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THE NATURE AND MAIN DIRECTIONS OF INTERNATIONAL STRATEGIC ECONOMIC PARTNERSHIP BETWEEN UKRAINE AND EU IN THE ALTERNATIVE ENERGY MARKET

INTRODUCTION

The development of world economy in the 21st century is influenced by a *number of contradictory factors*, which have a long-term character. The main among them are: globalization, lack of natural energy resources, leading to higher prices for them, and *strengthening of the uneven development of capitalism on a world scale*, which was manifested in the global financial and economic crises (2007-2009) and the regional European debt crisis (2010 – 2012 pp.).

First of all, functioning of both private companies and the nation state economies is influenced by globalization. It is the objective, irreversible "process of blurring boundaries of national economic systems as a result of objective processes of all forms of an effective capital reproduction. This leads to intensification of relations, a deep interpenetration, convergence of national economies and the formation of the global economic system" [7, p. 74]. In the context of globalization both business units and governments should use all available opportunities to find strategic partners and implementation of effective, mutually beneficial projects.

The second, the problem of an efficient usage of factors of production in general and usage of natural energy sources in particular is getting acute. According to the recent report of McKinsey Global Institute (Resource revolution: Meeting the world's energy, materials, food, and water needs): the world's human population has increased near fourfold (from 1.5 billion to 6 billion) in the past 100 years, there has been a twenty-fold increase in the global GDP over the last century (from \$2 trillion to \$41 trillion), that causes the growing global demand for natural resources (from 600% to 2000%). [4]. Attempts to meet the growing demand with proportional increase production requires additional annual investment of 3 trillion dollars, considering the growth of the global middle class (those who can spend 10-100 dollars per day PPP) from 1.8 billion to 4.8 billion in 2030.

The energetic crisis problem becomes more relevant. There are some serious reasons causing the crisis: shortage of natural energy sources, increasing oil and gas prices, the dependence of oil consuming countries on oil producing countries, the high cost budget for energy transportation, environmental pollution that causes climate change. In condition of such totality of facts all countries should find effective directions for saving their economic, financial, energetic security and ways for increasing their international competitiveness.

The third, permanent crises that occur not only in some sectors of global financial

and production systems but in some regions of the world - Southeast Asia (1997-1998), Argentina (2001-2002) United States (2007-2009), the debt crisis of the EU (2009-2012). These caused also the problem of finding an effective anti crisis measures and additional new factors of economic growth.

Among them are joint efforts by the EU and the International Monetary Fund *intended* to provide financial assistance to Ireland, Portugal and Greece to solve their debt problems (2010 - 2012). Studying the effects of the crises gives us a reason to believe that even highly developed national economy can not fully ensure the implementation of their national economic interests, and needs establishing of strategic partnerships with other countries and international organizations.

Ukraine is extremely vulnerable to crises that occur in global economy considering the degree of economic freedom and openness of the country. Especially acute is the need of energy policy changes, due to: reorientation in the geopolitical interests and strategic objectives of Ukraine's neighbors, especially Russia; domestic energy problems; demands to reform the energy companies and energy markets; the need to improve energy efficiency; shortage of funds for solving energy problems and the deterioration of access to investments during the economic crisis and others.

Benefits of an alternative energy sources usage will enable Ukraine to: reduce energy production from natural energy sources; increase energy efficiency of products; reduce greenhouse gas emissions; increase the technological improvement of production; create opportunities for economic growth through innovation and sustainable competitive energy policy; create the foundations aim to strengthen international relations by exporting alternative energy; improve the social cohesion and employment opportunities for people; provide legal protection for independent producers of energy; reduce its dependence on energy importers.

Therefore, the Ukraine's government should use new effective mechanisms to ensure the international competitiveness of the country and one of them is a strategic economic partnership between Ukraine and EU Members in the renewable energetics.

The concept of strategic partnership is well known as the subject of political, sociological, philosophical researches but today it *applies* particularly to economic researches. Various aspects of Ukraineian international strategic partnerships are analyzed in researches of A. Gritsenko, I. Zhovkva, S. Kononenko, E. Lisitsyna, B. Tarasyuk. Problems of international cooperation are explored in researches of such international scientists as H. Milner, G. Snyder, H. Halsti, G. Liski, D. Mitrani, J. Hekel. Issues of energy market development and energy security of Ukraine are examined by such scholars as P. Kapyhin, Makarov, V. Pisarev, V. Burlaka, M. earthen, I. Temnenko, O. Perfilova, O. Dykaryev, C. Apothecary, AP Dronov, E. Bobrov, Y. Budnychenko and many others. The effectiveness of renewable energy sources usage is actively analyzed and predicted also by scientists in the European Union (at the Energy Department of European Commission).

Despite the close attention to global problem of international strategic partnership, in the current economic literature the definition of *international strategic economic partnership* is not directly determined. Outstanding issue for the EU and Ukraine is building effective partnership concerning renewable energy sources usage.

DEVELOPMENT

There is a wide range of definitions of strategic partnership in the political economy literature. I. Zhovkva defines intergovernmental strategic partnerships as 'A special foreign policy tool of a country which coordinates the countries international relations. Interaction in the tools usage and the match of strategic national interests of two or more states in several areas lead to a special type of intergovernmental cooperation occurrence' [9, p. 6]. From the position of L. Chekalenko essence of strategic partnership relations revealed in the partner countries "that have similar values and common roots, national interests, which determine the need of dynamic growth of bilateral trade, deepen cooperation" [1].

Y. Sedlyar believes that strategic partnership characterizes "a higher level of trade and economic cooperation, different geopolitical interests, foreign mutual, positive dynamics and efficiency of public and political contacts, financial, industrial, military, scientific and cultural elites." [5, p. 5]. Ukrainian Center for Economic and Political Research summarised positions of leading politicians and experts on issues of foreign relations in such a definition: strategic partnership is the presence of an intergovernmental interaction that allows partners to achieve vital domestic and foreign policy goals "[8, p.22].

Scholars disagree on the definition of intergovernmental strategic partnership. From our point of view the development of this subject requires consideration of such concepts as strategy, partner, economic interest to the subject of international economic relations. Strategy is a general plan of action that involves achieving goals in the long term perspective *in all major socio-economic fields*. According to international economic relations the presence of strategy means having a plan of actions to achieve the goals of international cooperation in business or other long-run international economic relations.

Therefor the main characteristics of strategic partnership are:

- a clear goal of international economic relations;
- an efficient mechanism for achieving the goals;
- long-run relations
- identified business partners.

The idea of *partnership* between the subjects of international economics is not identical to the notion of cooperation, relationships. The partnership is a relationship between the subjects of international economics, which are based on clearly defined principles. International economic partnership also provides a clear definition of business partners and their economic interests. So we offer the following definition of international strategic economic partnership.

International strategic economic partnership is a form of international long-run relations between subjects of international economics based on clearly defined principles and aims to implement the economic interests of each partner through the formation of a joint strategy in targeted areas. In general mechanism for the formation and implementation of strategic economic partnership between the two countries includes 7 stages: 1) identification of priority areas of partnership, a comparative analysis of the market environment, identification of strengths and weaknesses of the partner countries; 2) determination of the principles and directions of economic partnership; 3) identification of strategic national interests; 4) the strategic goals formulation; 5) development of goals achieving strategy; 6) development of goals achieving programs; 7) an *assessment* of the *effectiveness* of goals achieving. [2]

Important features of international economic partnership are: transparency and economic reasonableness, stability, equality, mutual benefits and respect, long duration, efficiency.

The first stage of the mechanism considers the analysis of EU-Ukrainian cooperation in the alternative energy sector which includes:

- wind power
- solar power
- alternative hydropower
- geothermal energy
- biomass and biogas usage.

A comparative analysis of the market environment in Ukraine and EU is conducted to determine the strengths and weaknesses of partners.

Ukraine. To analyze the factors of alternative energy market development in Ukraine we must first analyze the strengths and weaknesses of energy sector operation in general (Table 1)

Table 1

Energy sector in Ukraine: strengths and weaknesses [3].

Strengths	Weaknesses
<ul style="list-style-type: none"> <input type="checkbox"/> sufficient coal and nuclear fuel components such as uranium and zirconium; <input type="checkbox"/> excess capacity for the gas transportation, oil and electricity exports; <input type="checkbox"/> favorable geographical and geopolitical location; <input type="checkbox"/> developed energy infrastructure; <input type="checkbox"/> highly skilled human resources 	<ul style="list-style-type: none"> <input type="checkbox"/> limitations of natural gas reserves, oil and nuclear fuel of domestic production; <input type="checkbox"/> lack of diversification of energy supply sources; <input type="checkbox"/> use of own water resources capacity; <input type="checkbox"/> human impacts on the environment; <input type="checkbox"/> unsatisfactory technical condition of power projects, including energy transportation systems

The main factors affecting the domestic alternative energy market are political, economic, natural and consumer behavior of industrial market subjects [6, p.98].

1. **Political risk and legal factors.** Price on imported oil and gas is set by the Government of Ukraine. That leads to growing energy dependence on energy-producing countries such as post-Soviet states. Without government support to producers is difficult to find development costs, product development costs, modernization of production costs

to be competitive in a global market. Moreover, the Ukrainian government does not apply any non-financial mechanisms to support producers of solar energy, for example, tax breaks or subsidies. There are also great problems with legislation in Ukraine, particularly with the "green" tariff, which provides development of alternative energy sources market. Due to set of data barriers payback period of solar energy systems in Ukraine is 20 years, while in Europe the term is not longer than 4-5 years.

2. **Economic factors.** The economic factors affecting the domestic alternative energy market are: unstable oil and gas prices, which tend to grow, the high cost of energy transporting, low solvency of the domestic market, low demand for alternative energy sources, low public awareness of this type of energy.

3. **Natural factors.** There is a lack of natural resources to cover energy demand in Ukraine. The problem of environmental pollution also leads to the alternative energy sources market development.

Exploring the dynamics of renewable energy sources development in Ukraine, we can conclude that the country is more prepared as a producer not the consumer. The complex of political and legal, economic and social factors make consumer and industrial markets in Ukraine not ready to switch the alternative energy sources.

EU members. On the *contrary*, the EU renewable energy market looks promising. Analysis of the entering the market factors concludes:

1. **Political risk and legal factors.** The legal framework in the EU member states in the field of alternative energy is formed, the European Parliament supports the market, there are clearly defined certification standards.

2. **Economic factors.** The main features for the EU market are growing prices for traditional energy sources, multimillion investments in renewable energy, significant market potential, the high gas and oil prices.

3. **Natural factors.** There are: lack of natural energy resources, environmental safety, favorable climatic conditions in the EU Member States.

4. **Scientific and technical factors.** The highly qualified specialists and innovations in the alternative energy sources sector are typical for EU members.

Comparative analysis of the Ukrainian and European markets determines the strengths and weaknesses of alternative energy sector (Table 2)

Table 2

Strengths and weaknesses of alternative energy sectors of Ukraine and EU

	Ukraine	EU Member States
Strengths	<ul style="list-style-type: none"> • A wide range of alternative energy sources. • F a v o r a b l e geographical location. • Significant latent demand for alternative energy 	<ul style="list-style-type: none"> • Dynamics of consumer demand. • Strong government support to renewable energy (RE) producers. • Available financial resources for RE consumption . • Cultural support factors to economical energy consumption.
Weaknesses	<ul style="list-style-type: none"> • Lack of potential consumers. • Weak technical capabilities. • I n c o n s i s t e n t regulation strategy in the energy sector. 	<ul style="list-style-type: none"> • Lack of equipment demand that inhibits falling prices. • Strong competition from foreign manufacturers of equipment for RE (USA, China).

The analysis of strengths and weaknesses of alternative energy sectors of Ukraine and EU determines the directions of international strategic economic partnership. The main of them are:

- 1) The transition from production biogas by Ukraine to more technologically sophisticated RES based on solar and hydropower;
- 2) the use of solar RES in Ukraine on the basis of technological innovations of the EU;
- 3) co-production of equipment for use of renewable energy sources

CONCLUSIONS AND RECOMMENDATIONS. The analysis of international economic strategic partnership between Ukraine and EU in the alternative energy market leads to the following conclusions. First, Ukraine and EU member states have considerable potential for establishing strategic economic partnership in the alternative energy market. Second, strategic economic partnership should be based on the use of objective mechanism of their formation, the first step is to identify priority sectors of partnership, a comparative analysis of the market environment and to identify strengths and weaknesses of the partnership sectors. Following the approach according to the alternative energy market made it possible to formulate the main directions of international strategic economic partnership in this sector.

Further study concerning problems of international strategic economic partnership in the renewable energy sector should focus on specific strategies development for the Partnership goals achieving.

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