

## РОЗДІЛ 2 МЕХАНІЗМИ ПУБЛІЧНОГО УПРАВЛІННЯ

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## **PUBLIC ADMINISTRATION OF DEVELOPMENT OF THE EXPORT POTENTIAL OF ENTERPRISES IN THE EASTERN PARTNERSHIP COUNTRIES**

### **ДЕРЖАВНЕ УПРАВЛІННЯ РОЗВИТКОМ ЕКСПОРТНОГО ПОТЕНЦІАЛУ ПІДПРИЄМСТВ КРАЇН СХІДНОГО ПАРТНЕРСТВА**

*The peculiarities of public administration in the Eastern Partnership countries in terms of developing the export potential of small and medium enterprises are determined in the article. The Eastern Partnership countries include the countries of the former Soviet Union: Azerbaijan, Belarus, Armenia, Georgia, Moldova and Ukraine. The processes of globalization and current trends in international economic relations influence on public administration in different countries. It is established that the export potential is part of the economic potential of the country and contributes to the creation of products that are competitive in certain or different international markets. The strategically important regulations and other documents adopted in the analyzed countries and tools used to support exports are considered. Some characteristics of small and medium business exports in Ukraine on the example of Kyiv, Ternopil, Kherson and Cherkasy regions are given. The export profiles of the regions of Ukraine assess the quantitative and qualitative changes in exports and the external environment of the functioning of exporters of goods and services. The analysis of exports of Ukrainian goods to the EU, Belarus and Georgia revealed some dynamics and peculiarities of establishing foreign economic relations. The attention was paid on the relevance of increasing competitive advantages for the promotion of national and regional brands in the world. Proposals for improving public management of the development of export potential of small and medium enterprises in Ukraine are presented. Expanding the access to the EU market and the requirements to comply with European standards cause competition in domestic markets, update legislation in line with European standards, contributes to the modernization of existing potential in various sectors of the economy.*

**Key words:** public administration, export of goods, export potential, small and medium business, Eastern Partnership countries.

*У статті визначено особливості державного управління в країнах Східного партнерства у сфері розвитку експортного потенціалу малого та середнього бізнесу. До країн Східного партнерства входять держави колишнього Радянського Союзу: Азербайджан, Білорусь, Вірменія, Грузія, Молдова та Україна. Процеси глобалізації та сучасні*

*напрямки міжнародних економічних відносин впливають на державне управління різних країн. Встановлено, що експортний потенціал є частиною економічного потенціалу країни і сприяє виготовленню продукції, що є конкурентоспроможною на тих чи інших міжнародних ринках. Розглянуто стратегічно важливі нормативні та інші документи, прийняті в аналізованих країнах, а також інструменти підтримки експорту. Авторами охарактеризовано експортну діяльність малого та середнього бізнесу в Україні на прикладі Київської, Тернопільської, Херсонської та Черкаської областей. Структури експорту регіонів України оцінюють кількісні та якісні зміни експорту та зовнішнього середовища функціонування експортерів товарів і послуг. Аналіз експорту українських товарів до ЄС, Білорусі та Грузії виявив певну динаміку та особливості налагодження зовнішньоекономічних зв'язків. Приділяється увага важливості підвищення конкурентних переваг для просування національних та регіональних брендів у світі. Авторами наведено пропозиції щодо вдосконалення державного управління розвитком експортного потенціалу малого та середнього підприємництва в Україні. Розширення доступу до ринку ЄС та вимог відповідності європейським стандартам обумовлюють конкуренцію на внутрішніх ринках, оновлюють законодавство згідно європейських стандартів, сприяють модернізації наявного потенціалу в різних галузях економіки.*

**Ключові слова:** державне управління, експорт товарів, експортний потенціал, малий та середній бізнес, країни Східного партнерства.

**Introduction.** The Eastern Partnership is a project of the European Union (EU), which aims to develop EU integration ties with such countries of the former Soviet Union as the Republic of Azerbaijan (Azerbaijan), the Republic of Belarus (Belarus), the Republic of Armenia (Armenia), Georgia, the Republic of Moldova (Moldova) and Ukraine. The rapprochement of the European Union with the partner countries takes place in different ways: Association and Free Trade Agreements were signed with Georgia, Moldova and Ukraine in 2014; from the first of June 2018, an Overall and Extended Partnership Agreement has been acting on a temporary basis with Armenia; and the terms of agreements on establishing political dialogue and mutually beneficial cooperation are being discussed with Azerbaijan and Belarus. At the same time, a multi-vector concept in foreign policy is taking place in all Eastern Partnership countries [1].

The implementation of the Association Agreements between the EU and Georgia, Moldova and Ukraine has become an important stage in the development of the agricultural and food sectors in these countries. The agreements contain important things, which are related to the trade plans, economic and trade structures of the countries [6]. Despite the differences in economic structures of these countries, they still have a number of common advantages, including favorable geographical location, high educated work power, correct understanding of the importance of development of small and medium business with aim to create new vacancies of jobs, improve the business climate and export potential. In the countries of Eastern Partnership, export is considered as one of the priority key of economic growth, so government supports the promotion of agro-food products on the foreign market and takes an important place in both agricultural and foreign trade policy.

**The purpose of the article** is to identify the features of state management in the Eastern Partnership countries as for developing the export potential of small and medium enterprises.

**Research results.** The processes of globalization and modern tendencies of international economic relations affect state management in different countries. This requires the acceptance of strategically important regulations and other documents with the aim of bringing the national production to international business standards, establish foreign economic relations, improve and strengthen competitive advantages and provide the state with a stable position in foreign markets to promote national and regional brands. Export potential is part of the country's economic potential and promotes to the creation of products that are competitive in a particular or different international markets. Next, on the example of agricultural exports, we will identify the priorities of the countries of Eastern Partnership, which are noted in their national strategies and programs. Table 1 lists the instruments, which are identified as the national programs and strategies of the Eastern Partnership countries and used to support agricultural exports.

In particular, in *Azerbaijan*, the Strategic guide for Production and Processing of Agricultural Products (2016) names the priorities and mechanisms of agricultural policy, including problems of agricultural trade for 3 periods: until 2020, until 2025 and after 2025, as well as the geography of exports: the Russian Federation, EU countries and Ukraine. In *Belarus*, the development of the agro-food sector and the promotion of agricultural products on foreign markets is based on the principles of the Directive of the President of the Republic of Belarus "The priority areas of strengthening of economic security of the state", "National Programs of Support and Development of Exports of Belarus for 2016–2020", "State program for the development of agrarian business in

**Instruments which used to support the export of agricultural products  
in the Eastern Partnership countries**

Instruments	Azerbaijan	Belarus	Armenia	Georgia	Moldova	Ukraine
Financial instruments	+	+	+	-	-	+
Marketing researches	+	+	+	-	+	+
Exhibition support	+	+	+	+	+	+
Promotion of national, regional brands	+	+	+	+	+	+
Simplification of export procedures (“single window”)	+	+	+	-	-	+
Abroad certification of products	-	+	-	-	+	+
Priority development of export productions*	+	+	+	+	-	+
Exporter association support	-	-	-	-	-	-

\* exporters are included as a priority category in the realization of programs to support small and medium enterprises, and programs of promoting investment in export-oriented industries etc.

Source: [7].

the Republic of Belarus for 2016–2020” etc. They provide for the creation of conditions for increasing the amount of production of competitive products and provide the systematic diversification of exports between the markets: the Eurasian Economic Union, the EU and other countries. In *Armenia*, in the “Strategy of Export-Oriented Industrial Policy of the Republic of Armenia” (2011) gives the priority to the industries that provide the largest level of exports, as well as those that in recent years have shown a positive indication of increasing supplies to foreign markets.

In *Georgia*, the main documents of promoting exports are “The Strategy of Social and Economic Development in Georgia 2020” and “The Strategy of Agriculture Development for 2015–2020”, which says that the government should make the most of the export potential of competitive goods in the international market, and for this purpose the Ministry of Agriculture establishes close cooperation with the private sector. There are similar strategic policy documents in the field of export promotion in *Moldova*. They are the “National Strategy for Investment and Export Promotion for 2016–2020” and the “Action Plan for its realization”, which provide some measures of making the cooperation between farmers and agribusiness to ensure goods access to national and international markets (EU, CIS, USA and Canada, some countries in Asia, Africa and the Middle East). In *Ukraine*, the promotion of exports and outspreading Ukraine’s participation in the global agricultural market are identified as priorities in the “Strategy of the development of the agricultural sector for the period up to 2020”, “The only strategy for the development of agriculture

and rural areas for 2015–2020”, “Strategy of Ukraine: Guide of Strategic Trade Development 2017–2021”. Within the export strategy the list of prospective markets is approved: EU, Bangladesh, Belarus, Georgia, Egypt, India, Iran, Canada, China, Moldova, Saudi Arabia, the US, Switzerland and Japan. There are about 34.3 thousand of small agricultural enterprises in Ukraine. 91.2% of them – are small farms, which are the main part of the domestic agro-industrial complex of Ukraine and occupy a considerable place in ensuring food safety of the state. Uniting into cooperatives, they will be able to become powerful players in the global market for agricultural exports in perspective [7].

**It should be noted that in order to assess the quantitative and qualitative changes in the region’s exports and external environment of functioning of exporters of goods and services, export profiles were developed in some regions of Ukraine within the USAID project. Here are some characteristics of exports of small and medium enterprises in Kyiv, Ternopil, Kher-son and Cherkassy regions.**

**In Kyiv region, the development of export is regulated by the provisions of “The Kyiv region development strategy until 2020”, “Action plans for the realization of the Kyiv region development strategy until 2020”, “Programs of social, economic and cultural development of Kyiv region”, “Investment attraction programs and improving the investment climate in Kyiv region” and other documents. The dialogue between government and enterprisers is carried out through: the Regional Council of Entrepreneurs, which**

provides feedback between the Regional State Administration and heads of small and medium enterprises, business associations, which can discuss the matters of development of foreign economic activity; Department of Economic Development and Trade of the Kyiv Regional State Administration, which with the participation of public and business representatives makes plans of development for small and medium enterprises in particular in the context of export promotion.

In 2016, there were 481 medium enterprises and 264 small enterprises that performed some export operations in the region. In 2015, the part of exporters in the total number of registered small and medium enterprises with the status of a legal entity was 5.6%, which indicates a low level of internationalization of this group of enterprises. However, there has been an increase in export deliveries since 2016. Export and import operations were carried out with more than 150 countries. Exports of goods and services are quite diversified and were carried out mainly to China, Germany, India, Italy, Iraq, Kazakhstan, the Netherlands, Spain and the Russian Federation. The structure of the region's exports consists of plant and animal products, vegetables or animal fats and oils, ready-to-eat food products and wood [4].

In *Ternopil region*, export development is regulated by the principles of "Ternopil region strategy of development until 2020", "Ternopil region small and medium business strategy development for 2016–2020", "Action plans for the realization of Ternopil region development strategy until 2020", "Programs of social and economic and cultural development of Ternopil region", "Programs of interregional and foreign economic cooperation of Ternopil region", "Complex program of development of agro-industrial complex of Ternopil region for 2016–2020", "Regional programs of development for small and medium business" and other documents. The dialogue between government and business is provided through: the Regional Council of Entrepreneurs at the Ternopil Regional State Administration, which provides feedback between the Regional State Administration and heads of small and medium enterprises and business associations; Center of development of export potential of Ternopil region at the Ternopil Palace of Commerce and Industry; holding relevant meetings and round tables with representatives of the business.

There were 165 exporting enterprises in the region in 2016, of which 163 belonged to

the category of small and medium-sized enterprises, as well as export deliveries abroad were made by 12 individuals-subjects of foreign economic activity. In 2017, the region's largest trading partner was Poland (53.0% of goods and 61.0% of services), followed by Belarus, India, Egypt and some EU member states with some significant indicators in cost of supply. The structure of the region's exports consists of machinery, equipment and mechanisms, electrical equipment, plant products, live animals and products of animal origin, fats and oils of animal or vegetable origin, and ready-to-eat foods. These groups of goods make up to 80.0% of all deliveries, half of which are machinery, equipment and mechanisms [5].

In *Kherson region*, export development is regulated by the provisions of the "Strategy of development of Kherson region for the period up to 2020", "Programs for the formation of a positive image and development of foreign economic activity of Kherson region", "Economic, social and cultural development of the Kherson region". Dialogue between government and business is provided through: the Regional Council of Entrepreneurs, which provides feedback between the regional state administration and heads of small and medium enterprises, business associations; Council of Investment and Foreign Economic Activity, which promotes the attraction and effective use of domestic and foreign investment, improving the quality of state regulation of investment activities and the entry of domestic businesses into the international market of goods, capital and services.

In 2017, there were 158 exporting small and medium enterprises in the region, trading with more than 100 countries. The largest part of export deliveries was sent to Turkey (12.7%), followed by Belarus, Georgia, Italy, the Netherlands, Poland, the Russian Federation and Japan. All these countries accounted for slightly more than half of all exports of goods, which indicates a sufficient level of diversification of exports from the region. In the structure of the region's exports there are plant products, ready – to eat food products, base metals and articles thereof, machinery and equipment [3].

In *Cherkassy region*, export development is regulated by the provisions of "The Cherkassy region development strategy until 2020", the "Action plans for the realization of the Cherkassy region development strategy until 2020", and "The Cherkassy region economic and social development programs". Dialogue between government and business is provided through: the Regional Council of Entrepreneurs

at the regional State administration, which provides interaction between the Regional state administration and heads of small and medium enterprises and business associations; Export Development Center at the Cherkassy Chamber of Commerce and Industry; holding relevant meetings and round tables with representatives of the business environment. In 2016, the largest export market of the region was Belarus (12.9%), Egypt, India, Poland and Turkey together accounted for almost 38.0% of exports. Exports of services were less diversified and were carried out mainly to the USA (25.2%), Great Britain (22.3%) and Germany (10.0%). The structure of exports consisted of vegetable products, ready-to-eat food products, chemical products, wood and wood products [2].

Analyzing the export of Ukrainian goods to the EU, Belarus and Georgia for the period 2016-2018, the following dynamics and features were identified (Table 2). We can note that the EU is Ukraine's largest trading partner. The priority groups of export goods are the products of the agro-industrial complex

and food industry, metallurgical complex, mechanical engineering and chemical industry.

In 2019, the Ministry of Economic Development and Trade of Ukraine conducted a survey of businesses (over 140 foreign economic entities) on expectations from state support for exporters to implement the Export Strategy of Ukraine ("road map" of strategic trade development) for the period 2017–2021. As part of the survey, it was found that 73 respondents (50.3% of the total number of respondents) receive insufficient information about services to support exports and international trade, 52 (35.9%) do not receive, 20 (13.8%) – receive complete information on available state support. 94 companies (64.8%) do not receive information about opportunities to participate in international e-procurement, 40 (27.6%) are insufficiently informed, 11 (7.6%) have complete information. 46 respondents (44.2%) do not use export support services from state institutions, 37 (35.6%) mostly apply for information on participation in international exhibitions and fairs, for export consulting and participation in trade missions – 26 each

Table 2

**Characteristics of export of goods from Ukraine to the EU, Belarus and Georgia (million dollars)**

Names	years	EU	Belarus	Georgia
Total amount of export deliveries	2016	13496,3	903,2	390,8
	2017	17533,4	1142,9	420,9
	2018	20158,5	1304,5	480,0
<b>Groups of goods:</b>				
Products of agro-industrial complex and food industry	2016	4121,6	399,8	227,5
	2017	5648,8	489,2	238,4
	2018	6126,5	568,5	272,9
Products of the metallurgical complex	2016	3092,3	154,1	65,1
	2017	3751,8	189,3	79,6
	2018	4437,6	218,3	94,7
Mechanical engineering products	2016	2138,8	98,0	29,2
	2017	2685,3	123,9	30,2
	2018	3057,0	144,5	37,2
Products of the chemical industry	2016	460,4	77,2	28,7
	2017	575,2	115,0	35,4
	2018	767,1	133,4	40,1
Mineral products	2016	1453,3	41,1	14,0
	2017	2286,5	59,6	9,6
	2018	2704,3	54,0	3,3
Wood and paper	2016	878,4	45,4	13,0
	2017	944,0	57,7	11,9
	2018	1152,4	81,8	13,9
Light industry product	2016	810,4	29,0	1,9
	2017	902,7	31,8	1,9
	2018	1036,4	31,4	2,7
Various industrial products	2016	541,2	58,7	11,3
	2017	739,1	76,4	13,8
	2018	877,0	72,5	15,2

Source: [8].

(25%). Closes the rating of popularity of services - information on foreign markets, sector analytics, conditions of access to foreign markets, education for exporters [9].

**Conclusions.** Expanding the access to the EU market and the requirements to comply with European standards cause terrible competition in domestic markets, update legislation in line with European standards, contributes to the modernization of existing potential in various sectors of the economy. The realization of the Eastern Partnership project should promote the export of domestic goods to various world markets, expand the competitive powers of small and medium enterprises. We believe that it is necessary to make a rule in Ukraine at the state level (legislative and executive) that obliges the authorities

to develop export profiles of regions on a permanent basis. This will allow the state and local authorities to monitor and estimate the condition of exports, identify weaknesses, compare characteristics with other regions and improve their competitive advantages. Besides, it is necessary to make and implement regional programs of increasing exports of light industry (Ukrainian brands) and groups of various industrial products. To stimulate the export of products at the state level, it is necessary to improve the export support system by improving regulations, creating export profiles of regions, making institutional, financial, informational and communicational support, enrich the set of tools that can motivate entrepreneurs to the export and simplify such procedures etc.

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