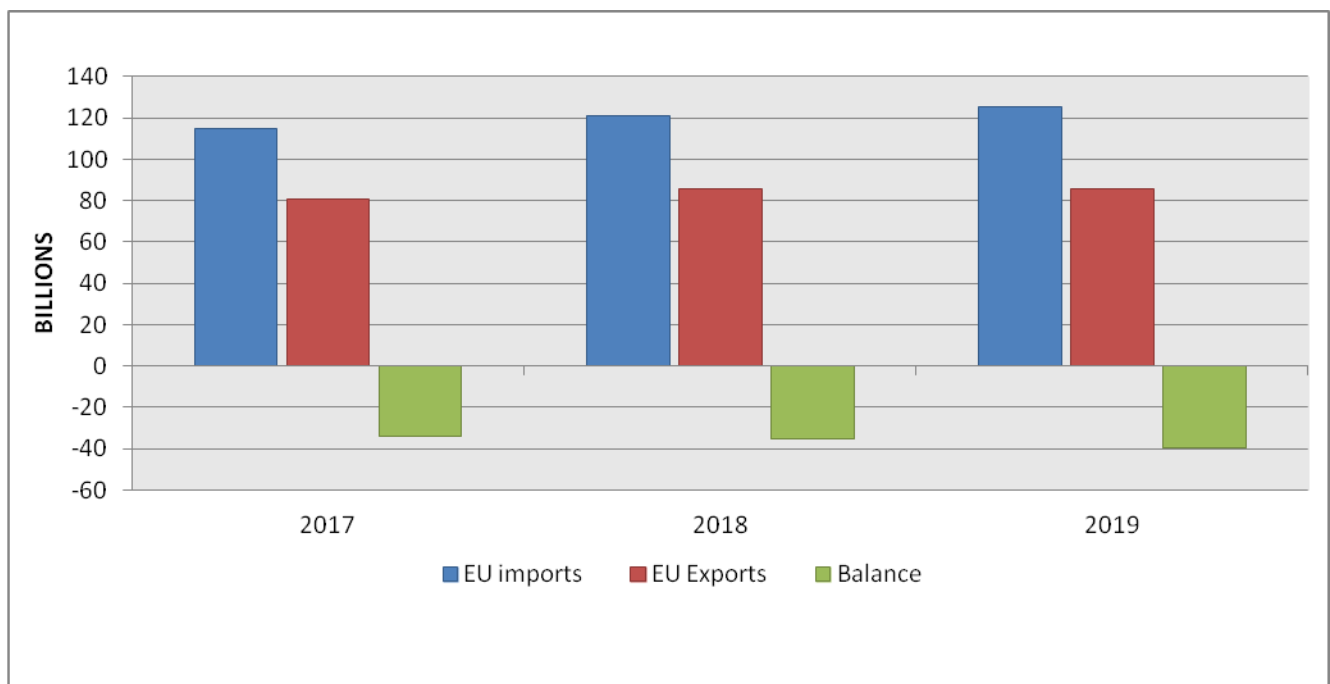
Some of the main tools of the dialogue between the European Union and ASEAN are: Enhanced Regional EU-ASEAN Dialogue Instrument for 2016-2024 (E-READI), whose total budget reaches €20 million; Enhanced ASEAN Regional Integration Support from EU 2017-2022 (ARISE-Plus), whose total budget accounts to €41 million; EU Support to Higher Education in ASEAN Region 2019/2021 (EU SHARE), with total budget €10.3 million; Biodiversity Conservation and Management of Protected Areas ASEAN 2016-2021 (BCAMP), with total budget of €10 million. It is undeniable that such instruments strengthen the cooperation between these integration groupings, and the interaction between the European Union and the Association of Southeast Asian Nations is intensive.

As of 2020, negotiations on the establishment of a joint EU-ASEAN free trade zone occur mainly in the form of bilateral negotiations between the Member States of the Association of Southeast Asian Nations and the European Union. These bilateral trade and investment negotiations serve as the foundation for the future free trade agreement between the mentioned integration groupings. ASEAN Member States are more independent than the EU Member States, as they can,

for example, agree separately to create a free trade zone with any actors in the global economy, both with other states and with interstate integration groupings, while within the European Union an agreement on the establishment of a free trade zone is possible only in the form of the EU plus any actor of the global economy. The European Union is negotiating with all ASEAN Member States [S. Manservisi & F. Fontan, 2019].

Bilateral negotiations with two ASEAN Member States have already been completed and a free trade zone was established: the EU-Singapore (EUSFTA) in 2014 and Vietnam (EVFTA) in 2015. The ultimate objective of the European Union is to create a free trade zone with ASEAN.

ASEAN is the third largest EU trade partner outside the EU, after the US and China (€237.3 billion in 2018). The European Union is the second largest trading partner for ASEAN after China, accounting for about 14% of trade. The EU is currently the largest investor in ASEAN Member States. In 2017, shares of foreign direct investment in ASEAN amounted to €337 billion, and ASEAN's investment in Europe increased to more than €141 billion. The EU mainly exports chemical products, cars and agricultural products to the Member States of the Association of Southeast Asia. The main imports from ASEAN to the EU are cars and transport equipment, agricultural products, textiles and clothing (see Figure 2).



**Figure 2. EU-ASEAN: trade in goods**

*Source:* [European Commission, 2020]

Given that regionalization and globalization are the main trends in the current global competitive environment, and small ASEAN states, with the exception of Indonesia, can build up their economic and competitive force only through international and inter-union cooperation, comprehensive cooperation between the European Union and the Association of Southeast Asian Nations will help ASEAN find an effective model of integration and narrow disparities in economic development between Member States.

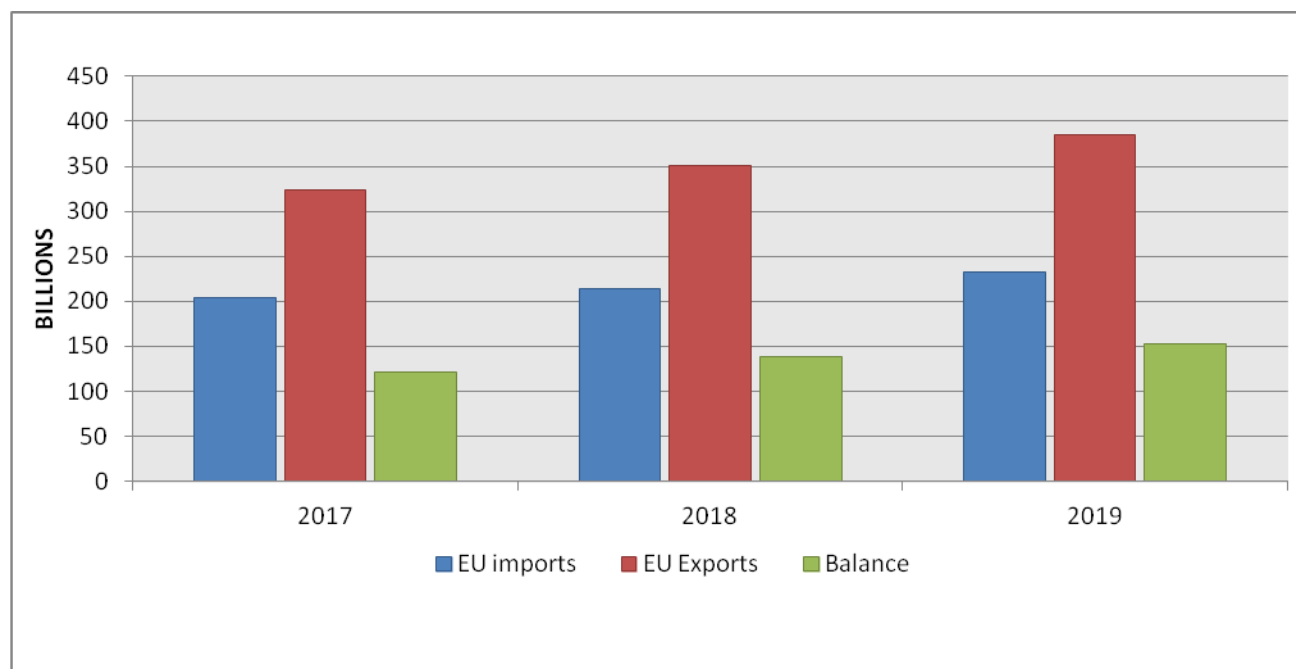
The two economic and competitive giants, such as the EU and the USMCA, interact in the format of bilateral relations, namely the European Union + USMCA member state. EU-US trade and investment relations affect not only their economies but also the world economy as a whole. The US and the EU are the largest trading partners for each other and represent the major trade and

competitive relations between the actors of the global economy. In general, the US and EU economies account for about half of world GDP and almost a third of the world trade flows.

Given the scope and level of integration of the transatlantic economy, there is current interest in formalizing the structure underlying trade and competition relations between the United States and the European Union. Negotiations for the Transatlantic Trade and Investment Partnership (TTIP) were formally launched in 2013. However, following 15 rounds of negotiations, the talks were suspended at the end of 2016. This was in part due to the change of administration in the US, but TTIP negotiations had stalled even before the election of Donald Trump over contentious issues such as agriculture, public procurement and investment protection. Neither the US nor the EU has officially withdrawn from the TTIP negotiations. After a two-year hiatus, in October 2018, the Trump administration announced the resumption of negotiations on a trade agreement with the EU [M. Schneider-Petsinger, 2019].

The driving force of transatlantic integration is investment, which promotes growth and jobs on both sides of the Atlantic. Total US investment in the EU (the balance of EU-US foreign direct investment in 2018 was €375.4 trillion) is three times higher than in Asia, and EU investment in the US is around eight times the amount of EU investment in India and China together. It is estimated that a third of the trade across the Atlantic actually consists of intra-company transfers. The transatlantic relationship also defines the shape of the global economy as a whole. Either the EU or the US is the largest trade and investment partner for almost all other countries in the global economy [European Commission, 2020].

In 2019, exports of EU goods to the US amounted to €384.4 billion, while US exports to the EU amounted to €232.0 billion. The European Union exported €179.4 billion in services to the US, while the US exported €196.2 million in services to the EU in 2018 (see Figures 3 and 4).



**Figure 3. EU-USA: trade in goods**

*Source:* [European Commission, 2020]

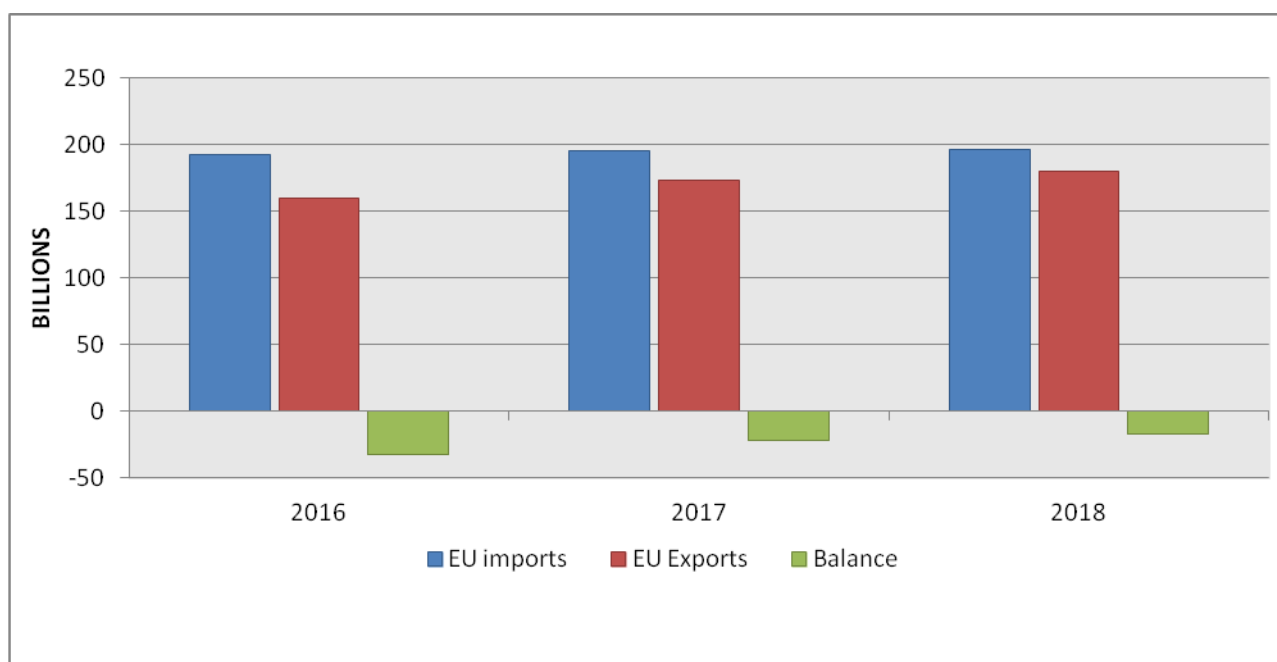


Figure 4. **EU-USA: trade in services**

Source: [European Commission, 2020]

Bilateral economic and competitive cooperation between the EU and the US in terms of mutual trade is unprecedented. Despite such large volumes of trade, the EU and the US face a number of trade and competition disputes.

Mexico was the first North American country to sign an economic partnership agreement with the European Union in 1997, which entered into force in 2000. In 2016, a dialogue on the modernization of this agreement began, and after four years of negotiations on new trade relations between the European Union and Mexico, they ended with a free trade agreement. Under this agreement, virtually all trade in goods between the EU and Mexico will be duty free.

“While most of our efforts have been focused lately on tackling the coronavirus crisis, we have also been working to advance our open and fair trade agenda. Openness, partnerships and cooperation will be even more essential as we rebuild our economies after this pandemic. Together with our Mexican partners, we share similar views and that our continued work could now come to fruition. This agreement will help both the EU and Mexico to support our respective economies and boost employment”, said EU trade commissioner Phil Hogan [E. Wragg, 2020].

In 2018, the EU was Mexico's second biggest export market after the United States. The EU's key imports from Mexico are transport equipment, machinery and appliances, mineral products, and optical/photographic instruments. The EU was Mexico's third-largest source of imports in 2018, after the US and China. Key EU exports to Mexico include machinery and appliances, transport equipment, chemical products, and base metals. In services, the EU imports from Mexico mostly travel and transport services. EU services exports to Mexico consist mainly of business services, transport services, travel services, and telecommunications, computer and information services.

In 2019, exports of EU goods to Mexico amounted to €37.6 billion, while exports of Mexico to the EU amounted to €24.3 billion. The European Union exported €11.6 billion in services to Mexico, while Mexico exported €5.5 million in services to the EU in 2018 (see Figures 5 and 6).



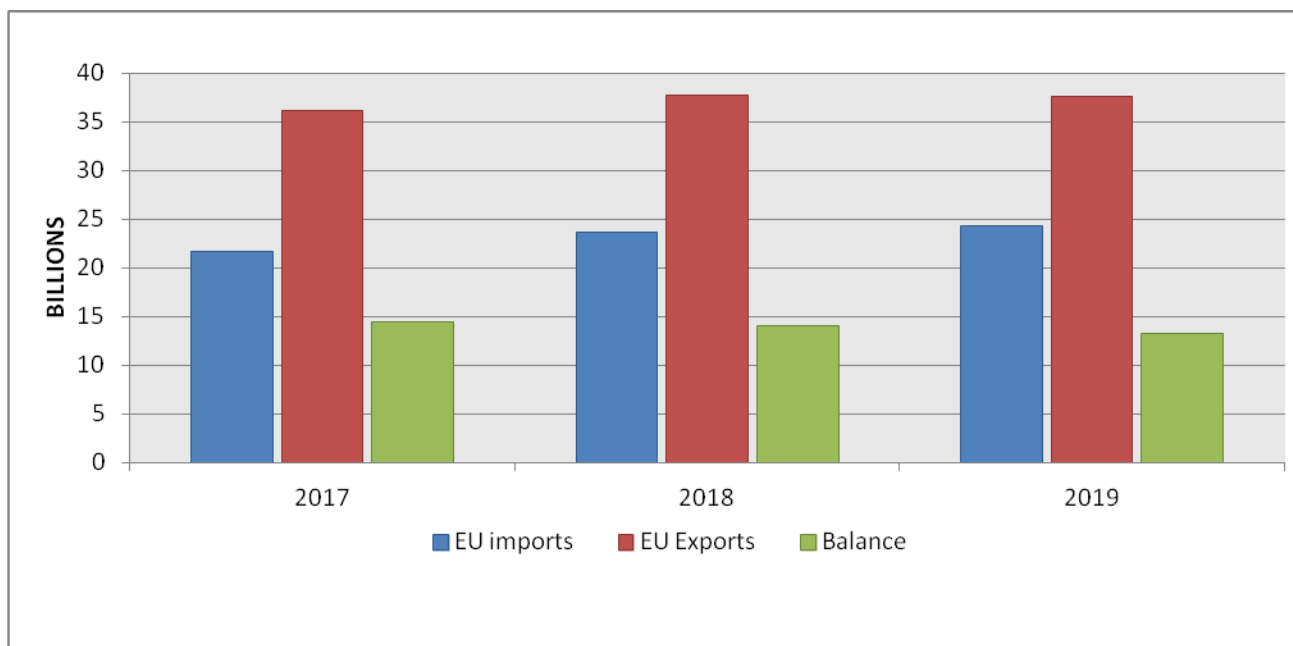


Figure 5. **EU-Mexiko: trade in goods**

Source: [European Commission, 2020]

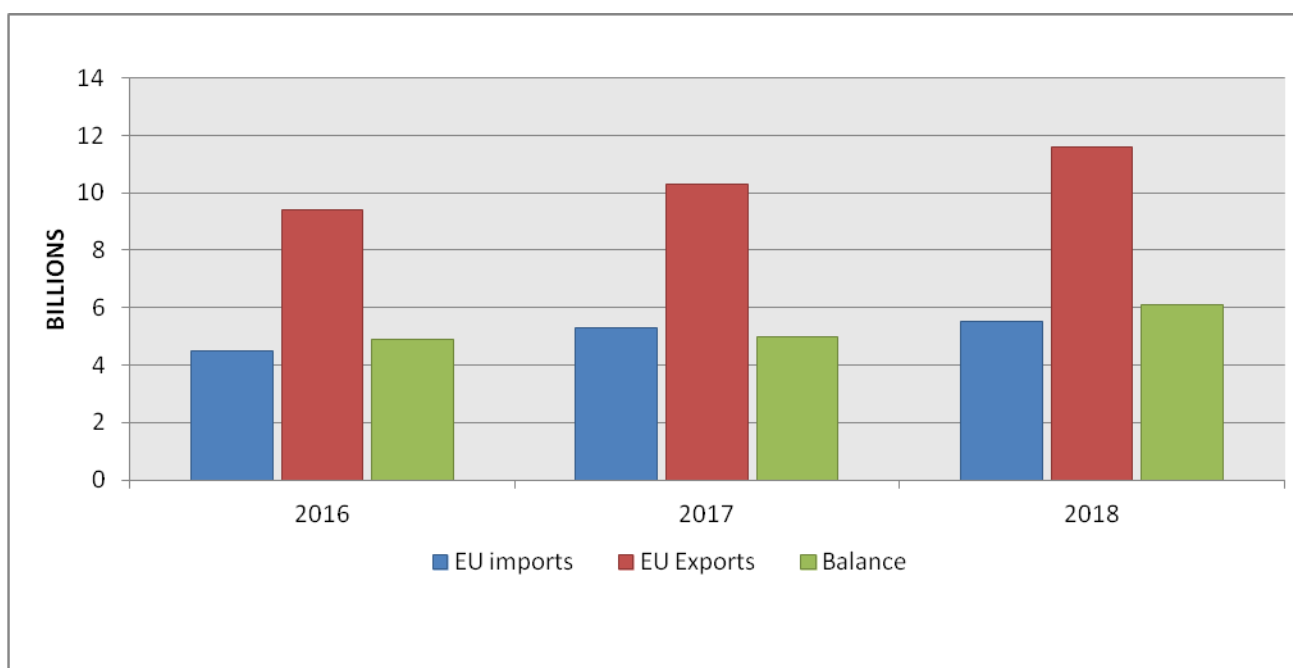


Figure 6. **EU-Mexiko: trade in services**

Source: [European Commission, 2020]

Negotiations on the free trade zone between the EU and Canada began in 2009, and in 2017 the EU-Canada Comprehensive Economic and Trade Agreement (CETA) entered into force. It provides for the abolition of 99% of customs tariffs and brings economic benefits primarily for small and medium-sized businesses, allowing duty-free export of almost all manufactured goods, reducing the time for customs control and making the movement of goods cheaper and faster.

The EU is Canada's second-biggest trading partner after the United States, accounting for 10 % of its trade in goods with the world in 2018. Canada accounted for almost 2 % of the EU's total external trade in goods in 2018. The products that the EU and Canada export to each other:

machinery (25.6 % of EU exports to Canada and 24.3 % of its imports); chemical and pharmaceutical products (16.2 % of EU exports and 9.1 % of its imports); transport equipment (15.6 % of EU exports and 7.0 % of its imports). Trade in services between the two parties amounted to €34.9 billion in 2017 (services exported between Canada and the EU are transport, travel, insurance and communication services). In 2017 The EU exported €14.4 billion more in goods and services to Canada than it imported.

In 2019, exports of EU goods to Canada amounted to €38.3 billion, while Canadian exports to the EU was €20.7 billion. The European Union exported €19.0 billion in services to Canada; while Canada exported €13.5 million in services to the EU in 2018 (see Figures 7 and 8).

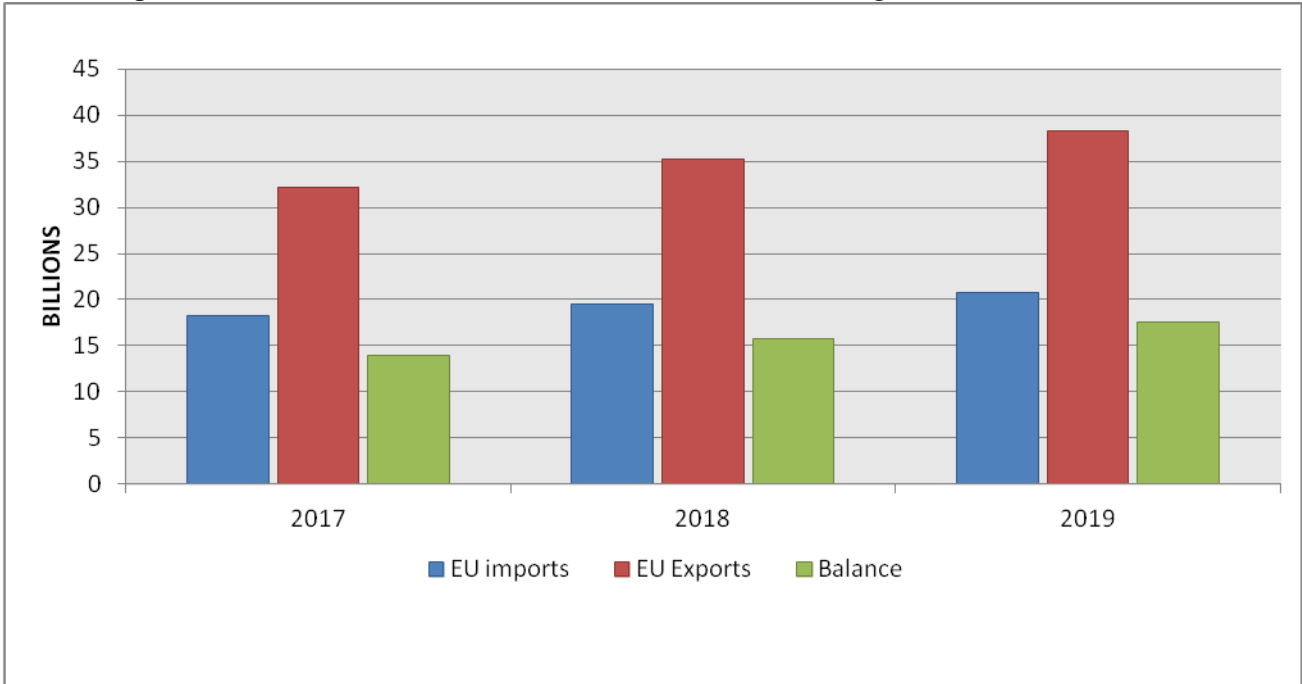


Figure 7. EU-Canada: trade in goods

Source: [European Commission, 2020]

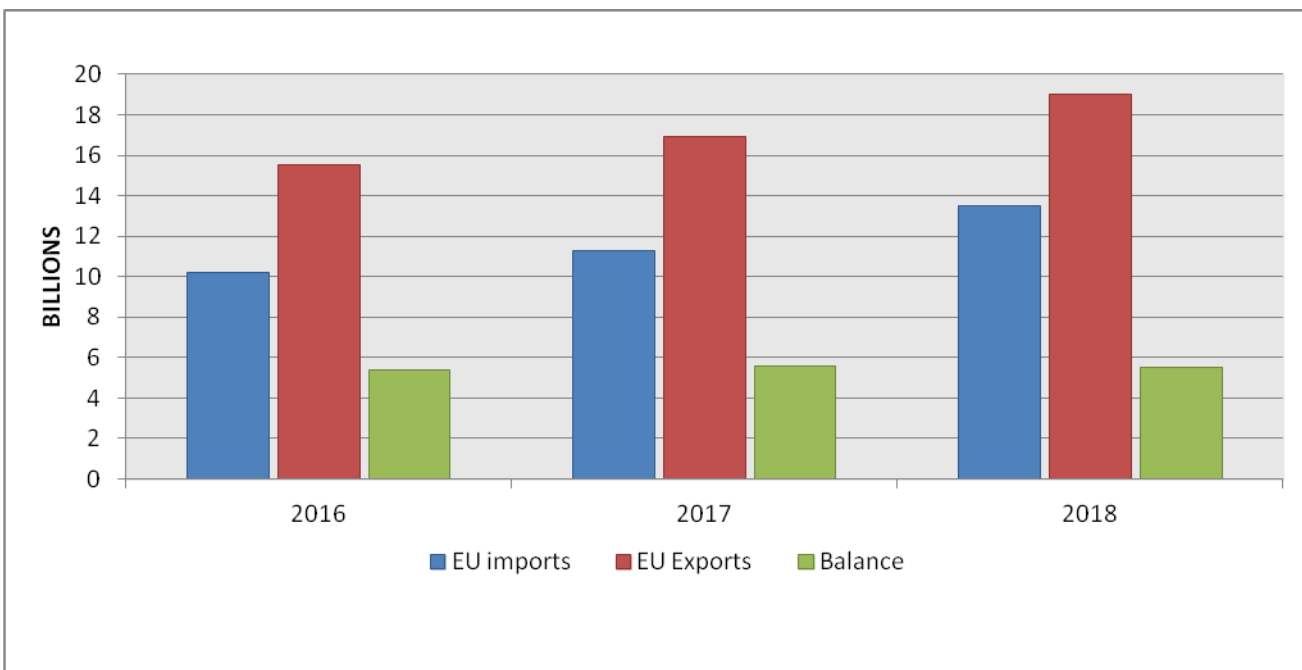


Figure 8. EU-Canada: trade in services

Source: [European Commission, 2020]

**Conclusion.** Competitive positions of international integration groupings in the global economy are being strengthened due to the active development of economic and trade cooperation, not only within the grouping of Member States, but also in the parallel process of interaction with non-Member States and with international integration groupings. This process is based mainly on bilateral agreements and talks on the free trade zone, which involve interstate integration groupings, and not only individual states. This determines a new phenomenon of cooperation formalization between interstate integration groupings, namely the negotiation of a free trade zone between them. The position of any integration grouping is increasingly being determined not only by the internal potential and interaction between the Member States of the grouping, but also by the degree of economic and competitive cooperation, since it becomes apparent that the economies of the Member States of the integration grouping cannot be restricted by the grouping, but must develop their economic and competitive relations. Currently, trade and competitive convergence of interstate integration groupings leads to new forms and mechanisms of activities organization and as a result, the prospects for the free trade zones consolidation are emerging. Interstate integration groupings are being involved in the global trade and competitive environment through the intensification of their foreign economic relations, taking into account the special positions of Member States.

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УДК 330.88; 330.101.477

## **PERSPECTIVES SYSTEM TRANSFORMATION AND DEVELOPMENT ISSUES**

### **ПЕРСПЕКТИВИ СИСТЕМНОЇ ТРАНСФОРМАЦІЇ ТА ПРОБЛЕМИ РОЗВИТКУ**

### **ПЕРСПЕКТИВЫ СИСТЕМНОЙ ТРАНСФОРМАЦИИ И ПРОБЛЕМЫ РАЗВИТИЯ**

**Nosova O. V.**

Doctor of Economic Sciences, Professor, Department of Marketing, Management and Entrepreneurship. V.N. Karazin Kharkiv National University. E-mail: olgano59@gmail.com

**Носова О.В.**

Доктор економічних наук, професор, професор кафедри маркетингу, менеджменту та підприємництва Харківського національного університету імені В.Н. Каразіна. E-mail: olgano59@gmail.com

**Носова О.В.**

Доктор экономических наук, профессор, профессор кафедры маркетинга, менеджмента и предпринимательства Харьковского национального университета имени В.Н. Каразина. E-mail: olgano59@gmail.com

**Abstract.** *The article aims to study and analyzes the political and social –economic changes in the process of system transformation. The paper represents an attempt to understand the content of system transformation, causes of successful and inefficient practices, and proposes recommendations for its improvement.*

*The hypothesis of the study is to estimate how the vector development depends on the degree of economic, political, social transformation, as well as the overall indicators (market and democratic) transformation. The study discusses the concepts systemic transformation, describes types of transformation, proposes classification of basic approaches, determines the impact of transformational changes on economic growth in a country, and analyzes the vector development relationship from transformational changes, defines contributing and slowing down factors.*

**Keywords:** *System transformation, transformational change, economic development, interdisciplinary approach.*

**Анотація.** *Стаття спрямована на вивчення та аналіз політичних та соціально-економічних змін у процесі системної трансформації. У статті представлена спроба зрозуміти зміст системної трансформації, причини успішних та неефективних практик, запропоновані рекомендації щодо її вдосконалення. Гіпотеза дослідження полягає в оцінці того, як вектор розвитку залежить від ступеня економічної, політичної, соціальної трансформації, а також загальних показників (ринкової та демократичної) трансформації. У дослідженні розглядаються поняття системної трансформації, описуються типи трансформації, запропонована класифікація основних підходів, визначається вплив трансформаційних змін на економічне зростання в країні та аналізується взаємозв'язок вектора розвитку від трансформаційних змін, визначаються чинники які сприяють або уповільнюють розвиток.*

**Ключові слова:** *трансформація системи, трансформаційні зміни, економічний розвиток, міждисциплінарний підхід.*

**Аннотация.** *Статья направлена на изучение и анализ политических и социально-экономических изменений в процессе системной трансформации. В статье представлена попытка исследовать содержание системной трансформации, причины успешных и неэффективных практик, предложить рекомендации для ее совершенствования. Гипотеза исследования заключается в оценке зависимости вектора развития от степени экономической, политической, социальной трансформации, а также общих показателей (рыночной и демократической) трансформации. В исследовании рассматриваются понятие системной трансформации, описываются типы трансформации, предложена классификация основных подходов, определяется влияние трансформационных изменений на экономический рост в стране и анализируется взаимосвязь вектора развития от трансформационных изменений, определяются факторы способствующие или замедляющие развитие.*

**Ключевые слова:** *трансформация системы, трансформационные изменения, экономическое развитие, междисциплинарный подход.*

### **Introduction.**

The paper represents an attempt to understand the content of system transformation, causes of successful and inefficient processes, and proposes recommendations for its improvement with regard to Ukraine.

The study hypothesis is to estimate how the vector of development depends on the degree of economic, political, social transformation, as well as the overall indicators (market and democratic) transformation in Ukraine. The first part of the study discusses the concepts of systemic transformation, describes types of transformation, and determines the impact of transformational changes on economic growth in a country.

At the second part of the paper, we define which types of transformational reforms contribute to GDP growth, and what it slows down it.

The source of information is data of the Bertelsmann Stiftung's Transformation Index (BTI) 2003-2018, of the Democracy Barometer, World Bank database, Heritage Foundation and national statistics. The methods for research include the interdisciplinary approach - classification of basic system transformation approaches, statistical methods - transformation modelling, and descriptive analysis - economic performance assessment. The used indicators are relevant for analysis, and they are comparable with the theory we applied.

**The purpose of research** is to analyze the political and social – economic changes in the process of system transformation, and to single out factors that have led to a more sustainable strategy of political and social – economic development.

**Recent literature review.** A review of the scholarly and refereed literature shows the existence of a wide variety of theories different views, and approaches. The system transformation analyzed in the context of economic, political and social transformation. This process characterizes the democratization of all spheres in the country's life, formation civil society, sequencing reforms, creation new kinds of institutions, and new management mechanisms usage. The application interdisciplinary approach directs to apply the methods used for social problems solution based on systemic comparative analysis of the different disciplines in other areas of knowledge, generating new interdisciplinary principals and instruments. As part of the study, we consider the analysis of the main theoretical approaches of the system transformation without diminishing the role of others.

The system transformation theories reflect complex process combining economic, political, social, and cultural components. The political transformation accompanied by the change from authoritarian to democratic regime. Political transformation includes elimination of the old political system, creation of the new political structures, organization of system functioning based on democratic mechanisms and procedures. Carothers (2002) claims that the transition paradigm rests on the assumption that democratic transitions making up the third wave are being built on coherent,

functioning states. The process of redesign of state institutions suggests the creation of the new electoral institutions, parliamentary reform, and judicial reform.

According Polanyi (2001) transformation forces various groups to offer their own ways to adapt to the new situation, and the proposed methods reflect both the interests of the group itself and wider public interests. An important role in transformation assigned to governments of states, citizens, and individuals. Hölscher et al (2018) differentiate concepts transition and transformation, referring to change in complex adaptive systems and large- scale societal change processes. Authors draw attention to the implications on study of elements for change. Transition analyses changes in societal subsystems (e.g. energy, mobility, cities), focusing on social, technological and institutional interactions. Transformation refers to large-scale changes in whole societies.

Boettke and Leeson (2015) assert that “political –economic presumptions” reflect different evaluations of the costs and benefits of extending government’s reach into the economic domain, which in turn give rise to different “default” positions regarding the appropriate role of government. Beichelt (2012) analyses the levels of democracy new EU members’ states, and states that in some dimension which form of the EU’s trans and supra-national regulatory system affects the quality of democracy and existing relationship.

**Main research results.** The classification of basic system transformation approaches presented in table 1. The classification criteria define title, authors, and subject of application, typical attributes and applied methods. We highlighted approaches based on their grouping according to one or more dimensions of transformation. We attempted to unite and analyze the most significant system transformation approaches without decreasing the significance of those not considered in this paper. This approach directed to analyze, and apply the transformation theories for Ukraine. Data use for Ukraine applied for verification and application theories in further sections of article.

Table 1.

**Classification of Basic System Transformation Approaches**

| №                                | Title   | Authors                                  | Subject of Application    | Typical Attributes  | Applied Methods  |
|----------------------------------|---|--|---------------------------|---|--|
| <b>Approach to one dimension</b> |   |  |                           |   |  |
| 1                                | New transformation theory.                    | Pezoldt & Koval (2018)                   | Political transformation. | The choice of political regime depends on the needs of the population.  | Institutional analysis, rational choice theory.                                    |
| 2                                | The microcosmic evaluations of modernization. | Goorha (2017)                            | Political transformation. | The role of political communication and the media, bureaucratic corruption.   | Macrocosmic studies of modernization.  |
| 3                                | Organization theory of law.                   | Baron &Wilkinson-Ryan (2018)             | Political transformation. | The legal and political institutions play the central role in allocation power within a society. The law’s application needs reducing the probability or harm of impulsive choices. | Behavioral theory. Behavior rules for asymmetric distribution properties approach. |
| 4                                | Structural transformation.                    | Herrendorf, Rogerson, Valentynyi (2013). | Economic transformation.  | The reallocation of economic activity across the broad sectors agriculture, manufacturing and services.   | Theory of social capital. Qualitative approach.                                    |

|                                     |   |                                |  |   |   |
|-------------------------------------|---|--------------------------------|--|---|---|
| 5                                   | Social capital as a “product of government institutions                         | Thomas & Hendrick-Wong, (2019) | Social Transformation.                             | The more productivity segments of the society would generate new opportunities for more productive activities that would benefit.   | Qualitative approach. Interdisciplinary methods for political, economic and sociology research.                                   |
| <b>Approach to two dimensions</b>   |   |                                |  |   |   |
| 6                                   | The stabilization of the post socialist state in orbit of the planetary system. | Glinkina & Koval (2015)        | Political transformation. Economic transformation. | The criteria for completing the post-socialist transition is stabilization of post socialist state being geo-economic center of attraction or formation such center by the country independently. | Multilevel analysis of post-communist transformations for social-economic effects.  |
| 7                                   | Path dependency approach in cognitive and institutional economics               | Gigante (2016)                 | Economic transformation. Social transformation.    | The interpretations of economic behavior, through the explanation of individual and social mechanisms.  | Mechanisms of standardization and change of institutional norms.  |
| 8                                   | New Institutional Economics. (Institutional Transplantation).                   | Zweynert & Goldschmidt (2006)  | Political transformation. Social transformation.   | The allocation of formal and informal rules. Institutional structure of the state, real institutes (organizations), household systems.  | Sociological evolutionary theory, an integrated approach to household systems’ analysis.  |
| 9                                   | Neo Institutional Economics. (Varieties of Capitalism).                         | Drahokoup (2009).              | Political transformation. Economic transformation. | Analysis of property rights. Transaction costs. Organizational forms of behavior in contract’s relations.   | Principle of methodological individualism. Rational behavior of economically isolated agents.                                     |
| <b>Approach to three dimensions</b> |   |                                |  |   |   |
| 10                                  | The model of sociopolitical and economic transition.                            | Boaky (2007)                   | Transformation of various levels.                  | The social integrative process reallocates resources from inefficient use (political power struggle or even political conflicts) to efficient use (production).                                   | Models of social fragmentation, dynamics of output per-capital, economic growth.  |
| 11                                  | Substantial change of political and social systems.                             | Merkel et al. (2019)           | Transformation of various institutions’ levels.    | The change of the institutional environment, and patterns of behavior, of economic agents. The alteration of the entire social structure of institutions.   | Multidisciplinary approaches and methods. The decisions of intentionally acting subjects. Macro-qualitative, comparative methods. |

Source: Author’s approach for classification.

### Approach to one dimension

We will continue our study with analysis of approaches based on one dimension of transformation. Pezoldt & Koval (2018) proposes new transformation theory that explains changes in economic systems are dependent on the needs of citizens. Thus, the choice of political regime depends on the needs of the population, and there is no predetermined direction of transformation. Authors apply institutional analysis and rational choice theory to justify the necessity of political transformation. They emphasize political transformation, and consider that this theory defines the



form of the relation, which depends on those mechanisms that set in motion the transformation processes within the subsystems (Pezoldt, Koval, 2018).

Further political transformation research turns our attention to the modernization theory that deals with the process of adapting something to modern needs or habits. The concept of political modernization applies to countries transitioning from traditional to modern industrial society. With regard to the microcosmic evaluations of modernization Goorha (2017) notes that it emphasizes on the componential elements of social modernization such as urbanization, gender and income inequality, skills acquisition and education, the role of political communication and the media, bureaucratic corruption, and so on. At a broader level are the macrocosmic studies of modernization focused on the empirical trajectories and manifest processes of the modernization of nations and their societies, economies, and politics. Wallace & Haerpfer (1998) assert that a particular model of political, economic and societal modernization dominated in East European countries based up a version of Marxist theory.

Further research led to the study the behavioral theory, describing the political transformation as some changes in human behavior. Behavioral approach studies the influence of social, cognitive and emotional factors on economic behavior, economic decision-making by individuals and institutions, and the consequences of this effect on market variables. Behaviors' based theory of motivation indicates that by manipulating certain behaviors in employees, they are more or less likely to perform. Teitelbaum & Zeiler (2018) emphasize behavior economic theories, and draw attention on motivation theory. Firms exploit technological complementarities along the supply chain. This reduces transaction costs, and increases consumer surplus. The firm's opportunistic behavior is directed to gain control over production processes. The application behavior theory for company's activity provides basis for overcoming informational imperfections, and externalities' internalization. Authors emphasize that these theories are the key to understanding potential motivations behind exclusionary arrangements. Motivations drive our regulatory intuitions increase their market power in other markets or give advantage of their monopoly positions.

The legal forms of behavior are the subject of works discussing organization theory of law. The legal and political institutions play the central role in allocation power within a society. They constrain political decisions via the application of law enforcement mechanism. Baron & Wilkinson-Ryan (2018) argue that the forces that produce irrational biases are not fully understood, and are likely to remain. Nevertheless, civilization and its army of educators will be waging a constant battle against these forces, but they will probably continue to exist. Thus, the design of the law and its application may need to consider how it can deal with irrationality for the foreseeable future. Scientists draw attention to on legal approaches to reducing the probability or harm of impulsive choices.

The behavior theory use is directed to the consolidation of the new set of behavior rules with asymmetric distribution properties. It causes the improvement of the negotiation process of all participants in the contract process. The evolution of power relation of economic agents affects the people's behavior. The process of learning influences the change of informal patterns of behavior. They include the problem of credit, labor relations, asymmetric information, and opportunistic behavior. The regulation of economic activity of social agencies provided via the negotiation process. The coordination problem connected with the behavior of economic agents. The absence of getting of any advantages of different people's groups destroys the basis of the domination of the representatives of oligarchy, and corrupted groups in the institutional structure.

Economic transformation involves a series of reforms, the substitution of one system of resource allocation for another. Reform approaches undertaken after 1990 in Central and Eastern European countries considered pragmatic and lacked a theoretical fundament. Gomulka (1994) derives four phases for a typical transition. Phase one focuses on macro stabilization, phase two - on structural adjustment, phase three - on the recovery of growth, and phase four - on sustaining growth and macroeconomic balance. The theory of the structural transformation of social

production formed as a comprehensive analysis result of a qualitatively new economic situation. It directed to discover the characteristic features of the emerging post-industrial economic system. Scientists argue that structuration processes embedded in and were dependent on changing international and transnational context conditions offering opportunities for developing in new directions (Merkel et al, 2019, 361). Considering the structural transformation of social production, the vast majority of researchers mention the radical acceleration of technological progress. This process accompanied with a decrease in the share of material production in the total social product, the development of the services and information sector, a change in the motives and nature of human activity, as well as the emergence of a new type of resource. Structural transformation refers to the reallocation of economic activity across the broad sectors agriculture, manufacturing and services (Herrendorf et al., 2013).

The social transformation reflected in the theory of social capital, designating the social forms of communications, leading to the development and accumulation of new skills and knowledge. Social capital defines as a “product of government institutions”, as dependent on how groups make their own choices or decisions, and it produced through “purposive external interventions” (Thomas & Hendrick-Wong, 2019, 64). The authors argue that under conditions of inclusive growth (absence of barriers of exclusion.), when some parts of the society are enjoying faster growth in productivity than others, it results in a “win-win” – situation. The more productivity segments of the society would generate new opportunities for more productive activities that would benefit even those who are slower moving or less successful, pulling the entire society along. In this regard, democratizing productivity is also the most productive way of improving income equality (Ibid, 2019, 10).

Theory of social transformation describes transformation process via defining forms of social relations, institutional and system change. Sociology approach deals with the concepts of social structure, social capital, and system of social relations. The social transformation questions are deeply discussed in the in works by Simmel, Parsons, and lately by Luhmann, Beck, Giddens, Habermass and others. Social transformation defines through social changes in institutions, norms, values, and hierarchies, and results in the formation of civil society. Thus, managing economic units as well as global business requires balancing forces between homogenization and differentiation. In order to rephrase the issue: the management of the trade –off between integration and variety (for example cultural responsiveness) can be informed by an evolutionary account of how social systems unfold (Ioannides, 2008, p. 200).

Zaslavskay (2010) characterizes the transformational society structure as the system of social subjects at macro, meso and micro levels, interaction which defines the driving force behind the transformation process. Gurenkova (2016) holds the views that social disintegration provides the separation of elements that united. The most common forms of disintegration are the collapse or disappearance of shared social value, shared social organization, institutions, norms and common interests.

Cultural Economics approach Guiso, Sapienza and Zingales (2006) consider the dependence of impatience and our respect for laws degree as cultural phenomenon. All economic decisions have cultural components. They compound personal preferences, expectation formations, and perception of risk. Such approach influences the essence of majority economic concepts. The economy and culture are inseparable.

Culture can also affect behavior and outcomes through its effect on political preferences of individuals about what governments should do: for example, how much government should interfere in economic life. Competition, market regulation, income redistribute, social security program, nationalization of certain industries and businesses relate to the government’s regulation functions of economy (Guiso et al., 2006, 40).

### **Approach to two dimensions**

The two dimensions of political and economic transformation investigated in a number of works of Western and East European scientists. Glinkina and Kulikova (2010) apply the methodology of the multilevel analysis of post-communist transformations for social-economic

effects assessment of system transformation in Central East European countries. The “socialist development period” perceived as a “lapse” from historical development process for humanity (an experiment, crime, etc.) and, accordingly, transformation transition as a return to the bosom of civilization. Transition analyses through borrowing existing West type institutions in the developed countries in the hope of catching up with modernization. Scientists propose the hypothesis that the stabilization of the post socialist state in orbit of the planetary system built by geo-economic centers of attraction. This practice leads to the result that in form the same economic processes taking place in different groups of post-socialist countries filled with significantly different contents.

Many researchers apply path dependency theory to explain the sequencing institutional reforms and practices. Path dependency theory explains how the set of decisions one faces for any given circumstance. It is limited by the decisions one has made in the past or by the events that one has experienced. This theory refers to a dynamic property of allocative processes. It may be defined either with regard to the relationship between the process dynamics and the outcome(s) to which it converges, or the limiting probability distribution of the stochastic process under consideration (David, 2010).

Gigante (2016) proposes path dependency theory in cognitive and institutional economics. It is non-linear processes, which can be split in multiple steps: each of them follows a specific direction, according to non-ergodic and upsetting pressures. The author investigates the dependent character of learning processes, shown by cognitive and neurobiological studies, and suggests interpretations of economic behavior, through the explanation of individual and social mechanisms intervening in learning processes, but it has also clarified some mechanisms of standardization and change of institutional norms.

The use of path dependency theory for economic and social transformation study illustrates incomplete transition in Ukraine. Discrete system transformations are historical exceptions quite often triggered by crises. In the end, they generally level off into evolutionary development. Merkel et al. (2019, 2 – 5) affirm that three elements introduced into what has now become political transformation theory: actors, decision, and contingency. A short interval between political regime change and onset of economic transformation, and a fast pace of reform will increase transformation package, and will reduce political bargaining costs (Ibid, 359). The great socioeconomic changes thus give up the way to the problematic of the short-term behavior of concrete actors that may lead to genuine transformation.

The disappointing results of the economic reforms and incomplete transition in the majority of East European countries raise questions to single out and apply such theory that could be a methodological and theoretical basis for the justification and practical implementation of the program for transforming countries. Scientists are looking at the institutional theories, which, in their arsenal, along with economical methods, use sociological, legal, and political science research tools. The expansion of the object of institutional analysis and the inclusion in it norms, rules, forms of organizational behavior allow us theoretically and methodologically to explain the current changes and suggest measures at accelerating the transformation process. “Under institutes, – points out Knight (1992), – we will consider a set of the rules, with the help of which confirms definitely established relationships in the company. The knowledge of these rules and their fulfillment are necessary and should be executed by all members of company.” The market acts by the economic regulator ensuring effective operation of a market system. It provides selection institutions. The priority relates to those institutions, which everyone provides the rational behavior of the economic agents, and result in minimization of transaction costs.

The institutional approach explains the emergence of institutions, elucidates the institutional order, and assesses the institutional change. Scientists distinguish the transformation from any kinds of reforms in the society through the results of system changes in the completely political and economic structure of the state. North (1990) believes that institutional change shapes the way societies evolve through time and hence is the key to understanding historical change.

The institutional methodology provides the mechanism for individual choice of economic agents, and use of constraints methods. They determine the mode of the interrelation between organizations and economic agents. The institutions consider as the internal constraints for economic behavior of agents, functioning in the economic system. The aggregate formal and informal behavior rules explain via the institutions. Tridico (2014) affirms that the behavior of economic agents affected not only by formal institutions such as law, new constitutions and organizations, but also by social norms, old values and habits (informal institutions).

The new institutional economy is studying various government structures, the elements of which are the contract system, organizations (institutions), and the institutional structure of society. Clague (1997) addresses the institutions free standard economics, and it offers ideas for the reform of institutions that are quite different from the moral exhortations of incentive –free engineering. The author points out an important role in how people change their mental models of work behavior.

Zweynert & Goldschmidt (2006) suggest the two dimensions of political and economic transformation approach as institutional transplanted. They consider the borrowing process of political institutions, business fashions, management practices and policies from one country to another. The informal settings are interpreted in the different countries interacted with the imported formal institutions. Sociological evolutionary theory and an integrated approach to household systems' analysis apply for explanation institutions transfer from one subsystem to another.

The neo-institutional economy investigates property rights, organizations, and political regimes. The main areas of this approach are the theory of property rights, agents and transaction costs, and the theory of public choice. The subject of the neo-institutional economy considers transformation and institutional change from broader overview of legal and economic factors. This approach defines the foundations of the rational behavior of economically isolated agents, the decision – making process, and the forms for property rights protection. The system of property rights determines the use of scarce resources, methods of profit maximization in different social-economic systems. The concept of property rights uses for system transformation research. Drahoukoup (2009) analyses the regulation theory in the context of institutional concepts and states the predominance of the application the varieties of capitalism's concept in Eastern Europe and the former Soviet Union. He notes that the core ideas of this approach are not only offered analytical tools that have become a leading paradigm in the comparative political economy of Western societies, but also provided rationale for saving European capitalisms from the ideological attack.

Institutions vary in accordance with the notion of the rules of corporate governance and their use. Property rights determination stimulates the rational behavior of economic agent with minimized transaction costs. The institutional transformation efficiency depends on the change of the old institutional order and the establishment of the new order in East European countries.

The institutional order characterizes with the pattern of the standard behavior of economic agents, and methods of coordination, collaboration and strengthening local public policies. A discretionary bargaining model of coordination is more likely to be successful when national leaders share a policy diagnosis that both cuts across economic issue areas and divides their own domestic political coalitions and governments. International organizations may facilitate policy coordination under a rule-based system through provision of resources to ease adjustment costs and rule clarification, and in a discretionary bargaining system by brokering, providing information and model building (Kahler, 1988). Technological progress stimulates the creation of new institutions, and provides the redefinition of the commitments in the society. Entrepreneur's activity stimulation affects the saturation of internal needs of market, and causes the development of the national production. An economic agents' behavior, organizations on a standard sample and ways of their economic coordination perceive under the institutional order.

Taking into account the institutional order, we should consider the role of institutional change by setting rules and expectations for human interactions. An institutional change actuates the replacement of the old institutional order on the new order. The economic behavior coordination systems of economic subjects subdivided depending on forms of organization on hierarchical and non-hierarchical principals. The economic development accompanied by the institutional change of the forms of the behavior of economic agents.

The scientific works' analysis considering an interaction between political and economic transformation shows their dualistic character. This manifests in the fact that changes in the political system considered in collaboration with relevant reforms in economic system, which affects the direction of its transformation. The applied method does not take into account the impact of other subsystems and analyses external factors. The following approach limits the research subject, excluding legal, social, cultural spheres and others.

### **Approach to three dimensions**

The limitation of one and two dimensions' approaches study to system transformation brings us to the conclusion to broad the investigation and include in it political, economic and social transformation. The presentation three dimensions' approach contents political, economic and social transformation. Boaky (2007) suggests the model of sociopolitical transition that links sociopolitical transformational process of countries to dynamic process of output per capita and economic growth. The model demonstrates that correction of social integrative processes depends on the degree of social fractionalization, on the level of social distance between the groups, on the level of production technology, and others.

The inclusion into the analysis various institutional levels provides the multidisciplinary approach use. The accumulation of knowledge and changes in values explained by evolutionary way. Institutions may likewise have originated in an evolutionary form. Concerning formal institutions, their modification, as a rule, takes place consciously. Institutional transformation is a set of transformations aimed at creating an effective institutional-market system of society, ensuring the best of the existing alternative options for the allocation of limited institutional resources (Nosova, 2017).

In this context, Merkel et al. (2019, p.4) use the multidisciplinary approach, and consider transformation as substantial change of social systems, which may involve spontaneously, but is mostly caused by the decisions of intentionally acting subjects. Scientists affirm that political, social, cultural, and economic research approaches complement each other. The multidisciplinary approach application permits to overcome the limitations of narrow individual concepts. The institutional system transformation accompanied by institutional environment, patterns of behavior of economic agents' changes.

An overview of research approaches from the political, social, cultural, and economic sciences prove the complementary character for theoretical basis and applied methods. Applications of a number of concepts to system transformation exhibit the common features, and some peculiarities for methodology and analysis. The common feature of all under consideration approaches is a study of some separate direction of system transformation, and its relationship with political, economic and social subsystems. An application of analyzed concepts demonstrates impossibility of explanation transformation within a coherent theory or by applying universal research method. The theoretical analysis illustrates the limitation of empirical research in any specified transformation trend, and causalities within the analyze system. Some scientists apply approaches, combining several areas of transformation research or suggest limited research of certain narrow question. The typical attributes of system transformation theories include defining the basic individual historical, political, economic, social characteristics applying for understanding transformation changes in East Europe. The applied methodology emphasizes the broad variety of

methods using in social research including behaviorism, structuralism, post-structuralism, realism, modernism, institutionalism, pluralism, rational choice theory and etc. Further research of system transformation needs for future reevaluation processes in East European countries. An application of interdisciplinary approach will contribute to positive shift of research paradigm in the direction of deep understanding the system transformation as a process, and its mechanisms.

### **Successes and Failures of System Transformation**

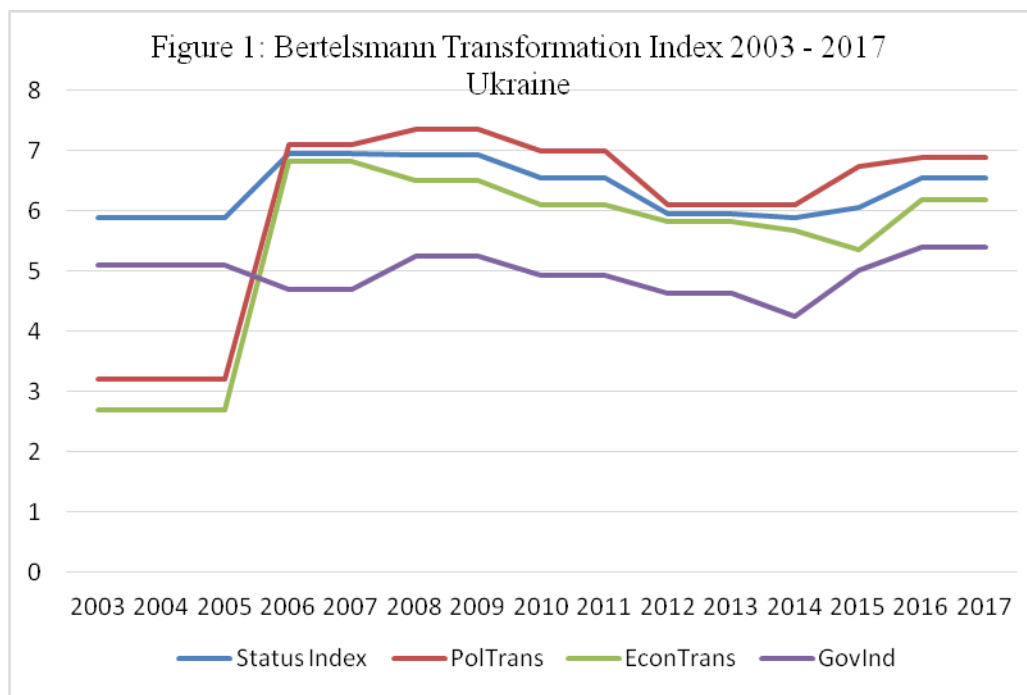
Theoretical analysis of numerous studies to system transformation in East European countries tackles some fundamental questions the prerequisites and factors for its successful implementation. The widespread econometric methods and techniques applied for modelling transformation in the works defining phases and stages transformation modelling, human, political and economic development empirical works etc. Henderson (2019) proposes appropriate models related to system transformation approach to one dimension. Author assess economic transformation, and points out that transition path was assumed free market capitalism and democratic state forms. Herrendorf et al (2013) argue that this multi-sector model serves as a natural benchmark to study structural transformation and that it is able to account for many salient features of structural transformation. The multi-sector model delivers new and sharper insights for understanding economic development, regional income convergence, aggregate productivity trends, hours worked, business cycles, and wage inequality. Aisen & Veiga (2011) apply system transformation approach to one dimension, and use the system-GMM estimator for linear dynamic panel data models and find that higher degrees of political instability are associated with lower growth rates of GDP. Kaldaru & Parts (2008) follow approach to two dimensions, and study social and economic transformation. Social capital determines with resources and social relations. Scientists estimate the impact of macro-level social capital and related social factors on economic development in 34 European countries. The results of the regression analysis proved that all components have a positive effect on economic development, measured by the human development index.

Hodgson (2006) utilizes approach to three dimensions, including political, economic and social transformation. He applies regression analysis for GDP per capita for 24 countries correlation estimation from various variables. The author identifies the statistically significant variables the degree of ethnic fractionalization and an index of democracy, both of which negatively correlated with GDP and GDP growth. Less scientific work has been done on the impact of system transformation on societies or national economies and one can mention of the lack such estimations have been applied effectively for Ukraine.

The analysis of Bertelsmann Transformation Index for Ukraine from 2003 to 2018 comprises the political transformation index, economic transformation index, transformation management index, and status index. Each of the indices based on the estimation of sub-indices, which reflect the quality of reforms, sequencing, and transparency. Status index evaluates the quality of democracy, a market economy and political management. Bertelsmann Transformation Index aggregates the results into two indices: the status index evaluates the state of political and economic transformation; the management index assesses the quality of governance. Political transformation evaluates the quality of democracy. Political instability is increasing, while trust in democratic institutions is falling. Economic transformation index estimates market economy.

The management index assesses the quality performance over estimated period.

The figure 1 the development of political transformation index, economic transformation index, transformation management index, and status index demonstrates linear relationship between variables in the index form. It should be noted that these data do not provide comprehensive information on the successes or failures of political and economic transformation.

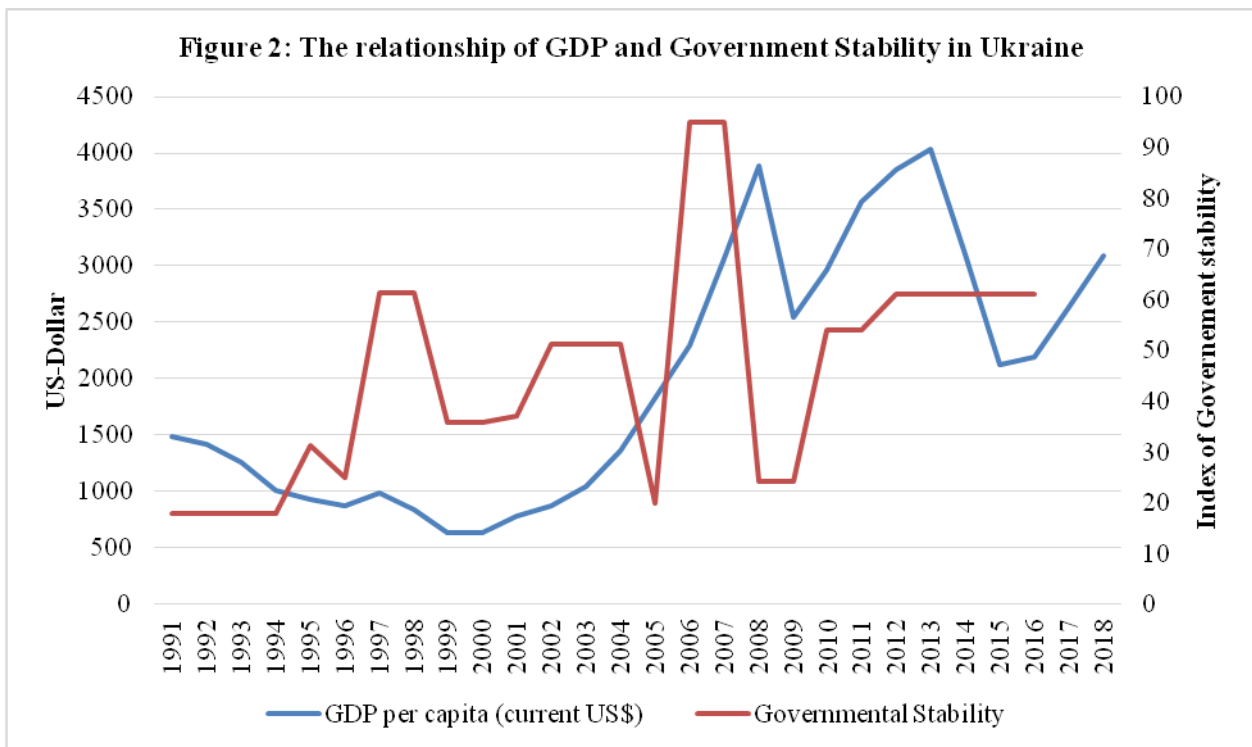


Source: authors' calculations based on Bertelsmann Stiftung data.

The figure 1 shows upward movement curves of all indices in 2006-2007. Afterwards we can see moderate decrease in all curves in 2013-2017, and slight upward increase. In general, the development of all transformation indices has limited power to explain the multidimensional transformation process. The period of 2003-2017 characterized by various political, economic and social changes for the time of being in power the president L. Kuchma (1996 – 2004). The Orange Revolution (late November 2004 – January 2005) was the first active protests against unfair elections. V. Yushenko (2005-2010) and V. Yanukovych (2010-2014) were the next elected presidents. After “Maidan” uprising acting president O. Turchiniv (23 February – 7 June 2014)) has been appointed. P. Poroshenko (2014 – 2019) was the next president in Ukraine. Ukraine has made some progress in improving its economic institutions and implementing structural reforms after election new President V. Zelensky (2019).

In order to check the theory of substantial change of political and social systems (Merkel et al., 2019) and the model of substantial change of political and social systems Boaky (2007), and we provide analysis of the interdependence system transformation from political, economic and social changes. The system transformation considers as a complex process, including various forms of institutional, behavior and structural changes.

First, we focus on the relation between GDP and government stability. A causal hypothesis could be that the government stability has a positive effect on GDP per capita and its growth rates. The results of correlation analysis we complement with descriptive analysis of the development in time, which showed in figure 2. The choice of indicators of GDP and government stability explains via successes and failures of transformational reforms in Ukraine.



Source: authors' calculations based on Worldbank Database.

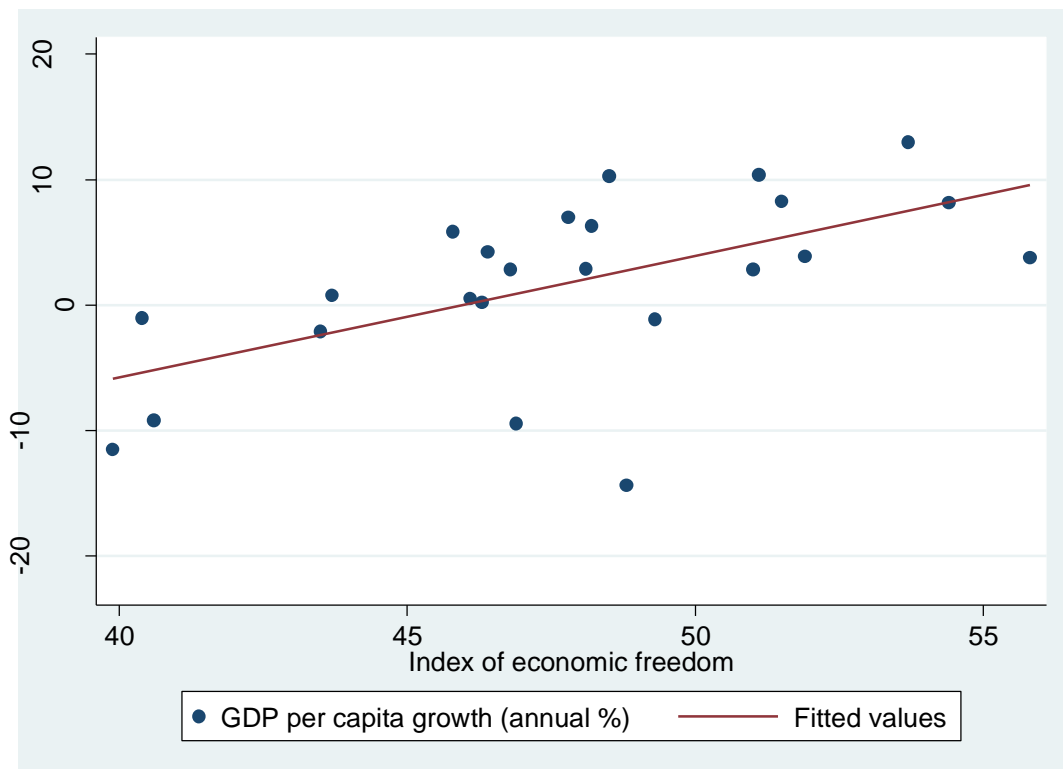
The graph shows two downward shifts on government stability curve in 2005 and 2008. The first shift was explained by the government change during period of orange revolution late November 2004 – January 2005. The second move was reflection of the political consequences of the global financial crisis 2008-2009. The significant increase in government stability correlates with the period of democratic reforms in 2005 – 2008. After this period the negative consequences of global financial crisis for Ukrainian economy can be seen at the downturn part of the government stability curve. The political and economic changes lead to the election of the new President, new Verhovna Rada, adoption of new laws, empowerment of workers at local level are shown at the upswing part of the government stability curve. In general, changes in the government stability curve show the economic and political reforms' progress and some deviations and inconsistency from their implementation in some periods.

The graph indicates the hypothesis that Government Stability has a delayed effect on GDP. Interpreting the result demonstrates that GDP changes were reflected on fluctuations of values of government stability given the changes in political situation in the country in the period 1991-2016.

The graph of GDP and political stability illustrates the tendency of decreasing trust to the government explains during the period of Orange revolution in Ukraine. The way for fundamental reforms is opened, but it has narrowed considerably amid political resistance to anticorruption reforms and attacks on civil society and the media. For the first time since the 2014 revolution, Ukraine's Democracy Score declined this year. In other countries, informal leaders operating outside of or on edges of accountable institutions increasingly dominate their undeveloped political systems (Freedom House Report, 2018). The estimation results prove the necessity of widespread reform in formation democratic institutions at the state and local levels.



The research is complicated by the lack of sufficient data reflecting the underlying processes in society.



**Figure 3: Correlation GDP per capita and Index of Economic Freedom**

Source: authors' calculations based on Worldbank Database.

Corruption continues play critical role in decision-making process in Ukraine. The business model of Ukrainian oligarchs based on competitive advantages in the domestic market, and well-developed political connections in an environment marked by limited rule law and insecure property rights. Accordingly, oligarch business in Ukraine is not matter of international expansion but instead concerns of the prevention competition in the domestic market and a strong reliance on non-transparent transnational offshore network to conceal ownership and profits (Pleines, 2017, p. 171).

Ukraine scored 56.99 points out of 100 on the 2018 Global Competitiveness Report published by the World Economic Forum, which confirm the low efficiency and labour productivity. Ukraine ranked 71 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Ukraine improved to 71 in 2018 from 76 in 2017. Ease of Doing Business in Ukraine averaged 112.36 from 2008 until 2018, reaching an all-time high of 152 in 2011 and a record low of 71 in 2018 (Ease of Doing Business in Ukraine, 2019).

Rent seeking opportunities arising from arbitrage between the reformed and unreformed sectors of the economy remain the most visible legacy of Ukraine's incomplete economic transition. The arbitrage continues to generate highly concentrated rents to powerful special stakeholders' interest groups, and to undermine the effectiveness and the resilience of Ukraine's economic institutions.

The effective economic order means concurrence of personal and public outcomes of economic activity. The legal guarantees of economic agents provided by the effective operation of an integrated institutional system in the society. The analysis of miscellaneous theories indicates the necessity of the comprehensive research's approach.

The research reflects the complementary tendency for system transformation process in Ukraine. The correlation analysis illustrates degree of relationship between variable, where moderate correlation coefficient is for GDP from government stability, from index of economic freedom, and absence of corruption.

The estimation results confirm the theory of substantial change of political and social systems (Merkel et al, 2019). The change of the institutional environment and patterns of behavior, of economic agents alter the entire social structure of institutions. Increase in confidence in justice and government stability should result in GDP per capita growth. Government stability reflects continuity and sequencing of political and economic reforms. The continuation research of the forms of interdependence and the ways for stimulating reforms will provide the feedback of research for its practical application.

**Conclusions.** The paper provides the supporting science needed to develop and execute policies, as well as offering persuasive evidence to policy-makers of the potential national and corporate benefits of these policies. The system transformation is the complex process where mechanical coping and change institutions do not provide quantitative changes, and need development of formal rules and informal institutions and consciousness, including mentality. The theories' systematization aims to turn the research paradigm in the direction of deep understanding process, forms, and mechanisms. The analysis of transformation demonstrates significant differences in the conditions, procedures, and results in transformation process in Ukraine. The estimation results confirm the necessity of widespread political and economic reforms in the direction of democratic state formation. The outcomes of correlation analysis single out factors that creation new institutions and renovation old ones, as well inclusion various groups of population in all regions might lead to a more sustainable strategy of political and social – economic development in Ukraine.

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УДК 339.9:336.636

JEL Codes: F63, F23, L82

## **CONCEPTUALIZATION OF THE DIGITAL MEDIA MARKET IN THE CONTEXT OF THE WORLD ECONOMY**

## **КОНЦЕПТУАЛІЗАЦІЯ РИНКУ ЦИФРОВИХ МЕДІА В КОНТЕКСТІ СВІТОВОЇ ЕКОНОМІКИ**

## **КОНЦЕПТУАЛИЗАЦИЯ РЫНКА ЦИФРОВЫХ МЕДИА В КОНТЕКСТЕ МИРОВОЙ ЭКОНОМИКИ**

### **Pryiatelchuk O. A.**

Doctor of Economic Sciences, Associate Professor of the International Business Department of the Institute of International Relations of Taras Shevchenko National University of Kyiv. E-mail: pryiatelchuk@gmail.com

### **Bekh A. A.**

PhD Student, International Business Department of the Institute of International Relations of Taras Shevchenko National University of Kyiv. E-mail: alonabekh1@gmail.com

### **Приятельчук О. А.**

Доктор економічних наук, доцент кафедри міжнародного бізнесу Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: pryiatelchuk@gmail.com

### **Бех А. А.**

Аспірант кафедри міжнародного бізнесу Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: alonabekh1@gmail.com

### **Приятельчук Е. А.**

Доктор економічних наук, доцент кафедри міжнародного бізнесу Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: pryiatelchuk@gmail.com

### **Бех А. А.**

Аспірант кафедри міжнародного бізнесу Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail: alonabekh1@gmail.com

**Abstract.** *The advent of new technologies, such as portative computers and the internet, favoured the formation and development of a new market — digital media market. In the past 15 years technologies have grown exponentially within media and entertainment, fundamentally affecting film, television, publishing, music and video games industries with new competition, innovative business models and new product landscapes. Thus, the digital media market, with its disruptive influence and growth potential, requires the comprehensive explanation and definition. The article raises a problem of digital media market lacking its clear conceptualization in the context of the world economy.*

*The article provides a thorough analysis of existing researches of the digital media market and the overview of its place in the modern industry classifications. The authors enunciate their own up-to-date definition of digital media, which is the following: “Digital media refer to products and services in the digital format, produced by the media and entertainment industry group (according to The Global Industry Classification Standard), which can be created, viewed,*

*distributed, modified and preserved through different digital devices.” The following structure of the modern digital media market was compiled: it consists of 7 segments, namely video-on-demand, video games, e-publishing, digital audio, social media, search engines and digital advertising.*

**Key words:** *digital media, digital media market, media and entertainment industry group, video-on-demand, video games, e-publishing, digital audio, social media, search engines, digital advertising.*

**Анотація.** *Поява нових технологій, таких як портативні комп'ютери та інтернет, сприяли формуванню та розвитку нового ринку — ринку цифрових медіа. За останні 15 років технології у галузі медіа та розваг розвивалися експоненціально, спричинивши зрушення у ряді галузей: кіно, телебачення, видавничої справи, музики та відеоігор. Поглибилася конкуренція, змінилися бізнес-моделі, були створені нові продукти. Зважаючи на сучасні тенденції трансформації світової економіки та значний потенціал ринку цифрових медіа, цей ринок вимагає всебічного вивчення та визначення. У статті висвітлюється проблема відсутності чіткої концептуалізації ринку цифрових медіа в контексті світової економіки.*

*У статті подано ретельний аналіз існуючих досліджень ринку цифрових медіа та його місця в сучасних класифікаціях галузей. Авторами сформульовано власне сучасне визначення цифрових медіа: «Цифрові медіа — це товари та послуги в цифровому форматі, які виробляються у галузевій групі медіа та розваг (відповідно до Глобальний стандарт галузевої класифікації), які можна створювати, переглядати, поширювати, змінювати та зберігати за допомогою різних цифрових пристроїв». Авторами була побудована структура сучасного ринку цифрових медіа, яка складається з 7 сегментів, а саме: відео за запитом, відеоігри, електронні видання, цифрове аудіо, соціальні мережі, пошукові системи та цифрова реклама.*

**Ключові слова:** *цифрові медіа, ринок цифрових медіа, галузева група медіа та розваг, відео за запитом, відеоігри, електронні видання, цифрове аудіо, соціальні мережі, пошукові системи, цифрова реклама.*

**Аннотация.** *Появление новых технологий, таких как портативные компьютеры и интернет, способствовали формированию и развитию нового рынка — рынка цифровых медиа. За последние 15 лет технологии в области медиа и развлечений развивались экспоненциально, вызвав сдвиги в ряде отраслей: кино, телевидения, издательского дела, музыки и видеоигр. Углубилась конкуренция, изменились бизнес-модели, были созданы новые продукты. Учитывая современные тенденции трансформации мировой экономики и значительный потенциал рынка цифровых медиа, этот рынок требует всестороннего изучения и определения. В статье освещается проблема отсутствия четкой концептуализации рынка цифровых медиа в контексте мировой экономики.*

*В статье представлен подробный анализ существующих исследований рынка цифровых медиа и его места в современных классификациях отраслей. Авторами сформулировано собственное современное определение цифровых медиа: «Цифровые медиа — это товары и услуги в цифровом формате, которые производятся в отраслевой группе медиа и развлечений (в соответствии с Глобальный стандарт отраслевой классификации), которые можно создавать, просматривать, распространять, изменять и сохранять при помощи различных цифровых устройств». Авторами была построена структура современного рынка цифровых медиа, которая состоит из 7 сегментов, а именно: видео по запросу, видеоигры, электронные издания, цифровое аудио, социальные сети, поисковые системы и цифровая реклама.*

**Ключевые слова:** *цифровые медиа, рынок цифровых медиа, отраслевая группа медиа и развлечений, видео по запросу, видеоигры, электронные издания, цифровое аудио, социальные сети, поисковые системы, цифровая реклама.*

## **Introduction**

Until the 1990's, media existed primarily in the print and analogue formats, such as radio and television. The emergence of new technologies, such as portative computers and the internet, facilitated the formation and development of a new market — digital media market. During the first stages of its development, its presence was insignificant and neglected by many leading companies. However, in the past 15 years technologies have grown exponentially within media and entertainment, transforming film, television, publishing, music and video games industries with new business models and product landscapes that benefit a digitally sophisticated consumer base. In view of the aforesaid, the digital media market, with its transformative power and growth potential, requires comprehensive explanation and definition, because the more we go in depth, the more we discover that the digital media market lacks its clear conceptualization in the context of the world economy.

The purpose of research is to enunciate the up-to-date definition of digital media and the essence of modern digital media market in the context of the world economy.

## **Literature Review**

The word “digital” comes from the Latin “digitus” meaning “finger” or “toe”. As B. Peters (2016) has argued, we can say that human beings are “naturally” digital, because they always have to count, point and manipulate with their fingers — just like what digital media are.

As a starting point, digital is often defined in contrast to analogue. A concrete example of a common definition of digital and analogue opposition comes from the music field — comparing and contrasting vinyl records and CDs. The vinyl record sound is a product of physical contact between the player's needle and the grooves scored into the vinyl: a different groove depth produces a different sound. With CDs, on the other hand, sound is broken up into discrete and non-continuous units, which values are registered on support surfaces in binary format as 0s and 1s. The sound is generated by the laser reading the values of these discrete units, which, converted into sound frequencies, can be listened to in sequence, recreating the music continuity (Balbi & Magaudda, 2018).

Digitization turns out to be simply a matter of assigning numerical values (in English word “digit” means number). In the analogue model, video, audio and text are transmitted as continuous signals in different forms. With digitization, video, audio and text are, on the other hand, all codified in the same way: in the numerical data that allows information to be transferred and stored independently of the original content format.

Unique features of digital media constitute the key to their commercialization and ultimately to their potential impact on our lives. Unlike the press, radio and television, digital media facilitated the transmission of their content to global audiences. In recent years, this transterritorial quality has been somewhat diminished for legal reasons, as restrictions on publishing rights have proliferated, namely in relation to certain content such as sports videos, audiovisual fiction series and other similar content. Such types of content can be consumed by users in one country, however, they are blocked for users outside that country. Despite these legal limitations, all digital media are, in essence, global (Lister, Dovey, Giddings & Kelly, 2009).

Moreover, digital media are, or can be, personalized. In the last ten years, due to the development of social media based on personal profiles and the refinement of algorithms, which can assign content increasingly adapted to the interests and preferences of each user, personalization became a common quality of most digital media types. The new wave of technologies based on artificial intelligence, which can produce, organize and distribute the individualized information to each user, significantly transformed business models in the digital media market (Carlson, Rahman, Voola & De Vries, 2018).

The speed, at which the technology is expanding and evolving, challenges the ability to define clear-cut boundaries around the concept of digital media market. Digital media include a wide range of products and services that continue to be developed, launched, re-launched and improved every day in different countries all over the world. A review of existing definitions is collected in Table 1.

Table 1.

**Definitions of Digital Media**

| <b>Author(s)</b>   | <b>Definitions</b>  |
|--|---|
| T. Feldman (2005)  | “The forms of media, that we understand in the analogue media world, turned into bits and bytes so they can be manipulated, processed and transmitted by computer systems.”   |
| W. H. K. Chun, B. Soderman (2011)                                | “Content created, disseminated, and/or stored using digital computers or mobile devices (video games, blogs, e-books, etc.), as well as their physical embodiment (hard drives, DVDs, flash memory sticks, etc.)”   |
| C. Valentini, D. Kruckeberg (2012)                               | “An umbrella term for the digital technology-based environment that allows networking, multimedia, and collaborative and interactive communications.”   |
| A. Delfanti, A. Arvidsson (2013)                                 | “A set of technologies and media based on computers and networks. Digital media carry information represented by numerical sequences that they can rework and transform.”   |
| S. Thanuskodi (2015)   | “Media that are encoded in machine-readable format and can be created, viewed, distributed, modified and preserved on computers.”   |
| World Economic Forum (2016)                                      | “Products and services that come from the media, entertainment and information industry and its subsectors. It includes digital platforms (e.g. websites and applications), digitized content (e.g. text, audio, video and images) and services (e.g. information, entertainment and communication) that can be accessed and consumed through different digital devices.”   |
| Statista (2019)  | “Audiovisual media contents and applications that are distributed directly over the Internet. This includes digital video content, digital music as well as digital games for different devices and electronically published written content.”  |
| Microsoft (2020)   | “Digital media refers to audio, video, and photo content that has been encoded (digitally compressed). After digital media is encoded, it can be easily manipulated, distributed, and played by computers, and it is easily transmitted over computer networks.”  |
| Dictionary.com (2020)  | “(Usually used with a singular verb) video, audio, software, or other content that is created, edited, stored, or accessed in digital form, through numeric encoding and decoding of data.”   |
| Oxford Dictionary of Media and Communication (2020)<br><b>1.</b> | “An umbrella term often treated as synonymous with new media or computer-mediated communication. A distinction can be made between media which are based on encoded physical qualities such as light or sound waves through the re-encoding of analogue information (e.g. with digital cameras or digital sound equipment), and media which are based on the re-encoding of previously encoded cultural forms such as such as writing, mathematics, linear perspective, or the Cartesian coordinate system that is used to represent physical space in virtual reality applications.” |

Note: made by the authors



## Main Results of the Research

The thorough analysis of the existing definitions of digital media leads to the conclusion that the most comprehensive definition is the one enunciated by the World Economic Forum, since it reflects the scope of modern digital media landscape, which are not limited only to digitized content. However, one point in this definition needs more clarification, namely what industry specifically these products and services come from. World Economic Forum indicates that digital media are “products and services that come from the media, entertainment and information industry and its subsectors”, however, they didn’t indicate the essence of this industry and what it includes. To deal with this issue, it makes sense to have a look at modern industry classifications, which organize companies into industrial groupings based on similar production processes, similar products or similar behaviour in the markets.

The most famous industry classifications, which are renewed regularly and cover the up-to-date economy structure are the following:

- The Global Industry Classification Standard (GICS) developed by MSCI and Standard & Poor’s (S&P);
- The Industry Classification Benchmark (ICB) developed by Dow Jones and the Financial Times Stock Exchange (FTSE);
- The Hang Seng Industry Classification System (HSICS) developed by Hang Seng Indexes Company Limited;
- The Thomson Reuters Business Classification (TRBC) developed by Thomson Reuters.

Table 2.

### Media & Entertainment in The Global Industry Classification Standard (GICS)

| Sector                               | Industry Group                          | Industry                | Sub-industry                                     | Description  |
|--------------------------------------|---|-------------------------|--|--|
| 50<br>Communi-<br>cation<br>Services | 5010 Telecom-<br>munication<br>Services | ...                     | ...  | ...  |
|                                      | 5020 Media &<br>Entertainment           | 502010<br>Media         | 50201010<br>Advertising                          | Companies providing advertising, marketing or public relations services.   |
|                                      |   |                         | 50201020<br>Broadcasting                         | Owners and operators of television or radio broadcasting systems, including programming. Includes radio and television broadcasting, radio networks, and radio stations.   |
|                                      |   |                         | 50201030<br>Cable &<br>Satellite                 | Providers of cable or satellite television services. Includes cable networks and program distribution.   |
|                                      |   |                         | 50201040<br>Publishing                           | Publishers of newspapers, magazines and books in print or electronic formats.  |
|                                      |   | 502020<br>Entertainment | 50202010<br>Movies &<br>Entertainment            | Companies that engage in producing and selling entertainment products and services, including companies engaged in the production, distribution and screening of movies and television shows, producers and distributors of music, entertainment theatres and sports teams. Also includes companies offering and/or producing entertainment content streamed online. |
|                                      |   |                         | 50202020<br>Interactive<br>Home<br>Entertainment | Producers of interactive gaming products, including mobile gaming applications. Also includes educational software used primarily in the home. Excludes online gambling companies classified in the Casinos & Gaming Sub-Industry.   |

|  |  |  |  |  |
|--|--|--|--|--|
|  |  | 502030<br>Interactive<br>Home<br>Entertainment | 50203010<br>Interactive<br>Media &<br>Services | Companies engaging in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements. Includes search engines, social media and networking platforms, online classifieds, and online review companies. Excludes companies operating online marketplaces classified in Internet & Direct Marketing Retail. |
|--|--|--|--|--|

Note: Adapted from The Global Industry Classification Standard (GICS) Methodology, 2020, retrieved from:

<https://www.msci.com/documents/1296102/11185224/GICS+Methodology+2020.pdf/9caadd09-790d-3d60-455b-2a1ed5d1e48c?t=1578405935658>

Table 3.

### **Media & Entertainment in The Industry Classification Benchmark (ICB)**

| <b>Industry</b>        | <b>Supersector</b> | <b>Sector</b> | <b>Subsector</b>                        | <b>Definition</b>  |
|------------------------|--------------------|---------------|---|--|
| 5000 Consumer Services | 5300 Retail        | ...           | ...                                     | ...  |
|                        | 5500 Media         | 5550 Media    | 5553<br>Broadcasting &<br>Entertainment | Producers, operators and broadcasters of radio, television, music and filmed entertainment. Excludes movie theatres, which are classified under Recreational Services. |
|                        |                    |               | 5555 Media Agencies                     | Companies providing advertising, public relations and marketing services. Includes billboard providers and telemarketers.  |
|                        |                    |               | 5557 Publishing                         | Publishers of information via printed or electronic media.   |
| 5700 Travel & Leisure  | ...                | ...           | ...                                     |  |

Note: Adapted from ICB Structure & Definitions, 2019, retrieved from

[https://research.ftserussell.com/products/downloads/ICBStructure-Eng.pdf?\\_ga=2.212156503.2108512420.1561509060-1968584676.1548988834](https://research.ftserussell.com/products/downloads/ICBStructure-Eng.pdf?_ga=2.212156503.2108512420.1561509060-1968584676.1548988834)

Table 4.

**Media & Entertainment in The Hang Seng Industry Classification System (HSICS)**

| Industry                  | Sector                             | Subsector                      | Definition                     |  |
|---------------------------|------------------------------------|--------------------------------|--------------------------------|--|
| 23 Consumer Discretionary | 2310 Automobiles                   | ...                            | ...                            |  |
|                           | 2320 Household Goods & Electronics | ...                            | ...                            |  |
|                           | 2330 Textiles & Clothing           | ...                            | ...                            |  |
|                           | 2340 Travel & Leisure              | ...                            | ...                            |  |
|                           | 2350 Media & Entertainment         | 235010 Advertising & Marketing | 235010 Advertising & Marketing | Companies providing advertising, marketing or public relations services.   |
|                           |                                    | 235020 Broadcasting            | 235020 Broadcasting            | Owners and operators of television or radio broadcasting systems.  |
|                           |                                    | 235030 Movies & Entertainment  | 235030 Movies & Entertainment  | Companies engaged in the production and distribution of movies, television shows, music, artiste management and theatre operation. |
|                           |                                    | 235040 Publishing              | 235040 Publishing              | Publishers of newspapers, magazines and books; providers of information via print or electronic media.                             |
| 2360 Support Services     | ...                                | ...                            |                                |  |
| 2370 Specialty Retail     | ...                                | ...                            |                                |  |

Note: Adapted from Hang Seng Industry Classification System, 2019, retrieved from [https://www.hsi.com.hk/static/uploads/contents/en/dl\\_centre/brochures/B\\_HSICSe.pdf](https://www.hsi.com.hk/static/uploads/contents/en/dl_centre/brochures/B_HSICSe.pdf)

Table 5.

**Media & Entertainment in The Thomson Reuters Business Classification (TRBC)**

| Business Sector                    | Industry Group                                     | Industry                           | Activity                         |
|------------------------------------|--|------------------------------------|----------------------------------|
| 5330 Cyclical Consumer Services    | 533010 Hotels & Entertainment Services             | ...                                | ...                              |
|                                    |  | 533020 Media & Publishing          | 53302010 Advertising & Marketing |
|                                    | 5330201011 Advertising Agency                      |                                    |                                  |
|                                    | 5330201012 Media Buying Agency                     |                                    |                                  |
|                                    | 5330201013 Signs & Advertising Specialty Producers |                                    |                                  |
|                                    | 5330201014 Outdoor Advertising                     |                                    |                                  |
|                                    | 5330201015 Direct Marketing                        |                                    |                                  |
|                                    | 5330201016 Sales Promotions & Events Management    |                                    |                                  |
|                                    | 5330201017 Guerrilla Marketing                     |                                    |                                  |
|                                    | 5330201018 Public Relations                        |                                    |                                  |
|                                    | 5330201019 Digital Media Agencies                  |                                    |                                  |
|                                    | 5330201020 Branding & Naming                       |                                    |                                  |
|                                    | 5330201021 Market Research                         |                                    |                                  |
|                                    | 5330201022 Marketing Consulting Services           |                                    |                                  |
|                                    | 53302020 Broadcasting                              | 5330202010 Broadcasting (NEC)      |                                  |
|                                    |  | 5330202011 Television Broadcasting |                                  |
| 5330202012 Radio Broadcasting      |  |                                    |                                  |
| 5330202013 Cable Service Providers |  |                                    |                                  |
| 53302030                           | 5330203010 Entertainment Production (NEC)          |                                    |                                  |

|  |                                 |            |   |  |
|--|---------------------------------|------------|---|--|
|  | Entertainment Production        | 5330203011 | Movie, TV Production & Distribution           |  |
|  |                                 | 5330203012 | Music, Music Video Production & Distribution  |  |
|  |                                 | 5330203013 | Plays & Concert Production                    |  |
|  |                                 | 5330203014 | Entertainment Production Equipment & Services |  |
|  |                                 | 5330203015 | Copyright Management                          |  |
|  |                                 | 5330203016 | Adult Entertainment Production & Broadcasting |  |
|  | 53302040<br>Consumer Publishing | 5330204010 | Consumer Publishing (NEC)                     |  |
|  |                                 | 5330204011 | Newspaper Publishing                          |  |
|  |                                 | 5330204012 | Magazine Publishing                           |  |
|  |                                 | 5330204013 | Book Publishing                               |  |
|  |                                 | 5330204014 | Directory Publishing                          |  |
|  |                                 | 5330204015 | Digital Publishing                            |  |
|  |                                 | 5330204016 | Adult Publishing                              |  |
|  |                                 |            |   |  |
|  |                                 |            |   |  |
|  |                                 |            |   |  |
|  |                                 |            |   |  |

Note: Adapted from The Thomson Reuters Business Classification Quick Guide, 2012, retrieved from [https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/quick-reference-guides/trbc-business-classification-quick-guide.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/quick-reference-guides/trbc-business-classification-quick-guide.pdf)

The comparison of industry classifications (Tables 2-5) shows that GICS is the most comprehensive to cover the issue of media and entertainment. Besides traditional media formats, such as video, publishing or music, GICS gives prominence to interactive media formats, which include video games, search engines, social media, networking platforms and online classifieds, excluding online gambling and online marketplaces classified in the internet and direct marketing retail. Such precise classification of GICS lets us define clear-cut boundaries around the concept of digital media and understand the full structure of the modern digital media market.

In view of the aforementioned, the own definition of digital media enunciated by the authors is the following: “Digital media refer to products and services in the digital format, produced by the media and entertainment industry group (according to GICS), which can be created, viewed, distributed, modified and preserved through different digital devices.”

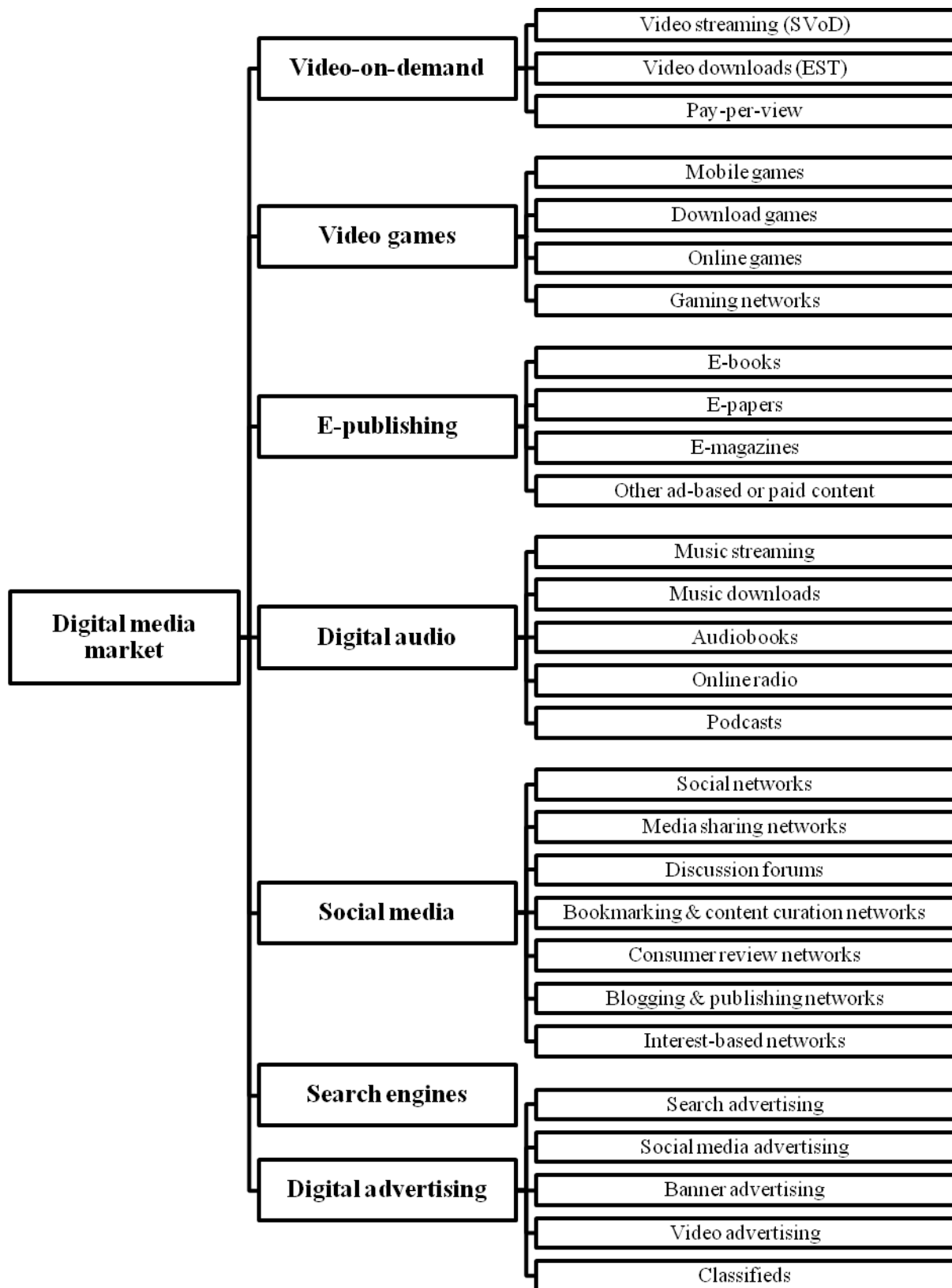
Using the GICS approach, the modern digital media market can be divided into 7 segments: video-on-demand, video games, e-publishing, digital audio, social media, search engines and digital advertising (Figure 1).

The video-on-demand segment includes digital video content which is distributed over the internet. A distinction is made between the following business models: video streaming (SVoD), video download (EST) and pay-per-view (TVoD) (Statista, 2019).

The video games segment includes fee-based digital games which are distributed over the internet. A distinction is made between mobile games for smartphones and tablets, full games that need to be downloaded and installed on consoles or PCs, online games which can played without installing them and fee-based gaming networks that offer additional features and content for subscribers (Statista, 2019).

E-publishing is defined as paid written editorial content distributed over the internet. This editorial content can be differentiated into e-books, e-papers and e-magazines and other ad-based or paid content distributed by publishers through websites or applications (Statista, 2019).

Figure 1. Digital Media Market Structure



Note: made by the authors

The digital audio segment includes on-demand streaming services, either subscription based or ad supported, paid digital downloads of professionally produced single tracks or albums/compilations, audiobooks and podcasts (Statista, 2019; Magna, 2019).

Social media segment includes websites and applications that allow people to communicate and share information, ideas, career interests and other forms of expression on the internet using a computer or mobile phone via virtual communities and networks. This segment includes social networks, media sharing networks, discussion forums, bookmarking and content curation networks, consumer review networks, blogging and publishing networks and interest-based networks (Kakkar, 2018).

Search engine segment includes software systems designed to carry out web search (internet search), which means to search the World Wide Web in a systematic way for particular information specified in a web search query. The information may be a mix of links to web pages, images, videos, infographics, articles, research papers, and other types of files (Statista, 2019).

Digital advertising segment includes forms of marketing and advertising, which use the internet to deliver promotional marketing messages to consumers. This segment includes search advertising, social media advertising, banner advertising, video advertising and classifieds (Statista, 2019).

### **Conclusions**

There is no doubt that digital media are now a crucial sector in contemporary society and the modern economy. Unlike traditional media, modern digital media are manipulable, networkable and easy shareable. Moreover, they can be effectively personalized using AI technologies. Such unique features of digital media ensure the further development and revenue growth of companies engaged in the digital media market. However, the more we go in depth, the more we discover that in modern researches the digital media market lacks its clear conceptualization in the context of the world economy.

A thorough analysis of existing industry classifications, definitions and features of the modern digital market led authors to enunciating their own definition of digital media, which is the following: “Digital media refer to products and services in the digital format, produced by the media and entertainment industry group (according to GICS), which can be created, viewed, distributed, modified and preserved through different digital devices.” All in all, the authors came up with the structure of the modern digital media market, which includes 7 segments: video-on-demand, video games, e-publishing, digital audio, social media, search engines and digital advertising.

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УДК: 339.138  
JEL: D 11; F 20; M 31

## **COGNITIVE MARKETING AS A MODERN MANAGEMENT STRATEGY**

## **КОГНІТИВНИЙ МАРКТИНГ ЯК СУЧАСНА СТРАТЕГІЯ УПРАВЛІННЯ**

## **КОГНИТИВНЫЙ МАРКЕТИНГ КАК СОВРЕМЕННАЯ СТРАТЕГИЯ УПРАВЛЕНИЯ**

### **Крыкун В.А.,**

Ph.D., Associate Professor, Associate Professor at International Business Department, Institute of International Relations, Taras Shevchenko National University of Kyiv, E-mail: va.krykun@gmail.com

### **Крикун В.А.,**

кандидат економічних наук, доцент, доцент кафедри міжнародного бізнесу Інституту міжнародних відносин КНУ імені Тараса Шевченка, E-mail: va.krykun@gmail.com

### **Крикун В.А.,**

кандидат экономических наук, доцент, доцент кафедры международного бизнеса Института международных отношений КНУ имени Тараса Шевченко, E-mail: va.krykun@gmail.com

**Abstract.** *The development and essence of the cognitive marketing are considered in the article. Cognitive marketing is based on cognitive psychology, behavioral economics, classical marketing, which, in addition to such synergy, allows to understand more deeply customer's behavior and develop tools of traditional marketing, to help create effective marketing strategies for product positioning and product development. Cognitive psychology examines various mental processes of a person, such as sensation and perception, pattern recognition, attention, learning, memory, concept formation, thinking, speech, emotions, and developmental processes. Behavioral economics combines the study of psychological and economic sciences. Studies in behavioral economics show that in many cases people are not inclined to act under the requirements of neoclassical economics and often show a tendency to completely irrational behavior. Cognitive marketing means the establishment of new needs, not previously assimilated by the consumer of the product, which not only will satisfy the functional tasks of the given product, but will establish a new style and standard of living, that consumers of this product will desire. In the article main effects of cognitive marketing, such as formation of new lifestyle and customer's culture, new rules and practices of using products and behavior within a set situation, new vogue, trends and ways to be unique and trendy by using defined brands are considered. Also, some successful examples of proper usage of cognitive marketing on international market are analyzed.*

**Key words:** *cognitive marketing, cognitive psychology, behavioral economics*

**Анотація.** *У статті розглянуто розвиток та суть когнітивного маркетингу. Когнітивний маркетинг це міждисциплінарний напрям, який поєднує когнітивну психологію, поведінкову економіку, класичний маркетинг, який за допомогою такої синергії дозволяє глибше зрозуміти споживчу поведінку та розширити інструменти дослідження та впливу традиційного маркетингу, допомогти побудувати ефективні маркетингові стратегії позиціонування і просування товару. Когнітивна психологія розглядає різні психічні процеси людини, такі як відчуття та сприйняття, розпізнавання образів, увага, навчання, пам'ять, формування понять, мислення, мова, емоції і процеси розвитку. Поведінкова економіка поєднує дослідження психологічних та економічних наук. Дослідження з поведінкової економіки показують, що в багатьох випадках люди не схильні чинити відповідно до*



приписів неокласичної економіки і часто демонструють схильність до абсолютно нерациональної поведінки. Когнітивний маркетинг має на меті створення нових, не усвідомлених раніше споживачем потреб у певному продукті, який не лише задовольнить функціональні, тобто основні завдання даного продукту, але й створить новий бажаний стиль і стандарт життя, якого будуть прагнути споживачі даного продукту. У статті розглядаються основні ефекти когнітивного маркетингу, такі як формування нового способу життя та культури споживання, нові правила та практика використання продуктів та поведінки у певній ситуації, нова мода, тенденції та способи бути унікальними та модними за допомогою певних брендів. Також проаналізовано кілька успішних прикладів правильного використання когнітивного маркетингу на міжнародному ринку.

**Ключові слова:** когнітивний маркетинг, когнітивна психологія, поведінкова економіка

**Анотація.** В статті розглянуто розвиток і суть когнітивного маркетингу. Когнітивний маркетинг – це міждисциплінарне напрямлення, яке об'єднує когнітивну психологію, поведінкову економіку, класичний маркетинг, який з допомогою такої синергії дозволяє глибше зрозуміти поведінку споживача і розширити інструменти дослідження і впливу традиційного маркетингу, допомогти побудувати ефективні маркетингові стратегії позиціонування і просування товару. Когнітивна психологія розглядає різні психічні процеси людини, такі як сприйняття і увага, розпізнавання образів, увага, навчання, пам'ять, формування понять, мислення, мова, емоції і процеси розвитку. Поведінкова економіка поєднує дослідження психологічних і економічних наук. Дослідження в сфері поведінкової економіки показують, що во многих випадках люди не схильні діяти згідно з рекомендаціями неокласичної економіки і часто демонструють схильність до абсолютно нерационального поведінки. Когнітивний маркетинг має на меті створення нових, неосознаних раніше споживачем потреб в певному продукті, який не тільки задовольнить функціональні, тобто основні завдання даного продукту, але й створить новий бажаний стиль і стандарт життя, якого будуть прагнути споживачі даного продукту. В статті розглядаються основні ефекти когнітивного маркетингу, такі як формування нового образу життя і культури споживання, нові правила і практика використання продуктів і поведінки в певній ситуації, нова мода, тенденції і способи бути унікальними і модними з допомогою певних брендів. Також проаналізовано кілька успішних прикладів правильного використання когнітивного маркетингу на міжнародному ринку.

**Ключевые слова:** когнітивний маркетинг, когнітивна психологія, поведінкова економіка

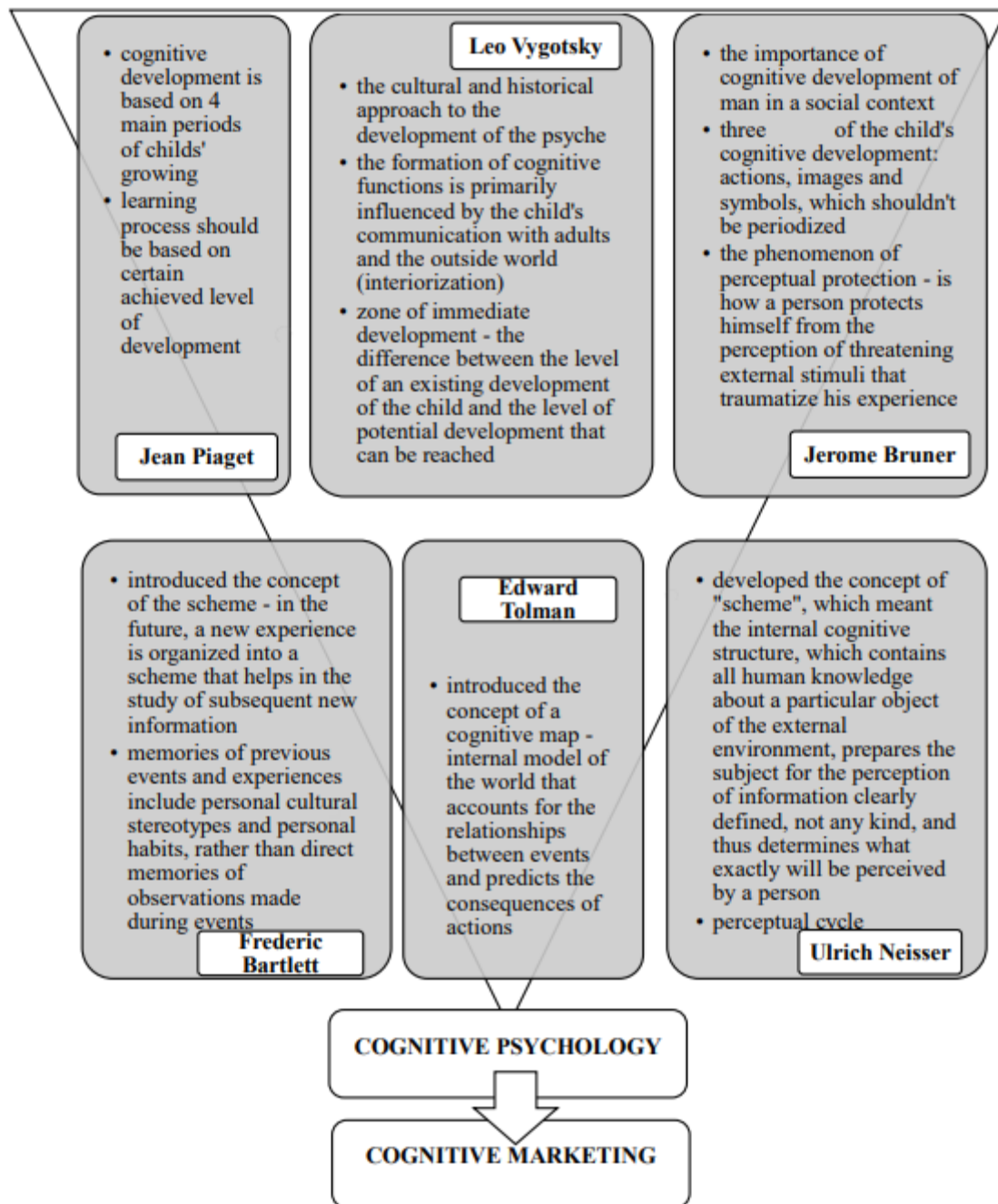
**Introduction.** In any economic relations in which a person operates, most decisions are made under the influence of social and cultural stereotypes, perceptions, erroneous and insufficient analysis of information and market uncertainty, which is influenced by subjective psychological and irrational factors. Without taking into account the peculiarities of consumer behavior, it is very difficult to predict the actions of actors in the economic and financial markets, consumer decisions to buy a certain brand, to develop effective strategies for managing international business. Another peculiarity of modern marketing-management is the capacity to offer to the customer new unique products, which will satisfy their unconscious needs and will create a new category or niche for the company. A new concept of cognitive marketing has emerged relatively recently and implies the emergence of a new approach to influencing consumer behavior, which means the formation of consumer consciousness, the creation of a style of consumption, which in the future will determine the demand for new product.

**The purpose of research** is to consider the formation and *essence* of cognitive marketing, analyze *some successful examples of its proper usage on the international market*.

**Literature review.** The concept of cognitive marketing includes not only marketing issues but also cognitive psychology and behavioral economics. The issues of cognitive psychology, which formed the basis for the formation of a cognitive approach in marketing, were studied by such prominent scientists as Jean Piaget (Piaget, 1990), Jerome Bruner (Bruner, 2001), Leo Vygotsky (Vygotsky, 1980), Ulrich Neisser (Neisser, 1967) and Robert Solso (Solso, 2011). The essence and principles of behavior of behavioral economics are described in the works of Leon Festinger (Festinger, 1957), Herbert Simon (Simon, 1955), Daniel Kahneman and Amos Tversky (Kahneman, Tversky, 1979; Kahneman, 2018). The concepts of cognitive marketing are considered in the works of Oksana Yuldasheva (Yuldasheva, 2006), Igor Yurasov (Yurasov, 2006), Viktor Fursov and Natalia Lazareva (Fursov, Lazareva, 2015). Cognitive marketing is a fairly new area of research that requires further development of its theoretical and methodological foundations, tools and mechanisms for influencing consumer behavior.

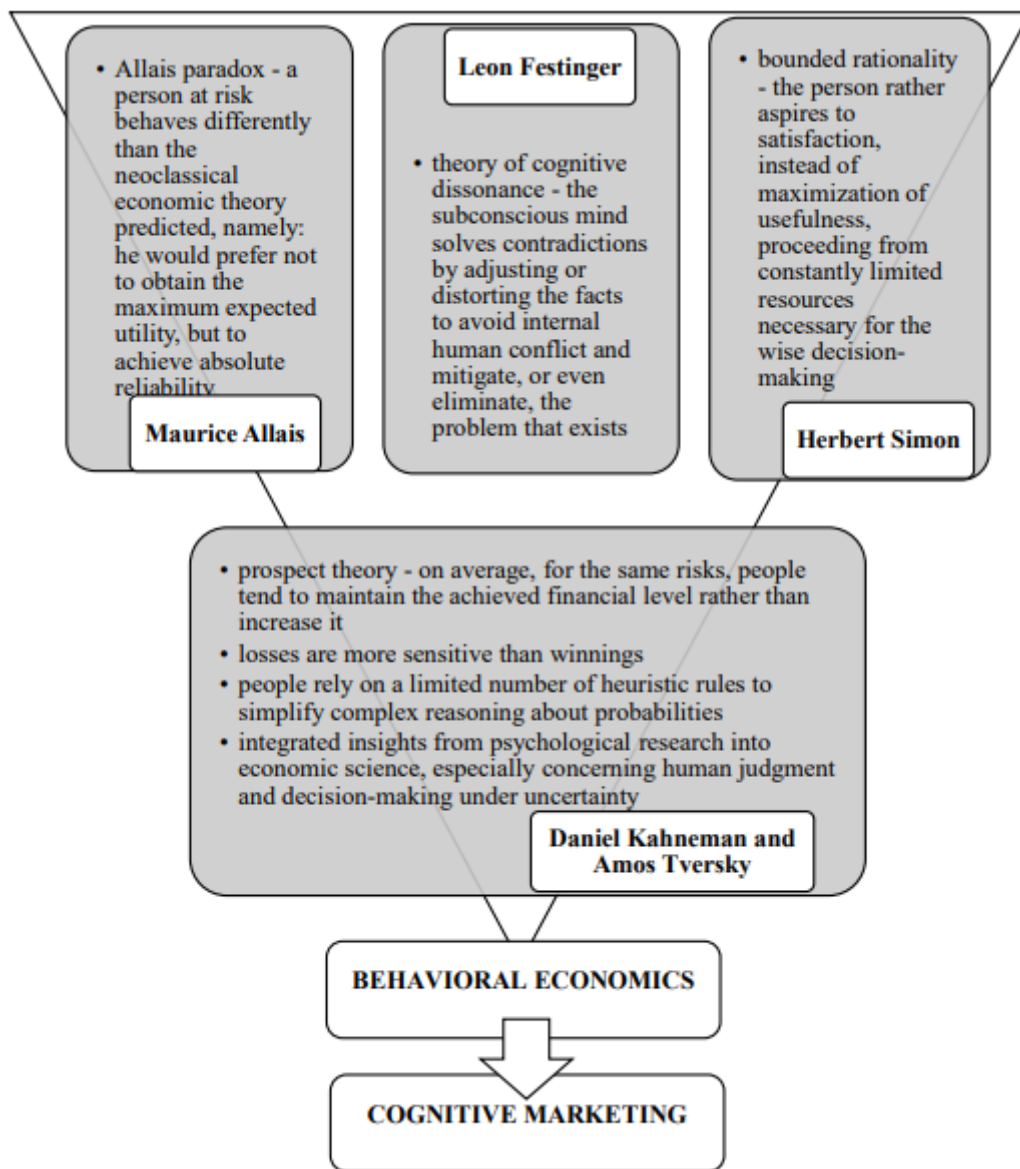
**Research findings.** The term cognitive marketing includes two concepts. The concept of marketing has many definitions and is quite multifaceted. Derived from the English «market» and can be translated as an activity aimed at market formation. In general, marketing means a philosophy of management, the company's activities focused on meeting the needs of specific consumers in a constantly changing market. Cognition, derived from the Latin «cognitio» (study, awareness) - a term denoting a person's ability to mentally perceive and process external information. Cognitive processes include memory, attention, perception, understanding, thinking, decision-making, that is, everything that allows a person to perceive the world around him. In the 60's of the twentieth century, the world underwent a cognitive revolution, which gave impetus to a more thorough study of these processes.

The concept of cognitive psychology, which emerged as an alternative to behaviorism, is the basis of cognitive marketing. This area examines various mental processes of a person, such as sensation and perception, pattern recognition, attention, learning, memory, concept formation, thinking, speech, emotions, and developmental processes. According to Robert Solso, cognitive psychology is how a person receives information about the world and imagines it, how it is stored in memory and transformed into knowledge, and how this knowledge affects our attention and behavior. Cognitive psychology views the psyche as a system of cognitive reactions that are related not only to external stimuli but also to internal values such as self-awareness and selective perception. Scientists study not just human behavior and reactions, but also cognitive processes that can be assessed by external manifestations. Cognitive psychologists argue that most information is processed by a person unconsciously, which accelerates the thought process and its effectiveness. Scientists who laid the foundations for the development of cognitive psychology are Jean Piaget, Jerome Bruner, Leo Vygotsky, Edward Tolman, Frederic Bartlett, Ulrich Neisser, whose theories underlie modern concepts and research (Fig. 1).



**Figure 1. Foundations for the development of cognitive psychology as the basis of cognitive marketing, developed by the author, based on materials [ 1,2,3,4,5]**

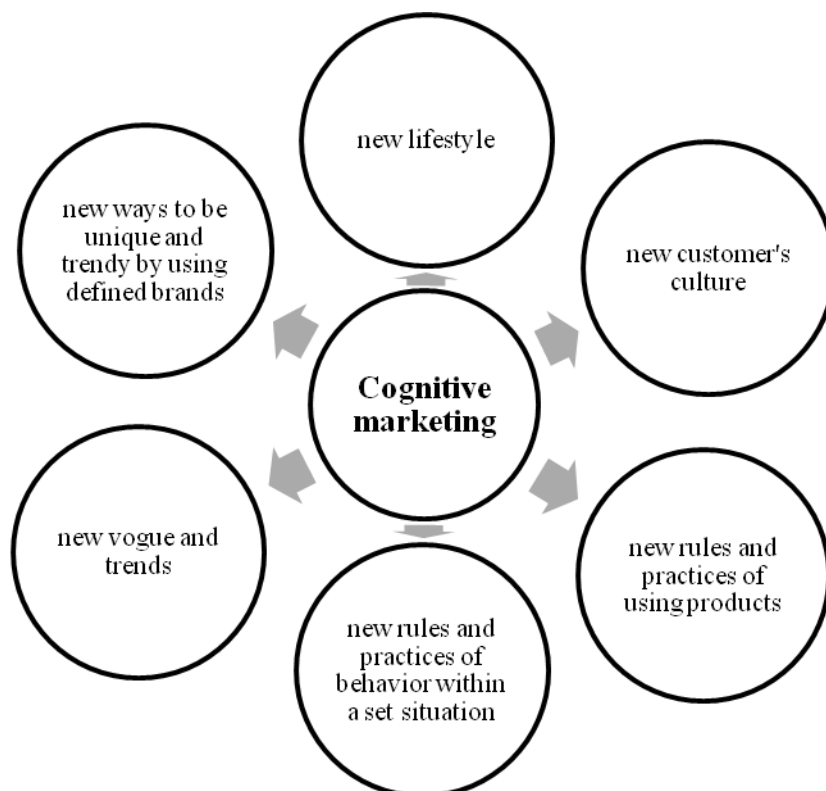
Cognitive marketing is also based on the concept of behavioral economics, which combines the study of psychological and economic sciences. Studies in behavioral economics show that in many cases people are not inclined to act under the requirements of neoclassical economics and often show a tendency to completely irrational behavior. All human decisions are almost always based on his subjective imagination, depend on his purpose, problem formulation, experience, habits and other personal characteristics. These factors influence the customers' behavior and change approaches, methods and instruments of classical marketing, complementing this with such new tendencies as a cognitive approach. Scientists who developed concept of behavioral economics are Maurice Allais, Leon Festinger, Herbert Simon, Daniel Kahneman and Amos Tversky, etc (Fig.2.).



**Figure 2. Foundations for the development of behavioral economics as the basis of cognitive marketing,** developed by the author, based on materials [6,7,8]

Thus, cognitive marketing is based on cognitive psychology, behavioral economics, classical marketing, which, in addition to such synergy, will allow to understand more deeply customer's behavior and develop tools of traditional marketing, to help create effective marketing strategies for product positioning and product development. Developing and detailing ideas of scientists, who formulated this concept, we may note, that cognitive marketing means the establishment of new needs, not previously assimilated by the consumer of the product, which not only will satisfy the functional (basic) tasks of the given product, but will establish a new style and standard of living, that consumers of this product will desire. With the help of principles and approaches of cognitive marketing, companies can form the necessary ideas for a certain segment of consumers about the world, lifestyle and culture of consumption. Using such tools as propaganda, Public Relations, social marketing, the fashion for the desired preferences, habits of the consumer are formed and an environment for the ideal sale of certain products is created. If during the previous, marketing concept, for producers it was important to investigate the needs and wishes of clients and fulfill them into products and services, then during the modern relationship marketing concept, companies try to create necessary for them customers' culture and technology of consumption. Company should form a customer's cognition, perception, system of knowledge and preference, which generally create customers' culture. While forming customers' culture, company builds it's net of

potential customers and unites people with similar interests, lifestyle and views under one brand. Such a method of influence and promotion of goods uses a cognitive approach in marketing. As G. McCracken noted, goods are an opportunity to make culture material. Like any other species of material culture, goods allow individuals to discriminate visually among culturally specified categories by encoding these categories in the form of a set of material distinctions [9]. And today the new strategy of development for companies becomes technic of creation of new customers' culture and lifestyle, promoting under this idea new products and services. Growth and diversification of different categories of goods and services should be reconsidered as strategic direction for companies towards applying the policies and strategies for creating and preserving the new cultural values for potential customers.



**Figure 3. Effects of cognitive marketing, developed by the author**

Today there are enough successful examples of proper usage of cognitive marketing. Such companies and products as Apple, Tesla Inc., Facebook, The Body Shop, Dove, Pampers, Lucky Strike, etc. implemented this strategy on the world market. It should be noted, that cognitive technics of marketing can be used with different levels of intensity. For example, O.Uldasheva identifies two main types of cognitive marketing implementation – creative and adaptive [10]. Indeed, in practice some companies create new customers' culture and lifestyle by themselves, provide society with new vogue and trends, new rules and practices of behavior within a set situation, using the company's products and services. Such marketing is very costly as it uses not only advertisement to promote its goods, but also propaganda, public relations to change peoples' attitudes towards some situation, and build new rules. Such cognitive marketing implementation is called creative. Among the examples, we may single out such companies and products as Apple, Tesla Inc., Facebook, The Body Shop, Lucky Strike, Listerine. Lucky Strike, Listerine, probably, are one of the earliest examples of using the cognitive approach. The case story of broadening the market for Lucky Strike brand to women using psychoanalysts while shaping public relations campaigns by E. Bernays is considered to be the classic example of the cognitive approach. Women who embraced cigarettes as symbolic of male power were given a possibility to contribute to the expansion of women's rights by lighting up cigarettes and smoking them for once in most public

places. In result, Lucky Strike brand was associated for women with a feeling of independence and women's rights, and as this movement was too popular at the beginning of XX century, it could generate new profit for American Tobacco Company, as could create new demand from a new segment of customers – women, who took up smoking. Another example of implementing a cognitive approach in marketing – Listerine – is known as a company, which invented such a medical condition as bad breath that requires treatment. Originally invented as a surgical antiseptic, thanks to a new marketing strategy became a mean for a happy marriage for people, who had a problem with bad breath. Listerine ran advertisements about the unmarried girl, who remained single, because of this problem, and the company promoted its antiseptic as a remedy for fresh breath. Indeed, this marketing campaign is a good example of creating new demand and customer's culture. Apple, Tesla and The Body Shop are good examples of modern companies, which marked the beginning of new categories of product, markets and social trends. Thanks to Apple customers found out that mobile phones can be without buttons and with a huge screen, that the main functions of this gadget are not only calling and messaging but also making photos, notes and listen to music. Tesla Inc. created a new vogue for electric cars and made world car producers bounce this idea. The Body Shop started campaigning to end animal testing in cosmetics and was the first global cosmetics company to fight it. Today this trend became fancy, and many well-known cosmetic companies produce goods without testing on animals. All these companies created a new lifestyle and customer culture in their segments, new vogue and trends, and new ways to be unique and trendy by using their brands.

Another type of cognitive marketing implementation can be described as adaptive. Using this strategy, companies don't create a new style of consumption but are looking for modern tendencies and try to adapt and develop them, discover the cognition and interests of customers, who follow these trends. Among examples of adaptive cognitive marketing strategy, we can single out such companies as Dove, Always, Uber, Volvo, Beyond Meat, Lush Cosmetics, Zara, etc. These companies try to follow modern social and ecological tendencies, such as: climate change (Beyond Meat produces plant-based meat, Lush Cosmetics provides all-natural bath and body goods, Zara provides Join Life collection - clothing line, which is made with forest friendly and animal friendly materials), human health (Beyond Meat produces plant-based meat, with greater or equal protein levels than their animal counterparts, no cholesterol, less saturated fat, and no antibiotics or hormones; different sport clubs with wide list of services for weight loss and proper nutrition), gender equality and women's empowerment (Dove provides advertisements and projects to help girls to raise their self-esteem and realise their full potential; Always provides LikeAGirl campaign to help girls everywhere keep their confidence by tackling the societal limitations that stand in their way), sharing economy (Uber provides rent of bike and scooter with the Uber app; Airbnb provides a platform for hosts to accommodate guests with short-term lodging and tourism-related activities).

**Conclusion.** Cognitive marketing is based on cognitive psychology, behavioral economics, classical marketing, which, in addition to such synergy, will allow to understand more deeply customer's behavior and develop tools of traditional marketing, to help create effective marketing strategies for product positioning and product development. Developing and detailing ideas of scientists, who formulated this concept, we may note, that cognitive marketing means the establishment of new needs, not previously assimilated by the consumer of the product, which not only will satisfy the functional (basic) tasks of the given product, but will establish a new style and standard of living, that consumers of this product will desire. Today the new strategy of development for companies becomes technic of creation of new customers' culture and lifestyle, promoting under this idea new products and services. Growth and diversification of different categories of goods and services should be reconsidered as strategic direction for companies towards applying the policies and strategies for creating and preserving the new cultural values for potential customers. Today there are enough successful examples of proper usage of cognitive marketing. Such companies and products as Apple, Tesla Inc., Facebook, The Body Shop, Dove, Pampers, Lucky Strike, Dove, Always, Uber, Volvo, Beyond Meat, Lush Cosmetics, Zara

implemented this strategy on the world market. They create a new lifestyle and customer culture in their segments, new vogue and trends, and new ways to be unique and trendy by using their brands.

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**АКТУАЛЬНІ ПРОБЛЕМИ  
МІЖНАРОДНИХ ВІДНОСИН**

**Збірник наукових праць**

**ВИПУСК 143**

Заснований в 1996 році.

Засновник : Інститут міжнародних відносин  
Київського національного університету імені Тараса Шевченка.

Свідоцтво про державну реєстрацію: К1 №292 від 05.11.1998 р.

**Перереєстрація у 2020 році.**

**Засновник: Київський національний університет імені Тараса Шевченка.**

**Свідоцтво про державну реєстрацію: серія КВ №24308-14148ПР від 13.02.2020 р.**

Науковий редактор: **Дорошко М. С.**, доктор історичних наук, професор.

**Рекомендовано до друку Вченою радою Інституту міжнародних відносин  
Київського національного університету імені Тараса Шевченка.  
Протокол № 10 від 24 червня 2020 року.**

Підписано до друку 26.06.2020 року.  
Наклад 100 примірників

Інститут міжнародних відносин  
Київського національного університету імені Тараса Шевченка  
Тел. 044-481-44-68

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