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Economic Theory

Valeriy HEYETS

**MODERNIZATION IN THE SYSTEM
«SOCIELTY – STATE – ECONOMY»**

Abstract

All common and contradictory in society, state and economy on the way to modernization transformation is analyzed; concerning all mentioned above, the role of personal-human factor in its transformation is defined. The influence of globalization on county development in cooperation with world and national is revealed. The role of state in unity of society and personality, its capacity to organize and implement the process of recourses usage and knowledge accumulation in combination of moral and mind, what can't be avoid without effective state and public control over processes of modernization is grounded. The public mood towards some constituents of social system of Ukraine is analyzed.

Key words:

Modernization transformation, national states, postmodern model, public conciseness, knowledge, mind, moral, human capital, social state, degree of state presence, state and public control.

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(Continued from the previous issue)

Part 2.

The population about the social order and the role of government

However, after the beginning of the market oriented reforms, in order to minimize the transformation costs, it was supposed to create a social state with the developing under market democracy and freedoms civil institutions assuming the responsibility for the observance of social standards allowing to overcome the negative consequences of the upcoming individualization. Because that individualization, even despite the high educational level, often minimizes the moral values in the interaction between people, who, in terms of declarations, adhere to the liberal and democratic foundations of the social order, but, in reality, favor a strong and efficient state with high morale and educatedness, although, in practice, in many case, it is the paternalist states that usually emerge and often even with an oligarchic form of governance.

In the ongoing processes, a state, first of all a social one, ensures the functioning of the economic institutions within institutional framework rather than simply aids the bereaved. Thus, a social state, on the one hand, overcomes, to a certain degree, the inequality between people. Despite everything, with the domination of the neo-classical doctrine, the overall inequality increases because of the prevailing individualized and often immoral behavior. However, the state supports the interaction between different institutions, in whose stability both businessmen and other individuals are interested. Besides, the standards and rules of both businessmen and other individuals are observed within various formal and informal institutions including those reflecting the traditions and foundations of public life.

On that path, besides overcoming the poverty in order to «...reestablish the real wealth, it is necessary to elaborate different assessment criteria, which should be outside the global supermarket. We should remember the real currency of life is life itself»¹. And, as life goes on, in social and economic dimensions, due to the performance of functional duties, the state, in order to implement one or another scenario, should have characteristics of the social order to which the population is oriented, which should define the degree of the state's participation in people's conscious choice of desirable forms of governance.

¹ Above cited work by Vandana Shiva.

Table 1

Characteristic signs of the public order, to which Ukraine's population adhered in 2002–2013

№	Degree of state intervention	2002	2009		2012	2013	
			for	against		for	against
1.	State's intervention in economic management						
	• combining government management and market forces	46,1			42,4		
	• minimizing the government's Intervention	6,5			6,1		
	• return to central planning	29,3			33,4		
2.	I support the followers of						
	• socialism	27,5			22,9		
	• capitalism	12,1			8,9		
	• both without conflict	16,3			19,9		
	• neither	22,4			26,9		
3.	What do people fear most of all						
	• unemployment	73,0			79,4		
	• wage, pension arrears	64,7			65,8		
	• price rise	71,3			80,6		
4.	Public order						
	• insufficient	75,4			73,2		
	• sufficient	4,1			6,2		
5.	Law enforcement						
	• sufficient	70,8			71,8		
	• insufficient	5,2			6,1		
6.	Negative attitude to privatization of						
	• big enterprises	55,1			62,7		
	• small enterprises	21,4			31,1		
	• land privatization	27,0			55,8		
7.	State social guarantees for economically active population					77,7	13,6
	including:						
	• provide jobs for those wishing to work					80,9	10,5
	• provide decent living standards					67,3	21,8

№	Degree of state intervention	2002	2009		2012	2013	
			for	against		for	against
	• provide social privileges, aid, bonuses					80,9	10,5
	• provide proper care for working parents' children					73,2	17,9
	• provide interests of the disabled in social life					86,0	7,2
8.	Equal opportunities for all citizens:						
	• based on legal equality, equal rights					74,0	–
9.	Education:						
	• on paid basis					7,2	78,1
	• available high quality high education for all citizens					77,4	13,7
10.	Full state support of health care					72,1	1,0
11.	Government measures to reduce income difference		88,0	3,8			
12.	Government should provide jobs for all wishing to work		60,5	0,9			
13.	For society to be just, difference in living standards should be insignificant		67,8	7,2			
14.	State should regulate income stratification		56,0	20,4			
15.	State should be more active in taking the excessive wealth from the rich to distribute it among the poor		40,6	31,1			
16.	Ukraine rather lacks a strong hand		59,0%	26,0% (of democracy)			

Sources: Ukrainian society 1992–2012. (Ukrainian) – Kyiv: Institute of Sociology, NAS of Ukraine, Kyiv, 2012. – Pp. 530, 531, 533, 591, 594 (items 1–6); Main supports of social policy in the opinion of Ukraine's population (Ukrainian). Oleksandr Yaremenko. Ukrainian Institute of Sociological Research. 8.VIII.2013. – P. 8 (items 7–8); Website of the Razumkov Center. – <http://razumkov.org.ua/ukr> (item 9); European social investigation (Ukrainian). – <http://lss.nsd.nib.nuo> (<http://www.ess-ru.ru/index.php?id=334>) (items 10–11); Main supports of social policy in the opinion of Ukraine's population (Ukrainian): Oleksandr Yaremenko Ukrainian Institute of Sociological Research. 8.VIII.2013. – P. 5 (items 12–15); Some theses on value references of Ukrainian people. (Ukrainian) Sociological Group. May Rating, 2013 (item 16).

Table 1 shows the change of the choice, by Ukraine's population, of the degree of the state's intervention, which is the result of the reforms that have taken place in this country during more than 20 recent years and that made certain changes, first of all, in social order and economic environment.

To answer the asked question, we gathered some data on the people's assessment of the state's participation in economic management and socially significant processes. If we consider the three components related to economic management, then, 46% respondents in 2002 and 42% in 2012 favored the combination of government intervention and market forces, while only 6% voted for the minimization of government intervention. 33% of respondents were ready to return to central planning in 2012, while, in 2002, the corresponding figure was 29%. Thus, almost 76% favored and continue to favor large scale government participation in economic management, though without excluding certain market mechanisms.

Now about the support of different degrees of government's participation in social life: the share of the supporters of socialism declined from 27% to almost 23%, and those of capitalism declined from 12% to 8,9%; while the share of supporting both but without conflicts grew from 16% to 20%, and those supporting neither – from 22% to 26%. Actually, almost one third of the respondents wish a new model of social order, among whom the supporters of capitalism are very few. And that is clear, because capital often accumulates illegally leading to both moral and legal illegitimacy. That has led to a considerable stratification of the population both in Ukraine and in the whole world. Those supporting the high degree of government participation in social order are over one fourth, which suggests that the state bears responsibility both for the current development and for further changes. Then let us consider what people fear most of all. It is, first of all, unemployment. The share of such people is on the rise (about 80% in 2012). Then follow the wage arrears (almost 66% in the same year); in 2013, that share may be even higher because of the massive wage arrears, which is important for those fearing price rises (whose share is over 80%).

Unemployment is one of the biggest macroeconomic problems, for which the state should be responsible even in a market economy (as pointed out by the respondents in Ukraine). The answers to the other questions on the state's role suggest that people would like the government to control the prices and wage payment. In 2012, almost 73% voted for the government's responsibility for public order, and 76% voted for strict law enforcement, which should be undoubtedly considered a direct state's function.

The state has been implementing and continues to implement privatization, which is negatively evaluated by the population. Thus, 63% of respondents voted against the privatization of big enterprises, 31% against that of small enterprises, and 53% vote against land privatization. According to data of a sociologic monitoring carried out by the Institute of Sociology of NAS of Ukraine, in

2013, 60% favored return of big private enterprises to state property, and 60,8% were in favor of renationalization of private land (those opposing constituted 6,4% and 20.3% respectively)². That means that, in this sphere too, the state has been acting extremely negatively, though it does actively participate in the corresponding processes (by promoting, initiating and implementing the illegitimate process of appropriation and allows legal nihilism as regard direct embezzlement of property and resources). As a consequence, the economic crisis periodically aggravates in Ukraine, and, what is especially important, a deep political crisis is taking place provoking the deepening of the social contradictions and even upheavals. State social guarantees are favored even by those economically active and employed and by those who wish to work: 81% are in favor and 10% are against (the author could not find any data earlier than those of the above mentioned 2013 poll). And such results are registered after more than 20 years of market oriented reforms.

Analyzing the data of Table 1, we can see that people consider that state should be responsible for:

- Acceptable living standards (67%);
- Provision of social privileges, aid, bonuses (81%);
- Proper care of the children of the working parents (73%);
- Interests of the disabled (86%);
- Equal opportunities for all people based on their equality before the law (74%).

The state has initiated the introduction of paid education. As a result, today 78% are against it, while 77% favor the availability of high quality public education. 72% favor completely public health care (only 1% is against).

As regards the degree of state intervention in the income distribution, 88% favor the government's measures against income differentiation.

The state's duty to provide jobs for all wishing it is supported by 61% with 0,9% against. 68% of respondents consider that, in order for the society to be just, the differentiation of living standards should be insignificant. 56% favor the government's regulation of income differentiation (with 20% against), and 40% favor such regulation by means of depriving the rich with part of their incomes for the benefit of the poor.

And, finally, 59% consider that Ukraine lacks a strong hand, and only 26% consider that the country lacks democracy.

² Ukrainian Society 1992–2013. Condition and Dynamics of Change: Sociological Monitoring; Institute of Sociology (Ukrainian), NAS of Ukraine. – Kyiv, 2013. – P. 454.

Let us quote the results of other research, but in somewhat different aspect. If we consider the process of necessary transformation of the state and socio-economic order, then we deal with the modernization of the state. Also needed are the modernization of the economy and social sphere, because otherwise one can expect chaos (probably with violence) in economic and social life. Because the extremely high people's demands from the state and its institutions, on the one hand, and, on the other hand, the low level of trust on the part of the same society are confirmed with the results of a sociological monitoring carried out by the Institute of Sociology of NAS of Ukraine: in 2013, the level of trust to the President of Ukraine declined to 10,9%, with the level of distrust at 66,9%, the trust to the Verkhovna Rada to 4,6% with distrust at 76,6%, and trust to the Government of Ukraine to 8,1% with mistrust at 72%³. As regards the courts, according to the results of the same monitoring, only 4% of respondents consider that they serve for Ukraine's citizens, and 55,5% suppose they serve to anybody who pays⁴. The above stated clearly calls for change in the model of state organization by way of its modernization.

As regards modernization, let us dwell upon the works by Chinese social scientists, in particular, those investigating the processes of modernization, including state modernization, which have taken place in many countries during the recent two hundred years.

Much in the state modernization is determined by economic reforms, which is quite understandable. Here the primary modernization is related to industrialization (see Table 2).

There exist a few characteristic indicators and criteria used by the authors as signal indicators, among them is the ratio of agricultural value added to gross domestic product. In the industrial countries, it is greater or equal to 5% and less or equal to 11%. In this relation, Ukraine's indicators are characteristic for the industrial countries in prosperity phase, although it is clearly not the case with the modern Ukraine. At the same time, in 2006, the above mentioned ratio amounted to 8,6%, and in 2011 to 9,5%, which, to a certain degree, testifies about the presence of de-industrialization instead of re-industrialization, the demand for which, in the world is growing even among the developed countries, and such countries as USA and Great Britain, as well as other EU countries have already begun its implementation. The developments in Ukraine are the result of the transformation processes whose initiator was the Ukrainian state. People's attitude to those processes is negative. According to the polls, the developments in Ukraine are going in the wrong direction, and the Ukrainian society is rather characterized by disorder (49,6% of respondents), poverty (35,7%), devastation

³ Ukrainian Society 1992–2013. Condition and Dynamics of Change: Sociological Monitoring; Institute of Sociology (Ukrainian), NAS of Ukraine. – Kyiv, 2013. – P. 481–482.

⁴ Ibid. – P. 454.

(32,8%), opposition (25,0%), and deadlock (22,9%), than by upturn (only 2,6%), accomplishment (2,3%), wealth (5,2%), cohesion (3,8%), and freedom (5,7%)⁵.

Table 2

Relationship of classification standards and values of the signal indicators of primary modernization in Ukraine and in the industrial countries with 200-year economic history of modernization, %

Indicator	Ratio of agricultural value added to GDP		
	Industrial Countries	Ukraine	
		2006	2011
Prosperity phase	$\geq 5, \leq 11$	8,7	9,5
	Ratio of agricultural employment to total		
Development phase	≥ 15 ≥ 30	17,5	16,7*

*Less additional agricultural employment involving about 1,4 workers.

Source: Data about classification standards and values of the signal indicators of primary modernization in the industrial countries are given according to: «Overview report about modernization in the world and in China (2001–2010) edited by He Chuantsi Peking University PRESS, 2010. – P. 61.

The ratio of employed in agriculture to total in the development phase, in the industrial countries, amounts to over 15% and less than 30%, while in Ukraine it was 17,5% in 2006, and 16,7% in 2011. But those figures do not include additional agrarian employment whose expert estimate is 1,4 mln workers. Additional agrarian employment is part time agrarian employment. With the later component, the above mentioned ratio is over 17%. That means that, despite some signs of industrial transformations, Ukraine's village is, according to V. Vasiutinskyi, a cell of poverty culture, because it is characterized by very sad phenomena, which are not so economic as psychological: the rural youth do not see any bright future, they cannot obtain profession, do not care about their own health, spend the bulk of their efforts on survival, escape from the uninteresting reality to alcohol and drug addiction, and almost nobody hopes for the creation of favorable conditions for them to earn decent wages, and the state does not en-

⁵ Ukrainian Society 1992–2013. Condition and Dynamics of Change: Sociological Monitoring; Institute of Sociology (Ukrainian), NAS of Ukraine. – Kyiv, 2013. – P. 527.

sure any economic and political conditions for the development of small and medium business.

As regards the qualitative indicators of the modernization of Ukraine's economy, the available data testify that the share of gross value added has declined from 27,7% to 21,8%, which, against the background of the growth of the share of agrarian value added, gives grounds for a negative conclusion about a certain comeback to agrarian activities, which inevitably hinders the post-industrial modernization.

Besides, according to the poll conducted in 2013, the system of values implemented in Ukraine during the years of independence (consisting of such values as private property, enrichment, individualism and aspiration to personal success) is rejected by 48,0% of respondents and supported by only 26,0%. At the same time, 76,8% of respondents consider that such values as social equality, collectivism, mutual aid, and state support are no longer actual, and 73,1% consider that the modern Ukrainian society is unfair, and the opinion that Ukraine never became a social state is shared by 60,4% of respondents, although, in the beginning of the reforms, it was exactly that guideline that was proclaimed⁶. In sum, we can argue that, due to the changes in the Ukrainian society and economy, an abandonment of the Soviet system of economic organization and corresponding values has taken place without any massive reception of the new values in the social life against the background of the degradation of the industrial level of development (while the world is moving towards the post-modern changes in the society and economy).

As regards the so called secondary or post-industrial modernization, here in Ukraine a few negative tendencies are observed. The share of expenditures on R&D in total GDP has fallen almost by 19% and now constitutes only 21% of the globally accepted level (3,5%), i.e. 0,76% of GDP. During that period, the share of scientists and engineers engaged in R&D per 10000 people declined to 10%. The number of patent applications per 1 million people declined almost by 24%. The signs of secondary modernization are taken as an indicator from the investigations by Chinese scientists. The above mentioned figures apply to the accumulation of knowledge, while, as regards the promotion of knowledge (making it everyday knowledge), the situation has somewhat improved. The share of the population receiving high education in the age of 22–24 years has grown by 6,8%, and the share of those receiving secondary education in the age of 10–14 years grew by 4%. In the age group of 15–16 years, the share of those receiving secondary education remains unchanged. The number of internet users per 100 people has grown 7,7 fold. Besides, such an indicator as average life expectancy from birth has grown by 4,5%, child mortality has reduced by 23%, number of doctors per 10000 people has declined by 1%, and the rate of growth of the

⁶ Ukrainian Society 1992–2013. Condition and Dynamics of Change: Sociological Monitoring; Institute of Sociology (Ukrainian), NAS of Ukraine. – Kyiv, 2013. – P. 529–532.

urban population has increased by 1,2%. As we can see, the overall situation is quite contradictory, which makes us think about the following: in terms of the accumulation of new knowledge and expenditures on its propagation, we are at an extremely low level, while, in terms of knowledge transfer and borrowing, there is a seemingly positive process of secondary modernization, though based on the policy of borrowing. In this relation, one should answer the question how, based on J. Mill's postulate, the state should behave in case of a proposal of the change of its model. The answer is that it should be moral, which to a great degree is identical to its high sociality (that we have not attained) and enlighten and capable to independently (without borrowing) solve the tasks of modernization in social and economic dimensions.

The state, in the process of self-abnegation of capital and its conversion in social human capital (which was discussed above), socializes together with the capital performing and expanding its function of the creation of common interest as a contradiction (and addition) to the private interest represented by capital. Without that basic process, the state's «educatedness» becomes abstract.

State is an institutional incarnation of will, and intelligence and educatedness are institutionalized in universities and academies etc. Union of will, educatedness and intelligence is the problem of the interaction in the triangle: market (capital) institutions – educational and research centers – state institutions. Here, the state should perform its specific function of the supply of common interest consisting in the creation of institutional conditions for harnessing the synergic potential of education and capital. Also, it can act as an agent responsible for the supply of knowledge as a public good, although knowledge itself is more common (individual, collective and public) good. In certain institutional conditions, education may be predominantly private and function efficiently and ensure the development of individuals and society. The definition of such conditions depends on the concrete mechanisms of the interaction between the elements of the above mentioned triangle, but the responsibility for the support of such a mechanism lies, first of all, on the state, which institutionally conditions the interaction between the elements and, in so doing, participates in the process of the accumulation of knowledge and conversion of its creativeness into an everyday boon of all the members of the society.

Ukraine's economy belongs to the group of the so called transition economies or emerging markets. That is a result of the change in the approaches to social order as an object of so called space expansion of the capitalism, which is a result of social developments based on the capitalist relations.

In the basis of the spacious expansion of capitalism, if it has a sound origin, as F. Fukuyama argues, there should be enough social capital whose accumulation was discussed above. Besides, in order to carry out the corresponding social acts, one should eventually have a ready social technology, which, in accordance with I. Kosavin's definition, represents certain activities of organization-

and-managerial and socio-project character based on scientific knowledge with whose help it is possible to ensure necessary transformations.

As a result, the conscious social action as a social technology consciously offered by the state should rely on people's creative work oriented to societal development. However, the attempts to introduce, on the part of the state, social technologies in order to change Ukraine's social and political order, appeared to be, as we already mentioned, such that led to a real change of certain characteristic features of social life while failed to change others. As suggested by the results of the sociological poll shown in Table 1, people's demand for Ukraine's social order is very specific and has a clear tendency to a considerable increase in the state's role in many spheres. That means that this country lacks social capital to ensure a rational organizational activities of the business toward, on the one hand, minimization of corruption and peculation, and on the other hand, revival of people's individual activities with a simultaneous increase in the responsibility for obtained results. Without that, as data show, there appear to be very few chances for positive and stable development. In social technology, as I. Kosavin further suggests, a principal place is occupied by scientific knowledge, and namely the humanitarian scientific knowledge, which is instrumental in the creation of moral foundations of a single person, society and state. In our opinion, endogenous scientific achievements appeared to be few, and those exogenous were not welcome and were mostly implemented in a distorted way, which led to the emergence of the oligarchy with all ensuing consequences.

On the whole, the above mentioned means that, for success and stability of the modern capital and its socialization, it is necessary to build, in its model, a possibility of the creation of a new social reality oriented to the increase in the production's value added with the use innovative technologies and socialized results of labor based on moral foundations and on knowledge accumulation (because knowledge as a whole and humanitarian knowledge and social technologies all raise the productive force of labor). Thanks to the corresponding social technologies based, first of all, on humanitarian scientific knowledge, the interaction between man and production raises social (human) capital able to successfully capitalize people's creative activities. Without that, it is useless to dream of a sound capitalist expansion whose necessity is pointed out by F. Fukuyama.

The debate what the creative power of human mind can and cannot realize in the sphere of innovations, which are used in human activities, as a rule, is reduced to the argument that intellectual activities are limited to the possibilities of reproduction, and the rest is product of the market, hence intellectual activities, as having a creative component, should produce something new, which is not known so far.⁷ As it turned out, without intellectual creative activities, a market

⁷ Nogaev I. Economic Pragmatism Disproves F. Hayek's Conception of «Dispersed Knowledge» (Russian) // SShA. Kanada. Ekonomika. Politika. Kultura. – 2013. – No 9. – P. 38–50.

implemented on the basis of the borrowing technologies reproduces its properties in the worst way, which is illustrated by the fact that the endogenous creative abilities in individual countries were clearly insufficient and had no chance to become everyday boons, i. e. such that people would massively use them.

Theoretical analysis and long practical experience has proved the correctness of the attitude that human mind's activities make it possible to create additional productive force of the labor, while the possibilities of market itself are quite limited, especially during crises that have an immanent property to periodically emerge. In the context of the above mentioned discussion, let us pay attention to the fact that an important detail is usually missed. As D. Hume argues, «moral rules are not a consequence of our mind»⁸. The key point in that statement are the words «are not a consequence of our mind» eventually suggesting that the human inventions belong to the manifestations of the «creative origins» of the competing market forces.

But let us leave for a while that part of D. Hume's statement and dwell upon its other part, in particular, the «moral rules». Moral rules are far from being a sensation i.e. a product of the corresponding human sensation organs, because they can and should be treated in the context of the so called doubled character of social life, in which, according to M. Crozier's interpretation⁹, social regulation, i.e. moral rules expressing the society's thought, are only represented through the fulfilment of the requirements established by written, unwritten or habitual rules and individualized elements of free enterprise, which are realized based on deregulation. The latter, according to Kohlberg's hypothesis, which is used in psychology, makes it possible for an adult man to base his moral standards on the principles that he himself considers and adopts as directly (independently of the society's opinion) significant. In M. Crozier's opinion, social and individual elements complement each other and have different relative significance at different stages of development¹⁰.

Based on such an interpretation of social and individual elements, «moral rules» simultaneously have internal individual measurement and external (relative to the individual) public (social) one, which, however, is an internal one relative to the society as a whole, where moral rules are defined not only based on the sensations received by man from his sensation organs, but also based on social rules and traditions, which are the result of the accumulated knowledge.

On the whole, it is arguable that, thanks to independent perception of moral standards and rules based on the available knowledge, the principles of its consideration and perception and certain abilities realized in virtue of mind's creative capacities, every man creates standards and rules, which are not gen-

⁸ Hume D. Works in 2 Volumes (Russian). – Vol. 1. – Moscow : Mysl, 1965. – P. 604.

⁹ Crozier M. Modern State is A Modest State. Another Strategy of Measurement (Russian) // Svobodnaya Mysl. – 1993. – No11. – P. 35-43.

¹⁰ BRITANIKA. Table Encyclopedia (Russian). – Vol. 2. – Moscow : ACT, 2006. – P. 1236.

eral and averaged, but individual and special, thanks to which man is a personality having the ability to carry out activities resulting in the accumulation of new knowledge.

Based on the fact that man's conscious activities in the society relies, on the one hand, on the laws of biological interaction with the environment, and, on the other hand, on moral and ethical standards of social life (which is a result of the action of corresponding laws created by man's intelligence in the course of the organization of people's co-existence), in not so remote future, it will become real to shape self-developing and self-shaping individuals able to new «productive» life independently of the existing laws of human life. Thus it will become possible to obtain a new quality in post-human society meaning that, in the course of modernization, the society may produce a brand new organization of its activities. In case of an uncontrolled transformation of the existing society, mankind is exposed to withering away of the past communities and emergence of new ones having unusual capacities, which threatens man and his genetic code.

The modern science has attained the limit values opening the possibilities to change the existing biological borders and open and define new ones, which could lead to «...incredible socially significant ruptures».¹¹ All that is going on against the background of the well-known attitudes that science, generating the knowledge about nature and society, allegedly develops out of any regulation and does not need any external intervention, because its progress is determined by certain ethical standards of the scientists» behavior based on self-control and fight against pseudoscience and refusal from the use of scientific results beyond the humanistic ideas of the conservation and development of society and individual. The history of the generation of new knowledge and possible consequences of its use knows a lot of such refusals from certain researches for the sake of humanist ideas, conservation of man and his environment. At the same time, the great scale of the impact of fundamental discoveries has very often caused government's and society's control over research activities. That is even more urgent now, when science has deeply penetrated in the understanding of the world making it possible to change man by altering his psychological «ego». The threat of chemical, biological and radiological weapons and terrorism, have made individual countries introduce corresponding behavior codes (for example, USA in 2010). There are many other similar initiatives around the world. However, the problems of control over scientific projects of double destination despite the common recognition of the global importance of the corresponding threats, remain unsolved, and the investigations have reached the level allowing to create new forms of life producing species able to self-reproduction. That is why here it is impossible to do without efficient government and public control. That is another argument in favor of efficient state participation in possible post-industrial

¹¹ Ronald Nobull. How to Keep Science in Firm Hands (Russian) // Rossiya v global'noy politike. – 2013. – Vol. 11. – No 6. – P.160. (reprinted from journal Foreign Affairs, No 6, 2013).

transformation of economy and society based on new scientific discoveries. In the process, the state itself should undergo modernization under the influence of those very innovative industrial and social technologies, which have been developed in the course of endogenously organized scientific activities, and which are able not only to reproduce other people's experience, but also to create new knowledge.

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International Economics

R. Boyd JOHNSON

**CULTURAL INTELLIGENCE
IN UKRAINE**

Abstract

The process of globalization provokes the continuous rise of cultural intelligence (CQ). Article is based on the findings of the CQS research conducted in Ukraine (2012–2013). The research was conducted in three phases. Phase I included the translation and adaptation of the scale to the audience with the use of two focus groups that consisted of 17 respondents. Phase II was about the testing of cultural intelligence scale for larger audiences in Ukraine using the translated scale from Phase I for 300 students. Phase III – The implementation of the Cultural Intelligence Scale (CQS) to approximately 1800 individuals throughout the country. Instrument was translated into Ukrainian and Russian; validity testing was conducted during pilot phase, country-wide CQ of Ukrainians was measured. The research findings made a considerable contribution to the understanding of cultural intelligence in non-American settings.

Key words:

Cross-cultural communication, cultural intelligence (CQ), cross-cultural interaction, Cultural Intelligence Scale (CQS), transferability.

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Introduction

As the world becomes increasing borderless, the need for cultural intelligence continues to rise. A particular interest in this regard is the former Soviet Republic of Ukraine, a country which is undergoing a major transition from a communist regime to a new form of democratic and capitalist leadership. In 1991 Ukraine achieved independence with the dissolution of the USSR; however, with a weak understanding of democratic political systems, true independence did not exist (Subtelny, 2009). Even after the fall of the Soviet system, Ukrainians faced corruption at all levels of society and began to question the values previously held in the country, leading to the so called «Orange Revolution» in 2004. More drastic social and political changes took place in Ukraine during Euromaidan (December 2013) and Crimean Crisis (February 2014). Crimean peninsular was annexed by Russia after military invasion and Ukraine signed political part of the European Union Agreement. Social, economical and cultural pattern of Ukraine is changing. Thus, there is a need to research the concept of «cultural intelligence» as it relates to the current context in Ukraine.

Cultural Intelligence in Ukraine

The concept of cultural competence, which is understood as a derivative of cultural education/awareness and cultural sensitivity, is widely used by Ukrainian sociologists who have used it to explain intercultural communication and the population's cultural participation. However, the concept of cultural intelligence is a new field of study in Ukraine. Despite cultural intelligence studies have been conducted in many countries, there are few studies which examine cultural intelligence in former Soviet controlled countries. Delving further into existing literature and research, at this point the researchers have found no literature as it relates to cultural intelligence being studied in Ukraine. This research is the first time that the cultural intelligence scale has been used in sociological research in Ukraine.

This research will add study of an important recently independent geographic region to the literature of CQ. The link to practice is extremely important because Ukraine is a country which has been under authoritarian rule for hundreds of years. The nation is now moving into a global arena where cultural skills and intelligence are essential. Therefore the entire conceptual framework of CQ is a new and intriguing area of study for this country.

Theoretical Background

Many researchers assume that the use of instruments can be used cross-culturally, regardless of where they are developed. Even instruments that have been validated in multiple countries are used outside of the validated study region and often transferability to these other regions is not considered. In reviewing the literature, many cross-cultural studies assume a static reality. This includes Hofstede's values dimensions. However, other literature asserts that cultures are dynamic, fluid and ever-changing. For example, Goh (2009) suggested that concepts and theories are only transferable where cultural norms and values are similar. Understanding the meaning of concepts, ideas, and words will lead to a better understanding of cross-cultural acceptance and worldviews. To narrow the gap of Western assessments being used in Eastern cultures, this study is seeking through qualitative and quantitative research to determine what language must be used to ensure these (Barnes J., Buko S., Johnson B., Kostenko N., 2012).

Cultural intelligence was first introduced in 2003 and is defined as «an individual's capability to function and manage effectively in culturally diverse settings» (Ang & Van Dyne, 2008, p. 3). The CQS was developed to test and validate Earley and Ang's (2003) conceptualization of cultural intelligence, which is based upon Sternberg's multiple loci of intelligences. The CQS measures four primary factors which represent distinct CQ capabilities: CQ-Drive, CQ-Knowledge, CQ-Strategy, and CQ-Action. It is a 20-item, Four Factor Scale.

Ang et al. (2007) asserted CQ examines particular spheres in intercultural settings. This multidimensional construct includes four dimensions of cultural intelligence: (a) cognitive – «an individual's cultural knowledge of norms, practices, and conventions in different cultural settings» (Van Dyne et al., 2008, p. 16), (b) metacognitive – «an individual's cultural consciousness and awareness during interactions with those from different cultural backgrounds» (Van Dyne et al., 2008, p. 16), (c) motivational – «an individual's capability to direct attention and energy toward cultural differences» (Van Dyne, et al., 2008, p. 16), and (d) behavioral – «an individual's capability to exhibit appropriate verbal and nonverbal actions when interacting with people from different cultural backgrounds» (Van Dyne, et al., 2008, p. 16).

Cultural intelligence is vital for any individual interacting with a diverse population. Cultural intelligence «is needed to manage the stress of culture shock and the consequent frustration and confusion that typically result from clashes of cultural differences» (Joo-seng, 2004, p. 19). As former Soviet-ruled countries have opened their borders to Asia, Western Europe, and the US, assessments used to prepare in-country nationals and expatriates must be transferable across cultures. Ukrainian CQS adaptation research project started in summer 2012 as

joint US-Ukraine Project of Dr Boyd Johnson and Dr Joanne Barnes of Department of Organizational Leadership at Indiana Wesleyan University (Indiana, USA) and Institute of Sociology, National Academy of Sciences of Ukraine (Kyiv, Ukraine). Cross-cultural interaction and processes were basically not reflected and analyzed in Ukraine through the lenses, terms and definitions of «cultural intelligence». At the same time «cultural competence» concept which is understood as a derivative of «cultural education/awareness» and «cultural sensitivity», is widely used by Ukrainians sociologists (Ruchka, Kostenko, 2002, 2008, 2010).

Research Project Overview

The research in Ukraine was conducted in three phases: Phase I – Translation and adaptation of the scale to the audience using two focus groups (17 respondents). Ukrainian sociologists followed up with the pilot test results with Phase II (fall 2012/winter 2013): testing of cultural intelligence scale for larger audiences in Ukraine using translated scale for 300 students. Phase III – The administration of the CQS to approximately 1800 individuals throughout the country, including its every region.

The general objectives of the three phases were: 1) to describe general scale perception based on participants' reaction to questionnaire and further discussion within Ukrainian audience sample; 2) to identify understanding and perception barriers of the scale questions of Ukrainian participants; detect characteristics of their attitudes towards cross-cultural interaction; 3) test understanding of the translated scale among pilot population of students 4) measure cultural intelligence of Ukrainians via national wide monitoring survey (Monitoring Ukrainy's'kogo Suspil'stva).

Relevance

Ukrainian society is undergoing major changes due to political and social restructuring in the light of Euromaidan Events and Crimean Crisis 2014. Signing the Ukraine–European Union Association Agreement will allow the country to have a closer cooperation with EU as a strategic political partner. Thus, both parties will become committed to work together on the issues of the legislation policy convergence. Taking into the consideration the political situation in the country with regards to occupation and annexation of Crimea by Russia, the EU relations are to be beneficial regarding the modernization of the country. Open borders with European Union will lead to more exposure, cross-cultural communication and more frequent interaction with other cultures.

Research Method (Phase One)

The Phase One as the initial research began with focus groups discussions research method. The method helped to define participants' understanding of cross-cultural interaction issues as well as their interpretations of the CQS questions, participants were able to base their answers on their personal assessments as well as the dominant culture's standards and patterns; and the discussions partially shaped the flow of cross-cultural interaction. After the preparatory stage of the research instrument adaptation, two different focus groups were conducted. Participants were members of the general public representatives (GP) and leaders (L), who work in different non-governmental organizations. An important consideration in this research was the so called «language law», which was a major debate in the Ukrainian Parliament around the time of the focus groups. The data (17 questionnaires) were processed by SPSS. Correspondence analysis was used as a tool for data grouping, and the results were used to formulate hypotheses.

Research Method (Phase Two)

Phase Two involved a pilot test with 341 students from Taras Shevchenko National University in Kyiv, Ukraine. These included students from the first to fifth year of studies, in a wide range of degree programs, with 96 males and 245 females. Both versions (Russian and Ukrainian) were randomly distributed, as all the students spoke both languages fluently. In this pilot test additional data was also of interest: thus three hypotheses about relations between CQ and selected external concepts were tested. H1: International experience will positively relate to met cognitive CQ, motivational CQ, and behavioral CQ. The pilot group was asked various questions regarding travelling or living abroad, whether they have any friends who moved from Ukraine abroad and the means and frequency of communication with them. To obtain an International Experience Index, the answers to the questions above (0 – no, 1 – yes) were tabulated (Cronbach's Alpha = 0.6), and the cumulative International Experience Index was calculated with the five scores.

Research Method (Phase Three)

Phase Three of the research involved the administration of the CQS to approximately 1800 individuals throughout Ukraine, including every region of the country. A wide sample of occupations, income levels and educational attainment was used. As in the pilot study, the instrument was used in both Ukrainian and Russian, as appropriate for the region and selected by the participants. Additional demographic information was gathered as well. The research was done as part of an annual sociological review carried out by the Institute of Sociology of the National Academy of Sciences of Ukraine.

Findings

Phase One

According to the respondents' CQS answers, three domains emerged, linked to different intercultural communication styles. The domains were labeled pragmatic and behavioral style, projective, and value and cultural. The Pragmatic and Behavioral style domain is grounded primarily in the behavioral questions from the CQS; The Projective domain is grounded primarily in the cognitive and motivational questions from the CQS; and the Value and Cultural domain is primarily grounded in the metacognitive questions from the CQS. Of particular interest, the projective domain appeared to demonstrate a high degree of cognitive behavior. In contrast, the value and cultural domain appeared to have a lower association with metacognitive behavior (Buko, Johnson, 2013).

The respondents in both groups more often identified the guidelines for intercultural interaction in terms of understanding, tolerance, personal development; the «leaders» emphasized more often the role of knowledge and interaction while «the general public» emphasized respect toward other cultures». The majority of respondents agreed that knowledge and skills in the intercultural interaction should be referred as cultural awareness/conscience, taking into consideration the cognitive and emotional aspects.

Phase Two

Almost all the students answered that they speak at least one foreign language at a level sufficient for communication. But the difference of CQ across groups of students who speak and do not speak a foreign language was statistically significant. Although there do not appear to be studies on the correlation of CQ and xenophobia, it is of interest to see if a high level of xenophobia is indeed linked to a low level of CQ.

In testing the hypotheses the set of predictors was statistically insignificant. For example, the results that support Hypothesis H1 are as follows: international experience positively relates to metacognitive CQ, motivational CQ, and behavioral CQ. International experience is the significant predictor for all four dimensions of CQ and for CQ in general; it positively relates to all four dimensions of CQ and to CQ in general.

At the same time, the results also support Hypothesis H2: Language skills (if one speaks a foreign language) positively relates to cognitive CQ. Language skills act as a significant predictor for Cognitive CQ which positively relates to Cognitive CQ. Moreover, Language skills are seen as a significant predictor for Metacognitive CQ and Motivational CQ and for CQ in general. However, the re-

sults do not support Hypothesis H3: The level of xenophobia negatively relates to CQ in general. The level of xenophobia (measured on the basis of the Bogardus scale) is not a significant predictor of CQ in general and of CQ separate dimensions.

Phase Three

Overall, the lowest scores that were found in Cognitive CQ suggest that the respondents disagreed that they knew about other's legal / economic systems; language rules; cultural values; marriage systems; art; and non-verbal rules (41% – 52%). The aforementioned results could be interpreted because of the historical isolation of the Kiev-Russ empire and the Soviet Union, as well as the lack of accessibility to other cultures (i.e. travel outside the country was/is restricted).

The lowest scores that were found in Metacognitive CQ suggest that over 30% of the total respondents did not feel they were conscious of their cultural knowledge, did not adjust or apply this in interacting with other cultures, and didn't check the accuracy of their cultural knowledge in dealing with different cultures. Possible interpretation of these results is as follows: 1) the invasion by other surrounding countries has lessened the desire to develop strategies to relate these cultures to protect their own culture; and 2) the move from ethnocentric to ethnorelative is not as evident.

In Motivational CQ, there were fewer respondents on the ends of the scale, except for «I enjoy living in cultures that are unfamiliar to me» where 43% strongly disagreed or disagreed. And in the Behavioral CQ, many (about a third) disagreed that they changed their verbal behavior, rate of speaking, non-verbal behavior or facial expressions when in a cross-cultural situation. These results can be explained by the lack of direct exposure to other cultures, and there have not been many opportunities for building relationships, which may result in a lack of trust.

A more detailed review of five demographic variables (gender, age, education, language, and region of residence within Ukraine) tested against the 20 CQS questions resulted in several findings. One clear discovery in cross tabulation of the results revealed that gender differences were not statistically significant. Both men and women answered all the questions in relatively similar ways. Although there were some variations in the numbers that chose different options on the scales for each question (most notable in the responses to the statement, «I adjust my cultural knowledge as I interact with people from a culture that is unfamiliar to me»), as noted these were not statistically significant.

However, the other four demographic variables showed evident differences when using non-parametric correlation tests (Spearman rho), with a 0.05 significance level. For the age variable, the results demonstrated that in

every question this variable *did* matter. There was a negative correlation between increased years and the respondents' agreement level with the 20 questions, meaning that the older the participants were, the less likely they were to demonstrate «cultural intelligence» as measured by the CQS instrument.

This finding could also be attributed to the fact that older Ukrainians have been more isolated from foreign influences during their lifetime, and have had fewer options to travel outside of their country. Even with increased freedom, it appears that – as a group – they haven't engaged in as many cross-cultural interactions. Younger Ukrainians have been more exposed to global media (especially through the Internet) since 1991, and have had increased opportunities to visit other countries. They also have been able to study in other cultures, which also can make a large impact on their openness to other social practices and ideas.

A similar result occurred for education levels. In this area there was a positive correlation between more education and all elements of cultural intelligence (as measured by the CQS). This was tested at a 0.01 significance level, which makes the results even stronger than those involving the age variable (i.e. a 99% confidence in the finding). This was especially evident in responses to the statement, «I enjoy living in cultures that are unfamiliar to me» – which would seem to be a logical link. Individuals with higher levels of education would generally be exposed to ideas from other cultures and this in itself may develop a receptivity and willingness to learn how other people live. While this doesn't mean that there is necessarily a casual relationship between education and cultural intelligence, it raises interesting questions about why this positive correlation exists.

The respondents were also asked to identify their primary language to use in the questionnaire: Russian or Ukrainian. A comparison of these two groups' responses also revealed important differences. In about two-thirds of the questions, the Russian speakers had higher levels of (self-reported) cultural intelligence. However, in questions that measured flexibility in altering verbal behavior in cross-cultural encounters, and in knowledge of non-verbal behavior, the Ukrainian speakers scored higher. They also scored higher in their response to the statement, «I enjoy interacting with people from different cultures». And yet the Ukrainian speakers were significantly lower in their response to the statement, «I adjust my cultural knowledge as I interact with people from a culture that is unfamiliar to me».

These findings may appear somewhat contradictory, but again historical factors may be relevant. Ukrainian speakers have had to adjust their verbal behavior due to periods of linguistic suppression, and this may have been subtly passed on to current speakers of the language. It certainly could have been a useful adaptive feature when dealing with surrounding countries and shifting national borders.

Finally, the research tested the responses divided into four regions of Ukraine: center, south, east and west. Although these geographical regions are not precise, the results showed that there were consistent differences between the southern part of the country and the other three regions. In about two-thirds of the questions, the center, east and west were closer in their mean scores, which were lower than the southern region. The exception was in the questions that measured flexibility in altering verbal behavior in cross-cultural encounters, and in knowledge of non-verbal behavior – which were roughly consistent with the findings for language. In those answers, the west and center had higher mean scores, (as did the Ukrainian speakers). However, the west and south were virtually the same in the response to the statement, «I am sure I can deal with stresses of adjusting to a culture that is new to me».

As the south region has the highest percentage of Russian speakers, it might be expected that the findings would be similar to the pattern observed in the language results. But there is one exception. In the response to the statement, «I am conscious of the cultural knowledge I use when interacting with people with different cultural backgrounds,» the east region had significantly higher mean scores.

All the findings from this national sample in Phase Three demonstrate that cultural intelligence is a concept that can be studied in Ukraine, with results that are relevant from sociological, historical and even psychological perspectives.

Conclusions

The research thus far confirms that the CQS is valid and reliable in two languages in Ukraine (Russian and Ukrainian). This is important because the concept of cultural intelligence is new to Ukraine. In Phase One, the focus groups raised issues about their understanding of the concept, as well as cross-cultural ideas relevant to cultural intelligence in general. In addition, the focus groups provided specific feedback on the questions themselves and factors that could impact the understanding of the tool. The majority of respondents converged on the acceptability of knowledge and skills in the intercultural interaction as «cultural awareness/conscience,» taking into consideration the cognitive and emotional aspects in regulating intercultural practices. According to the participants in the qualitative research phase, it is not mandatory to be an intellectual if one is a culturally sensitive [aware] person.

In Phase Two, a pilot study was done, with over 300 respondents. In addition to taking the survey, their responses were analyzed in regard to international experience and language proficiency. Positive correlations to the first two variables with CQ were found.

In Phase Three, the CQS was administered to over 1800 individuals from every region of Ukraine, for a much broader sample. The main findings are interpreted within the frames of the cognitive, metacognitive, motivational, and behavioral CQ. The received data in Phase Three from this large nation-wide sample showed that while gender was not a significant variable in the responses, the variables of age, education, language and region were. This may be attributed to the cultural, historical, and geographical peculiarities of Ukraine; however, age, education, language and region factors need to be examined in more detail.

All of the aforementioned findings made a considerable contribution to the understanding of cultural intelligence in non-American settings. At the same time, there is a need for further research taking into consideration territorial, linguistic and age-specific mediums.

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**International Economics**

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**DEVELOPMENT POTENTIAL
OF TRANSCONTINENTAL INTEGRATION****Abstract**

The article determines and analyzes transcontinental integration as a new trend in the development of integration processes in the modern world economy. It examines the potential for its development in the context of European, North American and Asia-Pacific models of regional integration. The author suggests a new scientific and methodological approach to evaluating the potential of regional integration development based on its integral index which includes the influence of the external and internal factors of integration development. Its application in comprehensive comparative analysis of the integration development potential allows the researcher to define comprehensive and quantitative characteristics of regional integration processes occurring in the world economy within the framework of certain regional models.

Key words:

Global regionalization, regional integration, regionalization, transcontinental integration, regional integration associations, regional economic integration models.

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Increasing regionalization of the world economy in the second half of the 20th century contributed to the elaboration of new regionalization theories aimed at examining various aspects of regional development. These theories established scientific and methodological basis for further research in the field of regional economics, regionalization, regionalism, and regional studies. The paradigm of global development has intensified research focused on interrelations between various levels of globalization and regionalization as well as development of the concepts of regional growth, planning, and competitiveness. The aforementioned issues have been covered in the works by A. Scott, M. Storper (regionalization of the global economy) (Scott, 2003; Storper, 2000), F. Cheru (concept of a region as an independent actor in the modern international relations system) (Cheru, 2000), G. Snooks (global strategic transition model) (Snooks, 1999), P. Aghion, B. Johansson, P. Romer, and others (theory of endogenous growth) (Aghion, 1998; Johansson et al., 2001; Lucas, 1988; Romer), M. Porter, C. Karlsson, H. Siebert, M. Enright (concepts of regional competition) (Enright, 2000; Porter, 1998; Siebert, 2006), P. Krugman, A. Venables, M. Fujita (the new economic geography) (Fujita, 1999; Krugman, 1986), U. Wannop, M. Geddes, J. Benington (concepts of regional planning and partnership) (Geddes, 2001; Wannop, 1995), M. McGinnis (concept of bioregionalism) (McGinnis, 1999), G. Petrakos, A. Rodríguez-Pose, A. Rovolis, and others (concept of regional convergence and divergence) (Petrakos, 2005), M. Keating, D. Rodrik, C. Wyplosz, B. Hettne, and others (the new regionalism) (Hettne, 1999; Keating, 1996; Rodrik, 1999), V. Chuzhykov (theory of global regional studies) (Chuzhykov, 2008), A. Spartak (concept of global regionalism) (Spartak, 2011). Despite the fact that states maintain their leading position in geopolitics, E. Mansfield (Mansfield, 1997) emphasizes that regions are considered to be vital elements in the system of modern global economy.

The present article aims to define the notion of transcontinental integration which is a new trend in integration processes, to determine its features in the basic regional integration models of the modern world economy, and to suggest relevant tools for integral assessment of the potential of integration development that is occurring in countries and regional integration associations worldwide.

Increasing integration at various levels (micro, meso, macro, mega, and meta) results in the development of a special interstate economic space, which

forms the basic foundation for regionalization of the world economy and has a corresponding influence on the development of global integration. Formation of new economic regions in the world economy is not limited to such traditional geographic factors as raw materials availability or market proximity. In terms of technological development it is predetermined by innovation capacity and 'dynamism of local communities that learned to combine competition and cooperation while adapting constantly to the circumstances' (Spartak, 2011). Due to this, in addition to continental integration we can also distinguish such course in integration development as *transcontinental integration*. It constitutes a purposeful process of creating an interstate economic space between the countries with no common borders that are situated in different regions or on different continents of the world. This process results in establishment of a corresponding form (stage) of regional integration aimed predominantly at increasing international competitiveness of the integrant states.

Previous studies have substantiated that the structure of the modern world economy consists of certain space segments (regions) serving as subsystems of the world economy. The most important regions are those of the triad which forms the framework for development of the following prominent models of regional integration: European, North American and Asia-Pacific (Bulatova, 2012, pp. 176–228). The leading role in the development of transcontinental integration belongs, first and foremost, to the USA and the EU. Their strategic initiatives will affect integration processes in Asia, Africa, and Latin America, and will condition the nature of bilateral cooperation with other powerful actors of the world economy. Although interregional dialogue is focused mostly on issues of trade relations, it has become quite topical over the recent years to examine the development of comprehensive cooperation which also involves cooperation in the field of science, technology and energy, development of the labor market, environmental protection, general issues of sustainable development as well as political issues (counter-terrorism activities, violation of human rights, drug trafficking, cybercrime, etc.).

European model of regional integration. The position of the EU in the world economy has weakened, which requires the Union to define appropriate priorities for the integration component in its development strategy. These priorities consider both intensification of interregional integration (internal aspect of the integration component) and influence of the global integration, which in its turn requires the main future partners of the EU to establish more open and mutually beneficial terms on external markets (external aspect of the integration component).

The latter is conditioned by the fact that the EU extends both integration relations with neighbouring countries (primarily through implementation of the *European Neighbourhood Policy, ENP*) and transcontinental integration relations ensuring its high international competitiveness in the world economy. The European Neighbourhood Policy is aimed at introduction of privileged relations be-

tween the EU and neighbouring countries based on mutual commitment to common values. It is implemented in several vectors: the Northern Dimension (since 1999), the Eastern Partnership (since 2009), the Euro-Mediterranean Partnership, or Union for the Mediterranean (since 2008, former Barcelona Process), and the Black Sea Synergy (since 2008).

Development of infrastructure (transportation, communication, and energy), environmental protection, cooperation in the field of education and science, development of trade and investment, joint fight against crime, and cooperation for security constitute the main priorities of cooperation within the framework of the *Northern Dimension (ND)*. Implementation of this project includes the following initiatives: ND Environmental Partnership, ND Partnership in Public Health and Social Well-being, ND Partnership on Transport and Logistics, ND Partnership on Culture, etc.

The *Eastern Partnership (EP)* covers six countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine). Its diversified dimension includes interaction in the following six important areas of cooperation between the EU and its partner countries: democracy, good governance and stability; economic integration and convergence with the EU policies; energy security; people-to-people contacts; relations with other parties interested in cooperation; horizontal cooperation. Policies and practical implementation of the EP programs create conditions to accelerate political association and deepen economic integration between the EU and partner countries of the Eastern Europe. This includes establishment of the *Deep and Comprehensive Free Trade Areas (DCFTAs)* which will promote liberalization of trade and investment, and convergence to the EU standards. Integration relations of the EU partner countries within the framework of the Eastern Partnership may differ, depending on the nature of negotiations in corresponding areas of each country.

The *Euro-Mediterranean Partnership (EUROMED)* covers sixteen countries of the Northern Africa and the Middle East that are situated south of the EU. Development of integration in this direction is implemented under the corresponding Euro-Mediterranean Association Agreements between the EU and the countries of this region. The Agreements stipulate joint implementation of regional and sub-regional projects in the field of economy, environment, energy, healthcare, migration, culture, tourism, etc. The Euro-Mediterranean Trade Area Roadmap (2010) provides for completion of the agreement-making process in the region (of North-South and South-South type); implementation of specific initiatives on the development of trade partnership and business; organic inclusion of regional South-South agreements into the Euro-Mediterranean free trade area as an important element for establishing a complete free trade area in the region.

The *Black Sea Synergy* aims to extend cooperation between the EU and the countries of the region that covers various groups: Greece, Romania, Bulgaria (EU member-states), Turkey (candidate for accession to the EU), Armenia,

Azerbaijan, Georgia, Moldova, Russia, Ukraine (six post-Soviet countries). In fact, the Union's approach consists of several aspects (Balcer, 2011, pp. 16–17). First, the EU stimulates regional economic cooperation and integration by means of implementing democratic reforms, strengthening institutional potential, reviving economy, and forming strong civil society. Second, relations develop on bilateral basis, which influences the dynamics of regionalism. Finally, the EU implements differentiated strategy towards Russia, Turkey and other partner countries within the European Neighbourhood Policy, which, hence, leads to them having different attitude towards the EU initiatives. The Black Sea Region is of particular importance for the European Union. Further development of the *Black Sea Economic Cooperation (BSEC)* shall contribute to the stable development of the member states which have just entered the first phase of regional cooperation.

The Neighbourhood Policy implemented by the EU (in particular, through programs of the Eastern Partnership, the Black Sea Synergy, and the Euro-Mediterranean Partnership) allows us, in fact, to recognize certain «Europeanization» of the countries in the region. Unambiguous expansion of the integration association does not occur, however, particular regional cooperation programs of the EU support other countries while they are implementing reforms, modernizing economies, and complying with European norms and principles in their institutional development.

Deep integration within the EU has become quite important for the development of international competitiveness of European producers on external markets. The situation on the global markets requires adequate reaction and adoption of an integration development strategy corresponding to those of other countries. Without taking those steps it is impossible to strengthen the positions of national companies on international markets and improve their competitiveness. The size of the EU market provides for significant influence of bilateral trade negotiations on its development tendencies. The EU represents an open economy with highly efficient market mechanisms, which has a positive impact on the welfare of member states' businesses and consumers. The aforementioned composes an attractive factor for developing partnership relations with the EU.

While multilateral system of trade relations regulation is unable to handle those issues, regional integration will gain increasing importance. Thus, the EU will develop integration relations not only with countries of the European region but also with those that are of strategic importance for the development of the competitiveness of the European economy in terms of global integration. This can be proven by the fact that only one third of 32 regional trade agreements concluded by the EU relate directly to the countries located on the European continent. 20 agreements are transcontinental in their nature. They have been concluded with the countries of Asia, Africa and Latin America, the majority of them (3/4 of the total number) having been signed between 2000 and the first half of 2012 (Regional Trade Agreements Information System. WTO). Besides, new regional initiatives of the EU have already been announced, two of them being of

transcontinental nature (regional agreements with Canada and India). A significant number of transcontinental regional have also been concluded by the EFTA; they constitute 72,7% of the total number (16 of 22 regional agreements). While implementing the strategic objective of developing the international competitiveness, the EU actively develops integration relations with countries of various regions, which allows us to distinguish between and identify the formation of the European continental and transcontinental regional integration models.

North American model of regional integration. Formation of continental and transcontinental vectors of regional integration in the NAFTA countries, similarly to those of the EU, implies two aspects: development of regional integration within the association (internal aspect of the integration component in the development strategy), and establishment of the American continental market as well as development of transcontinental integration (external aspect of the integration component in the development strategy).

Continental vector in the development of the North American model of regional integration depends on the development of integration relation between the NAFTA countries and the countries of Latin America which is of strategic importance primarily for the USA whose policy is aimed at maintaining its world leadership. Establishment of the free trade regime within the whole continent will mean that the USA will enjoy more beneficial conditions than other participants of the continental market. Countries of this region have concluded a significant number of integration agreements with the countries of other world regions. Considering this, the USA might be able to influence other world regions once the North American model of regional integration develops to the continental and transcontinental level. The following fact is quite characteristic of the North American integration. The NAFTA agreement stipulates the possibility for new countries to accede to the association (NAFTA+ model), however it does not occur in practice, while the USA, Canada and Mexico actively conclude independent agreements on free trade areas with Latin American countries (excluding Cuba).

Establishment of the *Free Trade Area of the Americas (FTAA)* was an important step in the development of the North American model of regional integration. FTAA includes 34 countries of North and South America and, in fact, covers all the countries of MERCOSUR, ANCOM, CARICOM, CACM, NAFTA, etc. The association of this kind has the highest level of mutual complementarity.

Considering the interests of both the USA and Latin American countries, it was suggested to implement the idea of a continental unified free trade area either by American or Brazilian model (Davydov, 2008; Sudariev, 2011). As early as in 1990 the USA suggested the *Enterprise for the Americas Initiative (EAI)* to be the basis for FTAA. This agreement stipulated introduction of customs liberalization, minimization of national licensing requirements for certain services, creation of a transparent government procurement market, introduction of the regime

for regulating foreign investment with minimal exceptions due to national legislation, introduction of non-discrimination and free competition regime. The agreement covered the following fields: agriculture, government procurement, investment, access to markets, subsidies, compensation payments, antidumping, dispute resolution, services, protection of intellectual property rights, competition policies. Development of negotiations on FTAA was practically blocked in 2005 by Venezuela and the MERCOSUR countries; however the idea of creating a unified continental market itself was not rejected by Latin American countries. In 2008 they suggested their own view on the development of regional integration in *Pathways to Prosperity in the Americas*. This initiative was supported by the USA, Canada, Mexico, Chile, Columbia, Costa-Rika, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Uruguay, and Belize. Trinidad and Tobago has the status of observer, while *Inter-American Development Bank (IDB)*, *Organization of American States (OAS)*, and *Economic Commission for Latin America and the Caribbean (ECLAC)* are considered to be the project's strategic partners.

Establishment of the FTAA was rather caused by the necessity and ability to develop the US-controlled integration than by geographical expansion factor. This is evidenced by the report of the US National Intelligence Council (Global Trends, 2025; Hashmi, 2008) which states that if the USA is unable to ensure broad access to the regional markets on the permanent basis, it will lose its traditional privilege in Latin American region as well as part of its political influence respectively. On the other hand, Latin American countries are trying to minimize the monopoly of the USA on the continent by means of granting active access to their markets to the USA and attracting foreign capital and technologies. Those measures should contribute to achieving macroeconomic stability and export-oriented development of the countries in this region.

While developing integration relations with other world countries, NAFTA countries aim their efforts at establishing mutually beneficial and parity partnerships on external markets, primarily for American and Canadian businesses. For this purpose, they use the mechanism of concluding integration agreements individually, which can explain significant intensification in this process on both continental and transcontinental levels with the USA, Canada, and Mexico actively developing regional relations of both North-North and South-South types.

Among the NAFTA countries, Mexico has concluded the largest number of existing regional trade agreements as of mid-2012 – the total of 16 agreements, every fourth of them being of transcontinental character (with EFTA, EU, Japan and Israel). Other agreements imply widening and deepening of regional cooperation with the countries of Latin America. 8 of 13 regional trade agreements concluded without the US participation are transcontinental in their nature (with Australia, Bahrain, Israel, Jordan, South Korea, Morocco, Oman, and Singapore). Canada has signed 7 regional trade agreements, including 2 transcontinental (with EFTA and Israel). Almost all of those agreements (except for the free trade

area agreement between Canada and Chile enacted in 1997) were concluded over the recent ten years. Canada has also announced the signing of 7 new regional trade agreements, 4 of them being of transcontinental character and providing for development of integration relations with Singapore, Ukraine, the EU, and Jordan.

The main partner countries of the United States which signed corresponding agreements mostly belong to developing countries. The United States implements its own political and economic interests in terms of its impact in relations with those states. The US selection criteria can be classified into four broad enough categories that even overlap in certain aspects (Schott, 2004): impact on domestic policy, economic policy, commitments of partner countries for national, regional and WTO trade reforms, foreign policy goals.

American initiatives on the development of free trade areas with the developing countries are aimed at creating new bilateral trade and investment opportunities for deepening integration between the partner countries. They, however, have certain regional peculiarities. Negotiations with African countries are complicated by the fact that these countries are unable to integrate effectively among themselves and to assume responsibility for reforms necessary for full implementation of other free trade agreements. Besides, the volume of the US trade and investment is quite small for this region. The US initiatives in the Middle East are also complicated due to insufficient level of economic reforms in the potential partner countries as well as low regional integration of those countries with their neighbours. In contrast, higher level of intraregional integration creates new opportunities for developing integration relations between the USA and the ASEAN.

Cooperation between the USA and the developed countries is based on wider range of provisions than those stipulated by a standard free trade agreement. In addition to free trade development, it covers the issues of harmonization of government procurement procedures, protection of intellectual property rights, environmental cooperation, regulation of labor markets, etc.

In future, the *Free Trade Area between the USA and the EU* (Moffett, 2012) can become transcontinental in its sense and multilateral in the number of its participants. Those two parties are considered to be the most prominent partners in the world. They have gradually started to develop a dialogue on comprehensive cooperation which should go beyond mere liberalization of trade in goods. It is assumed that free trade regime will also apply to trade in services and investment activities. It is supposed to be aimed at ensuring open markets, harmonization and recognition of relevant technical regulations, norms, rules, and standards. Harmonization of policies towards third countries can also gain increasing importance.

Thus, development of integration relations in the North American, Latin American and Caribbean countries set grounds for the development of the American continental and transcontinental model of regional integration. This

fully complies with the goal of creating a common American market. The USA is the main actor in achieving this goal due to its support to the development of the American free trade area that unites all the countries of North, Central and South America.

Asia-Pacific model of regional integration. Similarly to other models of regional integration, the integration component in the ASEAN development strategy includes intensification of integration among the ASEAN countries (internal aspect of integration component in the development strategy), and expansion of integration relations with other countries in the region within the development of continental regional integration as well as with other countries of the world within the development of transcontinental regional integration model (external aspect of integration component in the development strategy).

Today there is no integration association which would cover all the countries of the Asia-Pacific region. Besides, the fact that Japan (the leading country of the region) lacks certain strategy on formation of regional integration community has also influenced the development of regional integration processes (unlike active position of the USA in the development of the North American regional integration model or the countries that form the core of European regional integration model). It is conditioned, to a certain extent, by the fact that Japan has long been giving preference to superficial integration, which doesn't go beyond the boundaries of a free trade area.

Countries develop integration relation among themselves to achieve certain goals. Thus, developing countries primarily aim to gain additional resources and access to markets by improving political and economic management system, ensuring security, etc. The most powerful market players (Japan and China in the first place) ensure their regional leadership by means of regional mechanisms in the field of investment, anti-dumping and competition policy. The emergence of new powerful regional leaders like China and South Korea will hardly allow Japan to retain its leadership in implementing regional integration initiatives. At the same time, every country of the region is interested in providing preferential conditions for economic cooperation. It serves as an explanation for rapid development of regional integration initiatives in recent years.

For historical reasons the most powerful countries of the region (China and Japan) have different interests and positions as for economic issues. Unprogressive high-level dialogue between China and Japan can restrain sufficiently the development of regional economic integration within the countries of the Asia-Pacific region (Hashmi, 2008, p. 121). In order to reduce leadership of these countries, other Asia-Pacific countries attract partners from other regions. So, geopolitical factors will continue to determine integration processes in the region.

Further integration development in this region is linked to the *East Asian Economic Community* which is to be created by 2020 on the basis of the ASEAN. Its development implies a number of variants: ASEAN + 1, ASEAN + 3,

ASEAN + 6. The agreement on establishment in 10 years of the ASEAN+1 free trade area (ASEAN plus China) signed in November, 2004 has been of great importance in the context of the perspective ASEAN expansion. The agreement of this format creates new opportunities for development of production networks. In its turn, the development of vertical integration (especially in the field of high-technology production) can ensure effective distribution of labor and capital in the region (Wong, 2011). Apart from trade and economy, the main fields of cooperation include as follows: agriculture, telecommunications, human resources, investment, and development of the Mekong River basin. Due to sufficient strengthening of geo-economical and geopolitical importance of China in recent years, we can consider that further integration development in the region will, on the one hand, depend upon the interests of this country. On the other hand, contradictions between China and the countries of this region that consider China to be a certain menace will get tenser. That is why liberalization of trade and investment will provide for the balanced regional development.

Cooperation within the framework of the ASEAN + 3 (ASEAN plus Japan, China and South Korea) initiated in 1997 is aimed at strengthening and deepening East Asian cooperation on various levels and in various fields, and in particular, in economic, social and political areas. The ASEAN+3 project is designed for establishing the *East Asia Free Trade Area* (EAFTA) which covers all powerful countries of the region. This format embraces more spheres that expand significantly the scope of trade integration including diplomacy, finance, agriculture, human resources, employment, tourism, environment protection, culture, crime prevention, healthcare, energy, telecommunications, innovation, state government, etc. The ASEAN + 3 countries have already accumulated certain experience; they gradually implement joint measures in the field of financial integration by coordinating actions aimed at strengthening the stability of regional financial system and ensuring sustainable development of the countries in the region. The group is implementing the Chiang Mai initiative which implies creation of a system of multilateral currency swaps based on mutual agreements inside the group. Within the framework of this initiative in order to prevent financial crises (similar to the crisis of 1997–1998), the group has formed a bailout fund which contributes to regulating the countries' liquidity.

Development of the ASEAN+6 project (ASEAN plus Japan, China, South Korea, India, Australia, and New Zealand) provides for *Closer Economic Partnership in East Asia* (CEPEA) aimed at establishment of a free trade area between 16 countries of East and South-East Asia. Each ASEAN partner has already concluded relevant free trade area agreements.

The agreement on comprehensive economic partnership between the ASEAN and Japan entered into force in December, 2008. Unlike China and South Korea, Japan first concluded bilateral free trade area agreements with the ASEAN countries, and afterwards signed agreements with integration associations as a whole. This step was caused by strategic development priorities of the

Japanese business which has an extensive production and supply network in the ASEAN countries. In 2010 agreements on trade in services and investment came into force, however, existing agreements do not cover intellectual property rights, competition and government procurement. Fulfillment of the contractual obligations is characterized by significant heterogeneity of tariff reductions between the countries and product categories. Goods are divided into five groups as follows: goods subject to instant tariff reductions; goods subject to tariff reductions within a certain period of time; goods subject to no tariff reductions; special agreements and other. It is noteworthy that development of integration relations between the ASEAN and Japan is complicated due to certain lack of coordination concerning the fact that individual ASEAN countries acceded to the free trade area with Japan on bilateral terms. For instance, Indonesia and the Philippines have signed bilateral agreements on free trade area with Japan but haven't acceded to the corresponding agreement concluded by the ASEAN on the whole. And conversely, Laos and Myanmar have not signed any bilateral agreements with Japan but they are parties to the general integration agreement. Considering that under Japanese law all those agreements are equal, Japanese companies are encouraged to choose the most beneficial free trade area among the two in question.

Free trade area agreement between the ASEAN and South Korea entered into force in May of 2009 for services and in 2010 for goods. In 2009 an agreement on investment also came into force. The signing of these agreements was of great importance for both parties in terms of availability of an extensive regional production network established by the system of South Korean MNCs in the ASEAN countries. The conclusion was stimulated by corresponding free trade area arrangements of the ASEAN with China and Japan. However, the agreement between the ASEAN and South Korea does not contain provisions on intellectual property rights, competition policies, government procurement, etc.

Intensive participation in transcontinental integration contributes to simultaneous development of several integration vectors in the Asia-Pacific region. Apart from existing forms of regional integration following the financial crisis of 1997–1998, some new forms of integration relations accelerated integration development. They allow attracting extra-regional players in order to achieve balance among the participants and to ensure greater governance and liberalization for the countries of the region. Australia, New Zealand, Japan, Singapore, China, and India have been the most active participants of the relations of this kind.

Throughout history regional initiatives were implemented quite cautiously by Japan. In fact, the country's involvement in integration relations started in mid-1990s. Today, Japanese government has decided to «open the country» absolutely and become «a pioneer of the new future» which will maintain high level of economic cooperation with major trading countries as well as implement fundamental internal reforms aimed at strengthening the competitiveness of Japanese economy in the world. Currently Japan can be recognized as the leading country in creating a new Asian economic architecture (Bergsten). In 2010 the country

determined its *Basic Policy on Comprehensive Economic Partnerships* which emphasized development of cooperation with Asian countries and developing countries. Practically, Japan recognizes its primary role in the active development of bilateral economic partnership agreements in the Asia-Pacific region.

As for the main countries and regions located beyond the Asia-Pacific region, vectors of Japanese economic partnership, actually, include the following: Asia-Pacific countries, major countries beyond the region, other countries and regions. The main objective for the Asia-Pacific region is to develop a regional economic partnership within China-Japan-Korea, the *East Asian Free Trade Agreement (EAFTA)*, and the *Comprehensive Economic Partnership in East Asia (CEPEA)*.

The EU is Japan's main extra-regional strategic partner; Japan gradually discusses the possibility of commencing negotiations with the EU in the nearest future. For this reason, Japanese government has launched reforms in the system of internal non-tariff instruments of trade regulation. Other promising regions for cooperation with Japan include the countries of the Persian Gulf. All other countries can only enjoy economic partnership based on comprehensive assessment of all cooperation advantages from both economic and strategic points of view.

The ASEAN as an association has concluded 6 regional trade agreements that influence directly the Asia-Pacific countries. However, the ASEAN members actively conduct integration relations with the countries of other regions. In particular, Singapore has signed 19 regional agreements, 5 of them being of transcontinental character. They are also currently negotiating three new regional transcontinental agreements with Singapore, Canada, Costa Rica, and Ukraine. Other ASEAN countries gradually expand continental integration cooperation: Malaysia has signed 11 regional trade agreements, and Thailand has signed 9, while Brunei, Indonesia, Laos and Vietnam each have 8 agreements.

Other economic centers of Asia-Pacific region also actively develop continental and transcontinental integration. 4 of 13 regional integration agreements concluded by Japan are transcontinental in their nature (Mexico, Peru, Chile, and Switzerland). South Korea has signed 11 regional trade agreements, including transcontinental agreements with the USA, Peru, Chile, the EU and the EFTA. China is also gradually increasing its participation in regional integration; it has concluded 10 regional trade agreement, 4 of them are transcontinental (Costa Rica, Pakistan, Peru, and Chile). China has also announced the signing of regional agreements with Norway and Switzerland.

Economic development of the region will also depend on the influence of the Intergovernmental forum *Asia-Pacific Economic Cooperation (APEC)*. Its activity is aimed at developing a mechanism for harmonization of regional regulations, norms, and standards. The strategic goal of this forum is to liberalize trade and investment in the Asia-Pacific region by 2020 through the following basic ar-

areas: trade and investment liberalization, business promotion, economic and technical cooperation. 21 countries of various world regions are members of this association, respectively, it is a transcontinental organization. However, diverse membership causes a strong conflict of interest, which affects its efficiency. Thus, establishment of a free trade area within this association will greatly depend on the priorities of the USA, Japan and China involved in other integration processes including some alternative initiatives as well.

Trans-Pacific Strategic Economic Partnership agreement (TPP) is a fundamentally new vector of transcontinental integration. This initiative was proposed by Singapore, Chile, New Zealand and Brunei; in 2008 it idea was supported by the USA; Australia, Malaysia, Peru and Vietnam acceded to this partnership later, while Canada, Japan and Mexico still intend to accede (Trans-Pacific Partnership). This agreement, actually, initiated the development of multi-lateral transcontinental cooperation actively promoted by the USA, since strengthening role of Asian countries in the world has become a significant impetus to the constructive dialogue on trade and economic issues in order to prevent discrimination against the USA. The agreement contains the following basic issues that are traditional for regional trade agreements: trade in industrial, agricultural and textile goods, intellectual property rights, technical trade barriers, labor, environment, competition policies, provisions on trade in innovative goods and services, including digital technologies. This agreement has a feature not typical of other regional trade agreements. It includes issues concerning the development of compatible business regulation systems, in particular, for small and medium enterprises, as the key resource for innovation and job creation. On the one hand, this will allow American companies to receive wider access to the markets of partner countries; on the other hand, it will enable companies of partner countries to participate in international trade more actively.

The recent financial and economic crisis of 2008–2009, in fact, confirmed the development of all regional integration initiatives in accordance with two vectors: *East Asian Community* and *Asia Pacific Community*. These vectors are aimed at developing regional integration; however, its content and membership are not defined. We can talk about a certain «spaghetti bowl» in the Asian region, since the number of integration agreements with numerous members is quite significant. The ASEAN member states depend on the same processes of micro-economic dynamics that are related to production regionalization of East Asian and Japanese MNCs. Given this, the ASEAN + 3 (China, Japan and South Korea) is more promising in terms of establishing an effective institutional basis for further development of the Asia-Pacific model of regional integration. It is most likely that certain elements of common market will be developed (free movement of capital and labor). It is also likely that the countries will apply zero tariffs in intra-regional trade with optional common external tariff, which means the application of a limited common market form (the «Common Market minus» arrange-

ment). This format is aimed at establishing a completely integrated market where individual regions leave their deeper integration to a later period.

Thus, development of integration processes in the Asia-Pacific region, including the establishment of sub-regional, interregional and trans-regional associations based on principles of open regionalism, deep Asian solidarity and all-Asian values, defines the Asia-Pacific continental and transcontinental models of regional integration that depend on intraregional cooperation determined by Japan, China, South Korea and the ASEAN countries.

The strategy for integration development of the world countries emphasizes the following two aspects: first, peculiarities and vectors of developing the integration relations directly within the existing integration association (internal regional component); second, vectors of integration policy directed towards other countries that get involved in the integration relations within continental and transcontinental models (external component).

Deepening and expansion of integration depends on the optimal use of the integration development potential which differs substantially for the basic models of regional integration. It is necessary to perform comprehensive evaluation of the intensity of various factors (both internal and external) and their influence. This proves that it is expedient to apply integral indices to evaluate the integration development potential. Those indices will provide comprehensive and quantitative characteristics of the economic integration processes occurring in the world economy at a given time.

We suggest evaluating the potential of the regional integration development by means of the *integral index of integration development potential*. For this purpose, it is necessary to introduce relevant notations and explanations. Suppose at a given time there is a set of m integration groups in the world economy. Their level of development is characterized by a system of n parameters (single indicators). Let's denote them by $X_i = (x_{i1}, x_{i2}, \dots, x_{ij}, \dots, x_{in})$, where i is the index of integration group under analysis ($i = \overline{1, m}$), and j is the index of the single indicator that characterizes the integration relations ($j = \overline{1, n}$). Thus, x_{ij} is a value of indicator j for integration group i .

In order to calculate the integral index it is important to consider the following methodological recommendations: 1. to form the system of single indicators (parameters) that would describe adequately and fully the condition of the regional economic integration development; 2. to choose the form of the integral index itself that would provide a comprehensive evaluation based on the system of single indicators.

The former can imply the use of respective systematized indicators assessing the depth of the countries' integration relations. Systematization and classification of the single indicators proves that integration development level is

conditioned, on the one hand, by intraregional factors that determine the scale, depth and specificity of regional relations development within the framework of the existing regional integration associations, and on the other hand, by the influence of external factors that determine the role and place of the integration association in the global processes. The choice of the aforementioned factors is based on the results of correlation and regression analysis presented in Table 1 of the APPENDIX. The system of single indicators which form the integral index is shown in Table 1 below.

Table 1

The system of single indicators

Intraregional factors		External factors	
Intraregional trade per capita, millions of USD	X_{Intra}	Share of the integration association's regional trade in the world trade, %	$X_{Intra}S$
Share of intraregional trade in the total foreign trade, %	ITS	Share of the integration association's investment in the world investment, %	$FDIS$
ICT share of intraregional export, %	$X_{Intra\ ICT}$	Share of the integration association's GDP in the world GDP, %	$GDPS$
Investment rate per capita, USD	FDI	Share of the integration association's population in the world population, %	$PopS$
GDP per capita of the integration association, USD	GDP	Share of the integration association's ICT export in the world ICT export, %	$X_{ICT}S$

In order to make all the single parameters comparable, it is necessary to standardize them, which will enable them to be further combined in the integral index. One can calculate those standardized estimations by the formulas:

$$P_{ij} = \frac{X_{ij} - X_{\min}}{X_{\max} - X_{\min}} \quad (1)$$

$$P_{ij} = \frac{X_{\max} - X_{ij}}{X_{\max} - X_{\min}} \quad (2)$$

where: x_{ij} is the value of the single indicator j for the integration association i ,

x_{min} , x_{max} respectively, is the minimum and the maximum value of the single indicator j .

Calculation of standardized estimations by Formula (1) is used if the increase of the value of a particular parameter results in an increase of the integral index (*stimulating indicator*). On the contrary, if the value of a single indicator increases while the final index value decreases (*de-stimulating indicator*) Formula (2) is to be applied. It is obvious that certain single indicators describing different aspects of integration relations do not equally affect its overall state. Thus, while calculating the integral index of integration development potential it is necessary to determine the significance of every indicator, i. e. their importance coefficient α_{ij} .

As for the form of the integral index, it is most common to apply various types of weighted average values for calculating generalizing indicators in research works (arithmetic, geometric, quadratic and other). The analysis of the practical use of various weighted average values shows that in case if monotonous increase of an individual parameter results in its improvement and the generalizing integral index of this state needs to be maximized it is most advisable to use geometric weighted average as a form for the integral index. It can be presented as follows:

$$I_i = \prod_{j=1}^n (P_{ij})^{\alpha_j} \text{ wherein } \alpha_j \geq 0 \text{ and } \sum_{j=1}^n \alpha_j = 1.$$

The use of the above formula for calculating the weighted average value of the integral index of regional development is justified by the provisions of axiomatic approach (monotonicity axiom, linear homogeneity axiom, identity axiom, and multiplicativity axiom) described in the index theory by I. Fisher. Considering the aforementioned, the formula for calculating the integral index of integration development potential is:

$$IPD = \frac{I_{int_i} + I_{ext_i}}{2}, \quad (3)$$

where: IPD_i is the general integral index of integration development potential;

I_{int_i} is the intraregional component of integration development potential;

I_{ext_i} is the external component of integration development potential.

The sub-index characterizing the influence of the intraregional component on the general integral index of integration development is calculated by the following formula:

$$I_{int_i} = \sqrt[5]{P_{X_{int\ ra_i}} \cdot P_{ITS_i} \cdot P_{X_{int\ ra}ICT_i} \cdot P_{FDI_i} \cdot P_{GDP_i}} \quad (4)$$

The sub-index characterizing the influence of the external regional component on the general integral index of integration development is respectively calculated by the following formula:

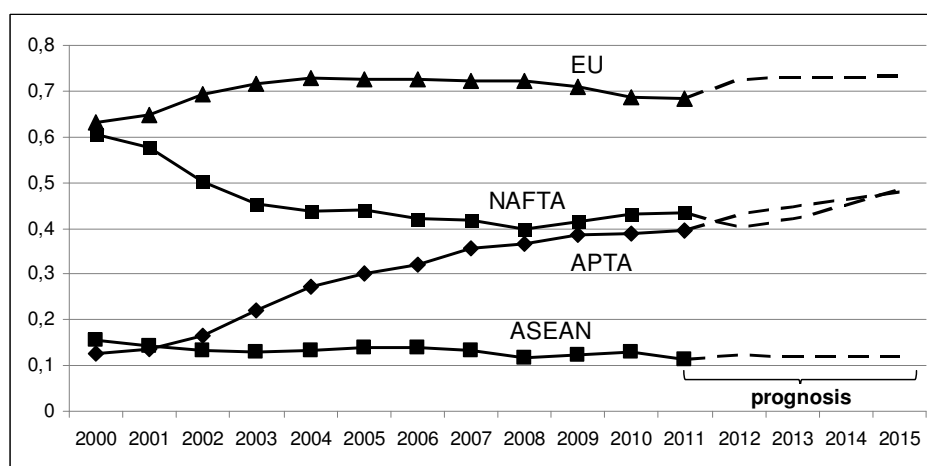
$$I_{ext_i} = \sqrt[5]{P_{Xint raS_i} \cdot P_{PopS_i} \cdot P_{XICTS_i} \cdot P_{FDIS_i} \cdot P_{GDPS_i}} \quad (5)$$

The proposed integral index ranges from 0 to 1, its proximity to 1 indicates significant potential of integration development. Application of the integral index in comprehensive comparative analysis allows for accounting the impact intensity of many factors (both internal and external). This enables to formulate a generalized comprehensive and quantitative description of economic integration processes occurring in the world economy within the framework of certain regional models.

The suggested method was used to calculate the integral index of integration development potential for the EU, NAFTA, ASEAN, and APTA. The calculation included the intensity of the factors that determine the intraregional component of integration development as well as factors that allow us to evaluate the external component of integration development determined by the role of the integration association in the world economy. The UNCTAD statistical database was used to perform the calculations. The integral indices of integration development potential are summarized in Table 2 of the APPENDIX and in Fig. 1.

Figure 1

Dynamics of the integral index of integration development potential



According to the sub-indices characterizing the influence of the intraregional component on the general integral index of integration development, the EU has the highest potential (it has increased from 0,61 to 0,72). This once again indicates the highest level of integration relations that the Union has achieved compared to other integration associations. The NAFTA also has a quite high sub-index of intraregional component (0,58 in 2011), however, it decreases gradually. Assessment of the influence of the external integration component on the integration development discovered that rapid growth occurs in the APTA countries (from 0,23 in 2000 to 0,642 in 2011), which have almost caught up with the EU (0,644) in this sub-index.

The general integral index of the potential of regional integration development proves that the highest potential that tends to increase gradually is characteristic of the EU (0, 68). Despite the fact that the index of the NAFTA is relatively high (0, 43), it is declining quite rapidly. The most active development is demonstrated by the APTA where the general integral index of integration development potential increased from 0,127 to 0,396 in 11 years (2000–2011).

In conclusion, it is worth mentioning that today a universal model of regional trade agreement does not exist. Thus, in most cases, every country or integration association applies comprehensive approach when using the opportunities provided by integration agreements with regard to access to the new markets, expansion of investment opportunities, decrease of transaction expenses, establishment of unified technical norms and requirements, protection of intellectual property rights, establishment of unified competition policies, and transparency of state regulation mechanism. In general, this comprehensive approach contributes to the deepening of integration relations with partner countries and to the formation of predictable political conditions that influence the development of trade and economic cooperation with all the regions within a certain interstate economic space, and thus, it contributes to the expansion of continental and transcontinental integrative cooperation.

Expansion of the most developed models of regional integration that have already been formed (European, North American and Asia Pacific) will cause the most powerful influence on the regionalization of the world economy under further globalization. Involvement of other countries in this process on regional, continental or transcontinental basis by means of free trade areas or other forms of «soft» integration will promote the development of the «new regionalism» and the emergence of fundamentally new integration formations of rather transcontinental than continental nature that will correspond to the level of international meta-regions in the world economy. Due to this, continental and transcontinental regional integration are mutually complementary vectors of the world economy regionalization. The countries of the world choose their own strategy for participating in regional integration depending on the objectives set forth by their level of social and economic development, existing potential, character of foreign relations, etc. The following two aspects should be emphasized with regard to inte-

gration component in the further development strategy of the world countries. First, certain attention should be focused on features and trends of integration relations directly within the existing integration association. Second, it is important to determine the vectors of integration policy towards other countries involved in relations based either on continental or transcontinental model.

Further research on continental and transcontinental regional integration models is a logical continuation of the analysis of international economic integration models, covering many other areas apart from trade and economics (in particular, production). At the same time, existing objective restrictions will cause the research on transcontinental integration to be conducted exclusively in terms of trade and economic cooperation, since deeper forms of integration will face difficulties of institutional character.

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Appendix

Table 1

**Results of correlation and regression analysis of intraregional trade (X_{intra})
EU, NAFTA, ASEAN, APTA**

EU

Factors	Regression coefficient	Elasticity coefficient
GDP per capita, millions of USD	130,2647	1,305492
ICT export, millions of USD	1,961292	0,152931
FDI (inflow), millions of USD	-0,14551	-0,277184
Population, thousands of people	29,04114	5,180026
$R^2 = 0,9743$		
$X_{intra} = 130,26 * GDP + 1,96 * X_{ICT} - 0,15 * FDI + 29,04 * Pop - 1483424,58$		

NAFTA

Factors	Regression coefficient	Elasticity coefficient
GDP per capita, millions of USD	52,40168	2,119695
ICT export, millions of USD	5,186308	0,560561
FDI (inflow), millions of USD	-0,03817	-0,16249
Population, thousands of people	-6,20109	-3,34038
$R^2 = 0,9725$		
$X_{intra} = 52,4 * GDP + 5,19 * X_{ICT} - 0,04 * FDI - 6,2 * Pop + 1494523,34$		

ASEAN

Factors	Regression coefficient	Elasticity coefficient
GDP per capita, millions of USD	161,0476	1,82068
ICT export, millions of USD	1,951287	0,492421
FDI (inflow), millions of USD	-0,24749	-0,76421
Population, thousands of people	0,035534	0,112483
$R^2 = 0,9941$		
$X_{intra} = 161,05 * GDP + 1,95 * X_{ICT} - 0,25 * FDI + 0,04 * Pop - 117405,82$		

APTA

Factors	Regression coefficient	Elasticity coefficient
GDP per capita, millions of USD	79,12081	0,991164
ICT export, millions of USD	3,253449	0,690553
FDI (inflow), millions of USD	-0,04201	-0,14778
Population, thousands of people	-0,29826	-5,20732
$R^2 = 0,9948$		
$X_{intra} = 79,12 * GDP + 3,25 * X_{ICT} - 0,04 * FDI - 0,3 * Pop + 709704,6$		

Table 2

Integral indices of integration development potential

Year	General integral index of integration development potential				Intraregional component of integration development potential				External component of integration development potential			
	APTA	ASEAN	EU	NAFTA	APTA	ASEAN	EU	NAFTA	APTA	ASEAN	EU	NAFTA
2000	0,1268	0,1549	0,6305	0,6057	0,0183	0,2294	0,6074	0,6341	0,2353	0,0804	0,6535	0,5772
2001	0,1361	0,1440	0,6471	0,5763	0,0290	0,2234	0,6238	0,6140	0,2431	0,0645	0,6704	0,5385
2002	0,1645	0,1335	0,6926	0,5008	0,0674	0,2251	0,6785	0,5884	0,2617	0,0418	0,7066	0,4132
2003	0,2192	0,1287	0,7159	0,4529	0,0914	0,2270	0,7013	0,5679	0,3470	0,0304	0,7305	0,3380
2004	0,2725	0,1336	0,7289	0,4362	0,1076	0,2245	0,7143	0,5548	0,4374	0,0427	0,7435	0,3177
2005	0,3015	0,1392	0,7243	0,4395	0,1097	0,2272	0,7106	0,5554	0,4934	0,0513	0,7380	0,3236
2006	0,3200	0,1407	0,7241	0,4216	0,1075	0,2263	0,7111	0,5261	0,5325	0,0550	0,7372	0,3170
2007	0,3559	0,1327	0,7210	0,4180	0,1394	0,2274	0,7274	0,5307	0,5725	0,0380	0,7146	0,3053
2008	0,3671	0,1181	0,7230	0,3968	0,1487	0,2121	0,7373	0,5157	0,5855	0,0240	0,7087	0,2779
2009	0,3849	0,1218	0,7098	0,4145	0,1495	0,2107	0,7261	0,5372	0,6203	0,0328	0,6935	0,2918
2010	0,3898	0,1298	0,6881	0,4298	0,1487	0,2224	0,7156	0,5671	0,6310	0,0373	0,6607	0,2924
2011	0,3956	0,1144	0,6830	0,4337	0,1490	0,1975	0,7220	0,5813	0,6423	0,0313	0,6440	0,2861

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International Economics

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**CLUSTERING:
EUROPEAN EXPERIENCE
AND IT'S IMPLEMENTATION IN UKRAINE**

Abstract

The place of Ukraine in the system of world innovation processes is examined. The cluster organization of production in the system of Ukraine's transition to the new model of development and reforms in the frames of «Strategy-2020» is under our research. The general economic and regional conditions of forming of cluster systems are substantiated. The mechanism of forming of scientific parks as the the mechanism of development of innovation processes is covered.

Key words:

Innovation economy, innovation, cluster, local production system, scientific park.

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1. Ukraine in the system of global innovation economy

The national practice of usage of cluster forms of production organization and of doing business is quite small. It is mainly focused on solving current problems, which remain outside the scope of the inclusion of the economic potential of the country's powerful reserves of modernity, associated with the production, processing, storage and dissemination of information and knowledge. However, it is the resource which significant effects are manifested to the greatest extent based on the joint use of related industries and enterprises. Because this interaction can be achieved most systematically and comprehensively in the framework of the cluster organization, the lag of Ukraine in product innovation from developed countries and emerging markets is explained largely by the absence of high stars clusters and appropriate governmental policies.

In Ukraine 11 times less national applicants apply for patents and inventions based on 1 billion of GDP compared to the leader, which is South Korea. If we calculate this activity in \$ 1 billion of expenditures on research and development, the lag of Ukraine expressed by the value of 2.2 times. The situation is worse in Ukraine, not only in comparison with developed countries – Japan, China, USA, but also with such countries like Belarus, Russian Federation, Armenia, and Georgia. This indicates the necessity of introducing new forms of innovative activities in the country and primarily clustering, which is quite justified itself in other countries.

In conditions of reforming the economy of Ukraine, as noted previously, three approaches in the development of industrial complexes has identified. First, work on the concept of local production formation (territorial-production complexes), secondly, to adapt the international experience of industrial clusters creation and thirdly, developing a system of regional competitiveness.

From this three directions of industrial complexes development least developed in Ukraine there are economic, legal and institutional prerequisites for the formation of local production systems. This is because in the conditions of a planned economy, the key priority was the development of large industrial complexes of the metals and mining industry, heavy engineering. This political trend was implemented on the entire territory of the former Soviet Union, but most of the negative consequences it had for the economy of Ukraine. At the enterprises of Union subordination, 95% of the products were produced. There were more than 2 thousand large enterprises subordinated to Soviet ministries and agencies. According to experts, 70–80% of industrial enterprises had no closed technological cycles on the territory of Ukraine. Due to supplies from the former So-

viet republics – Ukraine provided 25% of the needs of the national industry, including forestry and wood – half, machine building and light industry – 40% (Ukraine in national economy complex of USSR).

The economic legacy, which Ukraine inherited from the former Soviet Union, so far not brought into compliance with the new modern trends of the world economy. In Ukraine, as before, large enterprises are dominating, the competitiveness of which falls annually. If in 2007 in the structure of exports of base metals and products from them was 42.1, in 2012 this figure fell to 27.5%. The number of enterprises from 1997 to 2012 increased from 615686 to 1341781 that are 2.17 times. However, the systemic nature of small and medium enterprises network formation that compete with big business failed to achieve. In Soviet times separate forms of local territorial production complexes – industrial agglomeration, units and centres were created. However, for government agencies, they have not become the object of structural analysis and transformation in the system of innovative economy formation.

Meanwhile, in the economic development of Ukraine, as before, innovation factor still not enough used. As it can be seen from the table 1, in industrial production in 2007–2011 its dynamics are low. This applies mostly to indicators number of enterprises that are engaged in innovative activities.

Table 1

The number of enterprises which are engaged in innovative activities¹

	Year 2011	Year 2012	Year 2013
Total	1679	1758	1715
from which			
had the costs of innovative activity	1348	1362	1337
implemented innovations	1327	1371	1312
from which			
introduced innovative products	731	704	683
implemented new processes	605	598	665
implemented innovative products, which are re-introduced or exposed technologists economic changes in the last three years	1043	1037	1031

¹ The state statistics service of Ukraine. Innovative activity of industrial enterprises in 2013. [Electronic resource]. – Access Mode: <http://www.ukrstat.gov.ua/>

The overall industry picture of the creation and use of advanced technologies and objects of intellectual property rights (OIPR), as well as the creation and use of advanced technologies in Ukraine in 2013 compared with 2012 decreased by 2.6% and amounted 2224 enterprises, from which two – thirds are industrial enterprise. Detailed sectoral structure presented in table 2.

During 2013 – 176 enterprises created advanced technologies. Their placement by region suggests that enterprises-innovators are concentrated in a few industrial centers. The largest number, namely, more than one-third, concentrated in Kyiv.

Other companies-developers of new technologies placed in Kharkiv (13,6%), Donetsk (8,0%), Dnipropetrovsk (6,3%), Lviv (5,1%), Luhansk (4,0%) and Ivano-Frankivsk (3,4%) regions. While more than one third of enterprises are scientific organizations and othe one third represent the manufacturing industry (The state statistics service of Ukraine. The creation and use of advanced technologies and intellectual property rights in enterprises of Ukraine in 2013). Such geographical and sectoral heterogeneity indicates the presence of large reserves in the development of innovative activities.

Analysing the number and structure of created advanced technologies, we can see the indication of relatively low activity of the business sector in innovation. But, the state is not enough to affect these processes, because under the state contract is created only 78 new technologies or 16%. The main developers of new technologies are the enterprises of processing industry and sphere of professional, scientific and technical activities, as well as education. Other industries almost not connected to innovation.

The level of innovativeness of enterprises and organizations by type of innovation is characterized by the data of table 4. During 2008–2010 the share of innovation active enterprises in comparison with the previous period increased by 3.0 percentage points mainly due to the increase in the share of enterprises that were engaged in organizational and marketing innovations. From the total number of surveyed enterprises – 4.5% was engaged in technological innovation and 11.2% only by organizational and marketing innovations (non technological innovations), 5.3% by the technology and non technological innovations. However, the share of enterprises with technological innovation decreased by 1.8 points.

As follows from the figures of table 5, structure of advanced technologies are dominated by utility model, which expressed by the number of 715 or 70.7%. The inventions in relative terms (18,7%) and in absolute numbers expression, don't have a significant place in the innovative activity of Ukrainian enterprises.

Table 2

The number of enterprises that were engaged in the creation and use of advanced technologies and OIPR, using innovations in 2013, by type of economic activity, in units²

	Total	Number of enterprises which created advanced technology	Number of enterprises which used advanced technology	Number of enterprises in which are used the OIPR	Number of enterprises that use innovation suggestions
Total	2224	176	2073	428	146
Industry	1470	62	1395	254	107
Mining and quarrying	64	3	59	11	8
Processing (Refining)	1247	57	1179	227	92
Electricity, gas, steam and conditioned air supplying	104	1	102	8	3
Water supply, sewerage, waste management	55	1	55	8	3
Construction	10	–	10	–	–
Transport, warehousing, postal and courier services	242	3	228	28	19
Information and telecommunications	102	8	95	11	-
Professional, scientific and technical activities	274	69	238	91	4
from wich					
Scientific research and development	159	64	128	85	4
Education	65	29	51	33	8
Health and social care	37	4	33	10	7
Providing other types of services	6	1	5	1	1

² The state statistics service of Ukraine. The creation and use of advanced technologies and intellectual property rights in enterprises of Ukraine in 2013. [Electronic resource]. – Access mode: <http://www.ukrstat.gov.ua/>

Table 3

**Number of new advanced technologies in 2013
by types of economic activity, in units³**

	Number of established technologies				Amount of security documents in the generated technologies, including:		
	Total	from which		Under state contract	Invention	Utility model	Industrial design
		New for Ukraine	New				
Industry	486	420	66	78	189	715	108
Mining and quarrying	141	118	23	1	49	63	61
Processing (Refining)	3	1	2				
Electricity, gas, steam and conditioned air supplying	135	116	19	1	33	63	61
Water supply, sewerage, waste management	2	2					
Construction	1	1			16		
Transport, warehousing, postal and courier services	3	3					
Information and telecommunications	13	12	1	1	5	1	10
Professional, scientific and technical activities	175	142	33	59	77	182	5
from which							
Scientific research and development	168	136	32	59	76	176	3
Education	135	128	7	11	53	390	
Health and social care	11	9	2	6	3	61	
Providing other types of services	8	8			2	18	32

³ The state statistics service of Ukraine. The creation and use of advanced technologies and intellectual property rights in enterprises of Ukraine in 2013. [Electronic resource]. – Access mode: <http://www.ukrstat.gov.ua/>

Table 4

**Distribution of enterprises and organizations by the types of innovation
(in% to total number of enterprises) (Bilokon, 2008–2010)**

	Year 2008	Year 2010
The total number of enterprises and organizations	100,0	100,0
Innovative active	18,0	21,0
Engaged in technological innovation	11,6	9,8
Engaged in product innovation	7,5	5,8
Worked procedural innovations	8,4	7,7
Engaged in marketing innovation	10,5	12,5
Engaged in organizational innovation	8,1	10,2
Do not engage in any one of the innovations	82,0	79,0

Table 5

**The distribution of the advanced technologies in 2013
and security documents on OIPR in established technologies
by type of technology, in units⁴**

	Total	Amount of security documents in the generated technologies, including:		
		Invention	Utility model	Industrial design
Total	486	189	715	108
Design and engineering	84	17	56	21
Manufacturing, processing and assembly	90	36	113	69
Automated transportation of materials and parts, implementation of automated material handling	8	–	17	–
Automated equipment of monitoring and/or control	19	10	16	9
Communication and management	58	8	17	1
Production information system	13	1	7	1
Nanotechnology	30	37	80	–
Healthcare	107	18	234	–
Other	61	43	169	3

⁴ The state statistics service of Ukraine. The creation and use of advanced technologies and intellectual property rights in enterprises of Ukraine in 2013. [Electronic resource]. – Access mode: <http://www.ukrstat.gov.ua>

2. Cluster production organization it terms of transition to radical economic reforms

Currently, Ukraine has significantly changed economic conditions. The period of formation of the young Ukrainian state coincided with the processes of global transformation. With this in mind, the delay-overdue modernization changes, crisis political processes and deep social stratification hampered the development of Ukraine, undermined its sovereignty, was thrown on the sidelines of global progress. It's time for a change. To prove their right to a dignified place among the developed countries of the world to adopt national competitiveness, to ensure sustainable socio-economic development and high living standards of citizens – such questions arise today on the development agenda of the country.

Assessment of the existing realities in the economy provides a basis for conclusions about the necessity of transition to a new model of development. This should be the systemic reform, which must simultaneously touch all political, economic and social institutions⁵. Taking this into account, the President of Ukraine P. Poroshenko presents «Strategy 2020», which provides more than 60 reforms and special programs, which should run almost simultaneously. This identified eight areas where changes or solve the most acute problems, or create prerequisites for other reforms. Priorities are related to judicial reform, law enforcement and tax systems; decentralization and public administration reform; deregulation and entrepreneurship development; reform of the security and defence.

Also important is the dependence and the promotion of Ukraine in the world. The fundamental aim of the reforms carried out in recent years is the result of continuous development. One of the forms of solving actual problems of economic development is the introduction of modern systems of territorial administration, and first and foremost clusters type of local production systems.

In this case, priority should be given to the developing of such formations, which are focused on innovation, both in the field of technological processes and production of the final product or service. For the formation and development of local production systems in Ukraine creates favorable conditions, especially given the task of reforming public administration and regional development. The most important measures in this direction will be the revision and refinement of the development priorities in the regional strategy; streamlining and harmonizing regional target programs in accordance with policy documents at national level; the modernization of the legal conditions for the activities of local authorities.

⁵ Poroshenko P. O. Speech of the President of Ukraine at the press conference «Strategy-2020» [Electronic resource]. – Access mode: <http://president.gov.ua/news/31291.html>

Among the conditions for the cluster development in Ukraine currently, the major emphasis must be placed on the creation of a favourable institutional environment. Particular importance is the implementation of the provisions of European Union legislation, concerning the protection of intellectual property rights in the legislation of Ukraine, improvement of property rights protection of copyright subjects, simplification and unification of patent procedures. The next step is the implementation of activities aimed at creating a network of scientific, scientific-research, scientific-production enterprises interaction, the organization of a process of ongoing identification and monitoring of factors and barriers that create obstacles to innovation, the introduction of developed institutional instruments.

The institutional environment of LAN operation in Ukraine are formed in the conditions of implementation of the national strategy focused on the development of local self-government, the gradual expansion of the rights of territorial communities, the transfer of authority between the center and the regions. Ukraine is the introduction of European institution-building instruments as Twinning (decree of the President of Ukraine «on ensuring the implementation of the Twinning project» dated by 06.10.2005), TAIEX (resolution of the Cabinet of Ministers of Ukraine «On approval of the procedure for the preparation and implementation of the plan of engaging external aid of the European Commission in the framework of TAIEX» dated by 09.04.2008, No. 316), and the Comprehensive program of institutional development (CIB) (decree of the Cabinet of Ministers of Ukraine «Some issues of the preparation and implementation of a Comprehensive program of institutional development under the initiative of the European Union's «Eastern partnership» dated by 10.11.2010» from 10.11.2010 No. 2078-R).

The introduction of European instruments of institutional development is comprehensive and meets the priorities of implementation of the Agreement on free trade zone between Ukraine and EU, as well as established European technical assistance programmes and budget support. In recent years, Ukraine is one of the leaders by the number of completed and implemented projects twinning among the countries of the European neighbourhood and partnership. At the same time, volumes of such projects are growing (Tolkovanov).

It should be noted that Twinning is an instrument of the institution building. In the framework of cooperation between civil servants similar authorities of the member States of the EU and partner countries in the implementation of elements of public administration needed to adapt national legislation to the EU legislation. Another element of institution building is the TAIEX. In 2006–2011, 6839 Ukrainian civil servants participated in 292 TAIEX events. They were conducted in the following areas: freedom, security and justice – 61 events, the internal market – 127, transport, environment and energy – 62, agriculture and food security – 42 events (Tolkovanov).

In the institutional structure of the Ukrainian industry, an important place is occupied by «the concept of the State target program of industry development for the period till 2020» (Kozyr, 2010). Its purpose is to strengthen innovation and investment activity in industry in order to achieve a positive impact on its structure, to provide market competitive industrial goods and to accelerate the integration of the industrial complex in the world production. The concept formulated approaches to determine the optimal achievement of its objectives. This problem is solved on the basis of the comparative analysis of the three possible options. In the first one there is practically no influence of state authorities on industrial production in the country, although it is allowed to use direct methods by funding public works contracts.

The second option comes from finding ways of industrial production modernization on the basis of the import of scientific and technical achievements (technologies, equipment, products, services), which are almost not represented on the world market. The risks of the first variant can be reduced to the chaotic development of industrial production, and the second fastening the peripheral status of the domestic industry as a market large to meet the needs of countries industrial center.

The most promising for the formation of the new Ukrainian economy, but also the most difficult to implement there is a third option of achieving the goals of the concept of industry development up to 2020. It focuses on the structural and technological transformation of the industry, which are based on medium – and high-tech production. In the same time the share of domestic developments must obtain a growing trend in the integration process of innovation and industrial policy. Before the decisive factors in the success, such a strategy includes the creation of structures, especially scientific innovation and industrial clusters in high-tech industries. It is assumed that new clusters will focus its efforts on the commercialization of production capacities of state-owned enterprises and scientific institutions. Meanwhile, use of public-private partnership forms and funds of variety sources, including budget, credit and investment is not excluded.

Globalization leads to changes in the forms of local production organization. In the world economy we can see the development of new forms of fragmentation, which intensify the integration process. First they covered mainly the group of national economies and most clearly manifested in the creation of the European Union, in which foreign economic relations of the member countries focused mainly on the cooperation partners. However, the boundaries of these formations is also quite large and require additions by the local integration associations, because in the system of economic relations, you can not «make friends» with the world, if there are no coincidence of interests regarding the production and sale of goods and services.

3. Economic and regional conditions for the formations of cluster systems

The benefits of national economies openness brought up the conditions under which companies are forced to choose the location of their activities in places where there is a better business environment for their needs. The more global markets, the higher is likelihood that resources will flow to more attractive regions, encouraging the formation of local expertise and creating clusters. Last, gaining higher competitiveness, encourage the creation of new clusters through the formation of needs in additional services or in the emergence of new niches for the establishment of local production systems.

Archetypal example of a region in which strong clusters generated in many high-tech fields, is Silicon Valley in the United States. High results were also obtained by strong European clusters, based on the use of the American experience. They specialize in financial services (London), the cultivation of flowers (the Netherlands), biological pharmaceuticals (Denmark and Sweden) and other industries and services. It should be noted that in many countries cluster policy began to emerge at the regional level before the national level. So, in Germany such lands, as Baden-Württemberg, Bavaria, North Rhine-Westphalia started programs of networks growing, uniting science and business, back in the 80-ies. But, the Federal government initiated the first program in mid 90-ies (Cluster policy in Europe). This means that if there are presences of strong regions in the economic and administrative aspects, which are Germany lands, «starting engine» of development in important areas can be regions, and not the center.

The inclusion of any country in the cluster policy is significantly associated with the occurrence of the financing needs of specific joint projects. As a rule, it was limited to stimulation of processes of self-organization and formation of clusters in the regional economy. This can be illustrated by the example programs to support clusters in France, which focused on the development of local production systems («local productive system»). It provided the possibility of obtaining subsidies on average in the amount of 37.5 thousand euros per cluster. Terms of financial support were relatively mild: the formation of the cluster organization, uniting its founders (Martin, 2010). They could spend money on a fairly wide range of costs, including brand building; support for export; the self-organization of enterprises, universities and local authorities; obtaining expertise for the implementation of further larger-scale programs. In 2006–2008 taking in account the success of local production systems programs development changed their program «Competitiveness clusters», which Fund amounted to 1.5 billion euros, which expanded the range of support cluster initiatives. Using this program, spe-

cific cluster programs were funded, which have already been formed and confirmed its effectiveness.

Strong clusters with regional location, has extended its reach to the global economic space in the aspects of personnel, technologies and investments. Their characteristic is the maintenance of world markets and cooperation with other regional clusters, which provide additional contributions to global value chains. In the end, deepening of specialization in local spaces is happening. In the case of slow inclusion in this process, the risk of regions lagging in economic and social development and the emergence of depressive states is increasing.

Assessing the evolvement of cluster systems in developed countries, it should be noted that they, on one hand, promoted economic growth, given the global conditions of the last decades, and on the other, needed to adapt to the problems that arose in the 20th years of the XXI century. However, international statistical research of T. Bal-Wozniak not confirmed the significant forward movement in the context of innovation, especially in the new member States of the EU (Bal-Vozhniak, 2010, p. 152). There is a hypothesis about the greater influence of innovativeness, on the bridging level of development by reducing the benefits of intensification transient network economy based on resources, to an economy based on knowledge.

The aim of «Europe 2020» strategy was the growing economic power of the European Union, and welfare of its citizens. «Our efforts should be more focused on the development of the EU competitiveness, productivity, growth potential and economic convergence. The new strategy focuses on key areas, which need to act: knowledge and innovation, has been the economy, high employment and social inclusion» (Eurobulletin, 2010, p. 16), – stable in the conclusions of the European Council.

To maintain high living standards and their further improve, Europe began to search for new organizational forms for clusters that will ensure progress in the field of innovation. This means the requirement, that Europe has become more productive in generating new ideas to reduce the gap with the US and Asian countries in innovation development. Therefore, the European clusters are developing in the direction of transforming into a powerful catalysts of this process, functioning as connected with the second territorial centres.

Modern views on the role of clusters, formulated in the «European Memorandum concerning clusters», says that they are «regional centers of concentration and of specialized companies, are related to each other by numerous channels, which create a favorable environment for innovation. They make «open innovation» possible, meaning the creation and improvement of new ideas in the network, consisting of companies and organizations that cooperate with each other. These groups of companies and organizations contribute to the elimination of obstacles to the transformation of new ideas into new products and get the maximum benefit from globalization» (The European Cluster Memorandum).

The analysis of publications shows that in the context of territorial entities and private industries clustering develops unevenly. The greatest distribution it received in the construction, tourism, food and clothing industry. Successfully in Ivano-Frankivsk region clusters of tourism and the production of Souvenirs «Constellation» and the cluster «Lesnichestvo and other arts and crafts in the region» for the manufacture of products from sheep's wool started to work. In Rokytnivskiy district of Rivne region registered a cluster of woodworking, in Kherson region – transport and logistics cluster «Southern gate of Ukraine», in Poltava region – cluster of environmentally friendly baby food «Poltava», in Odessa – a cluster of organic farming and of rural green tourism in Danube region, in Kharkiv – cluster of pork and meat products and in the city of Sevastopol – 7 cluster associations, including tourist-recreational «Chersonese» and «Umiaks tour» (Zaharchenko, 2012). It should be added that in the city of Sevastopol new approach to the creation of local production systems has formed, which have been developed on the basis of the seven cluster associations mega-cluster «Sevastopol», which is expected to have more synergy.

In all areas of the construction sector of Ukraine developed and successfully operate in clusters. The first of them in this area and in fact in Ukraine the cluster «skirts» created in Khmelnytsky city in 1998. It brought together more than 30 associated with the construction of enterprises and organizations located on the territory of Khmelnytskyi region, almost all of which cooperate to this day, providing jobs for about five thousand people. The cluster performs original orders both in Ukraine and abroad in the framework of Ukrainian-Polish business cooperation (Poroshenko). The foundation of the construction cluster in Khmelnytsky became possible due to the presence in the region minerals used in the construction industry, as well as relevant research, production and personnel potential. Not the last role was played by the fact that the city of Khmelnytsky passed by large financial flows due to the fact that over the last decade it has formed a large wholesale markets.

If the experience of the cluster «Podillia» can be estimated as the international market in the form of construction services export, in Kharkiv region, together with the Belgorod region of the Russian Federation has created a cross-border construction cluster of Euroregion «Slobozhanshchyna» (Construction cluster of Euroregion «Slobozhanshchyna»). Its members included representatives of local authorities, enterprises and institutions, infrastructure, social organization and construction organizations specializing in providing services for the design, production of construction materials, construction, maintenance, reconstruction and capital repair of housing objects, civil and industrial Belgorod and Kharkiv regions. The organizers of the cluster were Belgorod regional fund for small business support, Belgorod state technological university named after V.G. Shakhova, open joint stock company «Kharkiv regional entrepreneurship support fund» and Kharkiv state technical University of construction and architecture. The main tasks to be solved in the framework of the cluster lies in reducing costs and

improving the quality of construction products; the development of new types of building products, materials and technologies; implementation of international standards of quality management system ISO 9001 in the construction industry; the growth of commissioning of the projects of high quality (including housing) (Construction cluster of Euroregion «Slobozhanshchyna»).

Example of Khmelnytsky region which join efforts in the framework of business organization cluster for the purpose of enhancing its competitiveness is becoming increasingly popular in Ukraine. Regional administrations and entrepreneurs look at Khmelnytsky region as a training center for search of the most appropriate models to use competitive advantages in their regions and industries. This results in a gradual increase of the clustering processes. The most stubborn of them and dynamic over the last decades has been able to achieve some success.

When we are talking about successful initiatives that function last ten years due to the association, we should name Khmelnytsky regional association «Sewing cluster», registered in 2001. It includes enterprises of light and textile industry, Khmelnytsky national university and the «Student house of models». Companies in this cluster have moved away from mass production of uniforms and started forming their model line, rationally distributed between the markets.

Also, successfully operating in the field of consumer goods production, cluster «Kramatorsk jewelry», created in 2010. Partners in it's organization were made by the owners of the jewellery manufacturers and Chamber of Commerce and Industry of Donetsk region. In it's model the goal is the diversifying of city's economy and the use of branding the region as a national center of mechanical engineering. The Union started a great job of training and personnel development. In 2011, we conducted 14 seminars and trainings with the participation of executives, managers, representatives of the advertising departments of the enterprises in the cluster. In March 2011, was made a working visit of the representatives of the cluster in Germany. During the visit, they studied the experience of using the Germany jewelers cluster model, trends in European jewelry design. Experience of innovative and evolutionary changes in the jewelry industry of Ukraine in August 2011 presented at the thematic session «KAIDZEN-club concerning the problems of small and medium business development in Ukraine». In September jewelry cluster as a business association, was presented at the conference of the project of the Center for international private enterprise «CIRE» on «Capacity building of business associations in Ukraine», which was attended by representatives of Chambers of Commerce and business associations of Ukraine, Russia, Belarus⁸.

Great interest is manifested now in the local systems of production organization in coastal regions. Ukraine – a great naval power. It owns the sea ports of the Azov-black sea basin, which are a central element of building a competitive national transport system. However, in this field, it's already the second decade,

that there was no structural reforms implemented, and state enterprises have at their disposal excess depreciation of fixed assets. In these circumstances, non-transparent privatization and develops outside the legal field of private marine terminals network is carrying out. However, there is a rapidly growing traffic and the number of investment projects that are focused on the development of port infrastructure. However, due to the lack of interaction with other transport sectors, especially with the railway, there is no sufficient match between the capacity of ports and port infrastructure.

All this aspects has created economic situation, problem solving of which requires the establishment of maritime clusters. At the present stage of research is underway on the cluster model development, which will be able to ensure the growth of the role of maritime transport in the economy of the country. One of the variants of the model is under the name of «national maritime cluster» submitted by the State administration of sea and river fleet» (Kozyr, 2010, pp. 12–13). It consists of a system of maritime clusters: Dunai (the ports of Reni, Izmail, Ust-Dunaysk); Odessa (ports: Odessa, Ilyichevsk, Uzhnui, Belgorod-Dnestrovskiy); Mukolaiv (ports: Mukolaiv, Oktyabrsk, Kherson, Skadovsk); Crimea (ports: Evpatoria, Sevastopol, Yalta, Kerch); Azov sea ports: Mariupol, Berdyansk). Organizational capacity of such project is defined components such as technological maturity in the field of strategic, project and program management, clarity of vision for the future and the first step of the project. It is believed that this structure of the national Maritime cluster provides flexibility in the management, planning and coordination of individual clusters, as well as a significant increase competitiveness and evenly loading ports (Kozyr, 2011, pp. 99–102).

Another concept of the maritime cluster creation is based on a regional approach and the initiative «from below». It provides the functioning of the two groups of clusters: emerging (emerging cluster) and pre-clusters or agglomerations. The clusters that arise, relate to the second stage of cyclic cluster development, which means that in the region there is a few companies that are merged for specialization in «key» field and broaden the overall prospects of cooperation (Kolesnyk, 2011, pp. 131–136).

Clusters of coastal areas are specializing in fisheries, maritime transport and logistics. It's corresponds to the experience of Canada on the implementation of the support program of morphospaces clusters and Norway in creation of conditions for the development of the cluster «marine farm».

The use of pre-clusters in the system of marine management focuses on informal association of small and medium business of ship repair and shipbuilding sectors. Their mission in terms of the presence of these sub-sectors in the critical condition determined in the formation of a competitive network of firms that ensure successful development of the region based on local and sectoral competitive advantage. In the economic space of the border regions, increasing the relevance of cross-border cooperation on the basis of the formation of the

common innovation infrastructure, ensuring the effective use of local scientific and technical potential, creation of conditions for the modernization of the industry and its rapid development⁶. This is especially true for the Dunai territories after the accession of Romania into the European Union and the occurrence of a result of new opportunities that can give a United Europe. Projects clustering in the lower Dunai, which were discussed above, are currently being developed only for the Ukrainian side, which somewhat limits their effectiveness, given the uniqueness of the region, through which passes one of the major traffic arteries in Europe. To develop a strategy for clustering should be taken into account the location of the Dunai region at the intersection of major international routes from Europe to Asia that includes three sea commercial ports of Reni, Izmail, Ust-Dunaysk), 2 shipyard, the state shipping company open joint stock company «Ukrainian Dunai shipping company», 4 railway stations; locomotive depot, a number of enterprises of motor transport, the airport «Ishmael». According to the conclusions of experts in the region, it is advisable to create educational and informational-analytical cluster on the basis of which it will be possible to acquire skills and experience in the analysis of the implementation of local production systems and to further the formation of clusters of different types on the territory of the Euroregion «Lower Dunai» (Ukraine, Romania, Moldova) (Kovalenko, 2009, pp. 96–97). To attract foreign investments into the economy of the lower Dunai, it requires solving recovery problems on the technological base companies in the region, modernization and conversion of existing facilities that are idle. While priority should be given to areas of development, including the improvement and expansion of transport networks, ports, expansion and diversification of business export.

4. Science parks in the development of innovative processes

The establishment and operation of science parks is carried out in accordance with the Law of Ukraine «On scientific parks» from 25 June 2009 No. 1563-VI. Science Park is a legal entity created on the initiative of higher education institutions and/or research institutions by combining the contributions of the founders for the organization, coordination, control, process development and project management of the science park. Its partners can be the entities that must enter into an appropriate agreement. The priority directions of the science

⁶ In fact, in the border regions, especially it can be inherent in coastal areas; there are good prospects for the emergence of F. Parreto «growth poles» which formed the dominant industries, which play the role of a «motor». The effect of dominance leads to the fact that «industry-motors» stimulate pullups related industries, giving rise to the growth of production and innovation.

park should be economically and socially due to scientific, scientific-technical and innovation activities corresponding to the objectives of its creation, the sectoral profile of the founder, take into account the needs of the region and consistent with the laws «On priority directions of development of science and technology» and «On priority directions of innovation activity in Ukraine».

The study of problems of science parks development is made by many Ukrainian and foreign scientists. Among them V. Andrianov (theoretical foundations of science parks) (Andrianov, 1990, pp. 33–35); M. M. Ivanov, S. R. Kolupaev (methods of management science and innovation in the USA) (Ivanov, 1990); A. Karatayev (operation of science parks in the developed capitalist countries) (Karatayev, 1990, pp. 13–15); V. K. Vasenko (world experience in the operation and strategy of development of free economic zones in Ukraine) (Vasenko, 2004); V. I. Lyashenko, A. I. Zemlyankin, I. Y. Goricheva, T. F. Berzhna (infrastructure of science parks) (Lyashenko, 2012, pp. 89–109); O. A. Mazur (international and Ukrainian experience of the operation of technology parks) (Mazur, 2009); V. Semynozhenko (technoparks and the experience of building an innovative economy) (Mazur, 2009); D. V. Tabachnik (international and Ukrainian experience of technology parks operation) (Technology parks) and others. However, the practice of establishing of industrial parks have not yet received widespread distribution, although some experience already gained, which gives grounds for further development of their network.

The first science Park «Kyivska Polytechnika» was created on the basis of National technical university «Kyiv Polytechnic Institute» according to the law of Ukraine No. 523 – V 22.12.06 «On the Science Park «Kyivska Polytechnika» to organize the mass of innovative activities aimed at the intensification of the processes of development, production and implementation of high-tech products to the domestic and foreign markets, increase revenues to the state and local budgets, acceleration of innovative development of economy of Ukraine. This law was practically a pilot value for the formation of normative rules and the basic principles of science parks.

The establishment of the science Park «Kyivska Polytechnika» provided the attraction of 55 foreign and Ukrainian high-tech companies, nearly a hundred research groups and laboratories of the KPI, which provide a stream of competitive know-how, more than 20 engineering faculties that prepare for the companies high-quality staff, several venture capital and investment funds, which, if necessary, act as individual investors start-up projects. Scientific Park is attracting more and more students who not only work in his company, but also create in structure of the business incubator park their own small companies to market their inventions and projects (Research institutes as centers of innovation development of the country).

During 2005–2010 the participants of the industrial Park «Kyivska Polytechnika» brought to market more than 150 new products and technologies.

Among the improvements of park – complex of computer equipment that shield the user from stray electromagnetic radiation; strategic planning and system management of sustainable development of the megacities of Ukraine; energy efficient house with the comprehensive use of renewable and alternative energy sources; production technology new diet food health and preventive actions; microsatellite; technologies for low-cost titanium production (Research institutes as centers of innovation development of the country).

The organization and activities of the park is carried out according to three main elements of the model of the «triple helix», developed in 1996 by professor of Stanford and Edinburgh universities Henry Ickovic, which includes universities, business and state (Dezhyna, 2007). Science Park «Kyivska Polytechnika», actively working in it only two participants: the University and the productive sector (American company Netracker, USPolytech, EPAMSystems; «European Institute of innovation technologies» (London), the German research center «Eurocentral»; the Ukrainian company group DF, «Datagroup», «Technology of nature», «UAvia», «Kherson enterprise «Sudmash», concern «Ukrpzhservice», Kiev company «Meridian» and others). The state is virtually not interested in the experience of the first science park in the country. Meanwhile, it could make an order for the creation of high technologies for critical areas: cost minimization of energy resource, biotechnology for food and agricultural sectors, information systems for the effective management of different parts of society. Such a policy would ensure the reduction of high-tech imports in Ukraine in these areas.

The network of science parks at the present time in Ukraine has expanded; however, their influence on the formation of an innovative economy cannot be implemented. To monitor the performance of science parks, it is advisable to select their network. In the scientific literature describes such science parks (Lyashenko, 2012, pp. 89–109):

«Innovative aerospace technologies, established in 2010 in the framework of the EU project «Support to knowledge-intensive and innovative enterprises and technology transfer in Ukraine» at the National aviation University, Kyiv);

«Kyiv University of T. Shevchenko», created in late 2010 research institutions of NAN of Ukraine (Institute of Archaeology, Institute of Bioorganic chemistry and petrochemistry, Institute of biochemistry of O. V. Palladin; Institute of Geochemistry, Mineralogy and Ore formation of M. P. Semenkova; Welding Institute named after O. Paton; Institute of history of Ukraine; Institute of physics named after G. V. Kurdyumov; Institute of Microbiology and Virology of D. K. Zabolotny; Institute of organic chemistry; Institute of applied physics; Institute of problems of materials science of I. M. Frantsevich; Institute of problems of information registration, Institute for theoretical physics of M. M. Bogolyubov) and higher educational institutions of the IV level of accreditation (Kyiv national Taras Shevchenko; National University of food technologies); «AGROECO», created on the basis of the Institute of Agroecology and environmental Economics of the

National Academy of agrarian Sciences of Ukraine (AEP NAAN of Ukraine) with the participation of the Institute of Agroecology and environmental Economics NAAN of Ukraine; Institute of sugar beet and energy crops NAAN of Ukraine; Institute of hydraulic engineering and land reclamation NAAN of Ukraine; national scientific centre «Institute of agriculture NAAN of Ukraine; national science center «Institute of mechanization and electrification of agriculture NAAN of Ukraine; Institute of agricultural Microbiology NAAN of Ukraine; national scientific centre «Institute of agrarian economy» NAAN of Ukraine; Kiev centre for investment promotion, innovation and high technologies; Kyiv regional state administration; National University of bioresources and nature management of Ukraine.

Among scientists there is an opinion that some parks legitimately can be attributed to science parks so that they could more fully enjoy the benefits that are provided to individuals such status (Niemets, 2010, p. 62). In particular, called parks like «Kyivska Polytechnika», «Textiles», which based in Kherson national technical University; «Agrotechnopark» National University of food technologies and «Yavoriv» National University «Lviv Polytechnic».

Given the presence in Ukraine of a developed network of educational institutions of the highest level of accreditation, research and design institutes, as well as a modern business environment can be considered that in the near future will be created powerful new science parks. Currently, the project of creating a network of science parks in the Donetsk region is under development. To achieve this goal, should be used the mechanism of franchise propagate around the network core, which is the Donetsk scientific center of the National Academy of Sciences of Ukraine, Ministry of education and science of Ukraine, regional offices of the Chamber of Commerce of Ukraine, in the cities of Donetsk and Lugansk (Lyashenko, 2012, pp. 89–109). Pilot design involves the use of three options: on the basis of scientific institutions; on the basis of higher educational institution of the IV level of accreditation; and in cooperation with scientific institutions and higher primary schools of the IV level of accreditation. It is recommended to apply the approach «from below», when science parks are formed by scientific institutions and Universities of the IV level of accreditation initiative in terms of political support for the government. The second phase will be carried out the duplications, that is, the formation of the hollow forged science parks in another city in the region under the condition of achieving the objectives of a pilot science parks. The third stage is planned franchise replication in the form of transfer on commercial or other contractually-established pattern of functioning of the pilot and duplicated science parks for use in other cities and regions of Donetsk and Lugansk regions.

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Macroeconomics

Nadia REZNIK

**SOCIAL RESPONSIBILITY OF BUSINESS:
THE NATURE AND THEORETICAL ASPECTS**

Abstract

The basic elements of mechanism of social responsibility of business are investigated in the article. The scientific approaches concerning determination of essence of the category «social responsibility of business» are generalized and offered its interpretation as author sees it. Basic stimuli that will assist the social orientation of entrepreneurial activity are defined. The main directions that will lead to more efficient mechanism of social responsibility of business are proposed.

Key words:

Social responsibility, entrepreneurship, mechanism, AIC, partnership.

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Problem statement. The transformation of Ukraine to steady economic development, its integration to the European and world community requires introduction of modern practice of co-operation of society, state and business, what would allow to strengthen mutual responsibility of all its participants, create conditions for further stable development of the country.

Taking into account public meaningfulness of social responsibility of business, this range of problems acquires the special actuality.

Analysis of recent research and publications. Various aspects of corporate social responsibility in recent years are reflected in the works of Ukrainian scholars, especially V. Vorobey, L. Denysyuk, A. Lazarenko, M. Saprykinoyi, V. Smirenskoho, M. Starodubskoyi and others.

However, the current phase of globalization makes it necessary to study the mechanism of the formation of the modern paradigm of corporate social responsibility and summarize trends of adaptation of international experience and its usage in the activities of domestic companies.

The purpose of paper. The aim of the article is research-and-development of basic elements of mechanism of social responsibility of business directions of increase of his efficiency.

Exposition of basic material. Conception of social responsibility of business, that consists of conscious attitude of subjects of economic activity toward the requirements of social necessity, social tasks, mental and ethical norms and values, understanding of consequences of the activity for society, state, consumers, business partners and workers, got distribution in the economically developed countries of the world (Strategy of assistance to development of social responsibility of business is in Ukraine).

In scientific literature social responsibility is also examined as advancement of practices of responsible business, that are of the business use and to society and assist to social, economic and ecologically proof development by maximization of positive influence of business on society and minimizations negative (Kotler, 2005, p. 23).

According to other determination, social responsibility of business means the achievement of commercial success ways that value mental and ethical principles of concord and environment (Mazurenko).

Social responsibility of business can be also defined and as a free choice of company in behalf on the increase of level of welfare of society by means of the corresponding going near doing business and grant of corporate resources. In the general understanding corporate social responsibility is all actions of company, that positively influence on society (Faidor, 2008, p. 67).

In more wide understanding under social responsibility one should understand responsible attitude of any company toward the product or service, to the consumers, workers, partners, active social position of company that consists in a harmonious coexistence, co-operation and permanent dialogue with society, participating in the decision of real social problems (Baffet, 2008, p. 35).

Thus, for today there is no the only scientific approach to interpretation of category «social responsibility of business».

For this reason, expediently, to our opinion, to agree with scientific approach (Fursa, 2012), that marked, that fundamental principle of research of phenomenon of a social responsibility must be understood as a forms of comprehension subject of it public essence and adequate to it the conscious activity.

In this context social responsibility can be examined in two measuring (Fursa, 2012, p. 67):

1. Social responsibility as duty of personality, management, organization, state structure means to make decision and undertake actions that promote the level of welfare, answer interests as societies, companies, communities, and separate personality that represents the ethics and mental aspect of public relations. Confession and acceptance of social responsibility are voluntarily for the organization and it is related to its desire to do a contribution into development of society, to what it is not obligated by neither economic reasons nor legal laws. It is actions, acts and measures of philanthropic aspiration that nobody requires and that does not provide to organization the perceptible benefit or income. In this sense, social responsibility is examined as a variety of public, next to economic and legal.

2. Social responsibility as a universal form of connection and interdependence of personality, state and society, their possibility to estimate the consequences of the activity for steady community development «represents the valued-legal aspect of public relations. Actualization of this idea carries an accent from responsibility of a person before society and state on social responsibility of the state before society and person» (Savchenko, 2007, p. 9). Social responsibility, as an optimal variant of interconsistency of interests, rights and duties of public subjects is the original method of mutual limitation of their actions in relation to natural, economic, social and cultural realities. Thus, relations between the state, business, society and personality must be formed on the basis of mutual responsibility. It appears in an acceptance and inhibition of each of the marked subjects of concrete obligations in relation to other, in particular in relation to «responsibility of public organs and public servants for non-fulfillment of their duties before society and personality, ... and from everybody – inhibition of the duties before society and state» (Savchenko, 2007, p. 9). Summarizing the above mentioned approaches, expediently, to our opinion; we can define social responsibility of business as process of conscious realization of complex of measures in the different spheres of public life, sent to the receipt of social and ecological effects.

Going out of the all above-mentioned, social responsibility of business is the voluntarily activity of enterprises of private and state sectors, sent to the observance of high standards of economic activity, social standards and quality of work with a personnel, minimization of harmful influence on a natural environment with the aim of smoothing of present economic and social disproportions; creation of partner mutual relations between business, society and state; an improvement of business effectiveness in a long-term period (Strategy of assistance to development of social responsibility of business in Ukraine).

In accordance with European practice, social responsibility of business spreads to seven basic directions (Strategy of assistance to development of social responsibility of business in Ukraine):

- observance of human rights;
- observance of requirements of legislation;
- business and corporate ethics;
- defence of natural environment;
- collaboration with parties concerned: by employees, consumers, shareholders, society, and all economic subjects;
- observance of international codes of conduct;
- transparency and accountability.

In Ukraine over 65 company see social responsibility as introduction of the social programs of improvement labour conditions for the personnel, development of personnel and it studies (63,2%), charity public help (56%), ethical attitude toward customers (49,5%) (table 1).

The analysis of practice of observance of principles of social responsibility of business allows us to define factors that influence on the effective functioning of its mechanism, including AIC.

1. The base condition of social responsible business is realization of conscientious business practice in relation to the basic groups of stakeholder. From one side, such practice envisages timely implementation of tax obligations in full that, directly, influences on forming of profitable part of budget of financing of the government social programs. From the other, – envisages transparency of business operations, including, opening of information on financial and social questions and verification of the corresponding accounting by independent public accountant companies, that, in turn, assists a gradual decline to the level of shadow economy in a country, to overcoming of fiscal deficit (Hamidova).

2. One of the urgent necessities of many industries of AIC is a necessity for introduction of the newest technologies, modernization of production capacities.

Table 1

Component concepts and social responsibility of business

Forms of display	%
Introduction of the social programs of improvement of labour conditions of firms' own personnel	65,5
Study of personnel	63,2
Charity	56,0
Implementatation in company politics principles of ethic and responsible attitude toward consumers	49,5
Participating in the regional programs of development	32,3
Realization of the ecological programs	29,8
Politics of observance of shareholders rights	20,8
An open providing of information about a company	18,7

Source: A report on the state of social responsibility of business in Ukraine, p. 8.

Management that is built on principles of social responsibility provides the innovative orientation of development to the enterprise. A process of search of ways of harmonization of interests of proprietors in relation to a price, quality, safety and eco-friendly is the direct catalyst of innovations, including the production capacities related to modernization.

Thus, distribution of practice of realization of social responsibility on the domestic enterprises of AIC can be examined as an additional level of stimulation of their innovative development.

Thirdly, development of social responsibility of home producers that are the leading enterprises of a country will help to promote authority of the state at an international level. It, in turn, envisages positive influence and on the investment attractiveness of Ukraine (Hamidova).

The government programs of support and stimulations of the above-mentioned processes, in that the state determines socially responsible behavior for business, are worked out in most countries of EU and functioning, attaches the companies of private and state sectors to general implementation publicly of important tasks, and stimulates business to socially responsible activity (Strategy of assistance to development of social responsibility of business in Ukraine).

According to the table 2, in Ukraine the decline of level of taxation is the most ponderable stimulus for realization of the programs of social responsibility of business. The second and third positions in rating of stimuli are the declines of administrative pressure and different programs from local government bodies.

Table 2

Potential stimuli for the programs of social responsibility of business

Stimulus	Small enterprises	Middle enterprises	Large enterprises
Decline of taxes	73,3	80,2	73,5
Decline of administrative pressure	51,2	56,7	48,4
Suggestions of from realization of the programs of social responsibility	21,6	25,6	37,0
Expansion of bank social and informative programs	14,9	18,1	17,9
Presence in MASS-MEDIA	17,2	14,5	15,7
More close connections with unprofitable organizations	6,6	4,6	6,2

Source: A report on the state of social responsibility of business in Ukraine, p. 49.

In the modern world socially responsible activity of business is the generally accepted tradition that the most of large, middle and even small enterprises adheres to (Strategy of assistance to development of social responsibility of business in Ukraine).

Development of social responsibility of business in Ukraine is consolidated around international organizations and projects, in particular: representative Offices of the UNO in Ukraine that in 2006 began and supports activity of the Ukrainian network of the Global agreement of the UNO that embraces over 140 organizations.

In Ukraine most companies (both large and middle) do not have certain strategy of social responsibility and are on the stage of observance of legislation and «point» charity projects. Leaders of Ukrainian business, in particular, of private ownership, carry out active charity activity (strategic charity) and use it as a tool of public relations (PR). Almost all large companies conduct the projects of increase of efficiency of business processes with certain social or ecological advantages, however majority does attachment of such business-projects to own social responsibility (Social responsibility - basis of business philosophy).

The basic tool of mechanism of social responsibility in Ukraine is: introduction of control system, implementation of the social accounting and verification of SRB; partnership organizations within the groups of influence, that allows to the enterprises to become familiar with the decision of certain thorny social and ecological problems due to the association of financial, human and administrative efforts on the transparent and clear terms; development of innovative commodities

and services that help to overcome concrete social problems; adaptation of international projects and strategies to the Ukrainian market (Vorobey, 2012, p. 16).

The basic factors of conducting the domestic enterprises SRB are (Vorona): firstly, positive reputation, as a method of competitive activity for TNK in Ukraine and companies that carry out international activity; secondly, own persuasions; thirdly, expansion of markets of sale; fourthly, possibility of access to the cheap financial resources that will appear at the estimation of possibility of receipt in relation to cheap credit resources for development of business, especially from international financial institutes; fifthly, increase of capitalization, that are the consequence of increase of attractiveness of enterprises before investors (Vorobey, 2012, p. 16).

Conclusions. Thus, on the modern stage for activation of processes in the field of social responsibility in Ukraine, first of all, a necessity is (Social responsibility - basis of business philosophy):

- a change of public consciousness in relation to understanding of maintenance, meaningfulness of social responsibility for development of the socially oriented state, and among businessmen – strategic value of socially responsible position for strengthening of competitiveness of companies at the market and long-term steady development;
- forming of legislative base, that will provide the personal business interest in inculcated social programs, and also normatively-legal acts that stimulate development of social responsibility;
- creation of partner network within the framework that participants get wide possibilities for advancement of corporate reputation on regional and macroeconomic levels;
- introduction of methodological bases of grant of help in planning and realization of concrete social projects and programs, realization of the corporate systems of social responsibility;
- creation of bank of these social and ecological initiatives, in realization of that would participate public bodies of power, public organizations and enterprise structures.

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Microeconomics

Mykola MATVIYIV

**FORMING THE CONCEPT OF HOSPITALITY
IN INNOVATIVE MARKETING SERVICES
OF RESTAURANT ENTERPRISES**

Abstract

The essence of the hospitality concept in innovative marketing of restaurant companies is considered. The concept of hospitality stems from the relationships marketing concept and has its own field of application related to a friendly reception and quality service guests (customers), restaurants, hotels, cruise ships, casinos, resorts, boarding houses, motels, hostels etc. Two modern directions of hospitality development, namely hospitality providing guests housing and conveniences (hotel industry) and hospitality providing entertainment and catering (restaurant industry) are characterized. The classification of European national cuisines and molecular cuisine, as the fashion trend in cooking that indicate the different dishes with unusual combinations of properties and components is done.

Key words:

Hospitality, European standards of food products, innovative marketing, marketing mix of restaurant services, molecular cuisine, restaurant industry.

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Introduction. Restaurants play an important role in the economies of many countries. Share of restaurants in total turnover of food is 57.8% in average according to European statistics. In the restaurant industry are employed more than 4 million staff within Europe and profit of the industry is about 74 billion Euro. This makes the restaurant business more attractive; and the competition in the industry increases with each next year. Accordingly, there are favorable conditions for the development of restaurant industry in Ukraine and particularly promising area is development of European national cuisines market. The study of patterns and trends of formation of the services market, and also identifying of areas of enterprise development in the restaurant industry on the European markets of national cuisines in Ukraine and abroad is very important.

Despite the fact that market relations discover for the restaurant business new opportunities at the same time, they can deform the social functions of responsibility of business in the country. However, the issue of innovation marketing neglected, taking into account aspects of the hospitality. The article deals with the definition that innovative marketing opens new possibility for harmonization of the socio-economic features of restaurant business and consolidation of society's resources.

Analysis of research and publications. An important contribution to the development of innovative marketing theory and solving of service issues of the restaurant businesses made by such foreign scientists, as F. Kotler, K. Keller, J. Bouen, J. Maykenz, J. Walker, E. Statler, D. Meyer, D. Pasternak and E. Flo and domestic scholars such as Andruschenko G., Garbar G., Durovych A., Krasnokutska N., Rusavska V., Mikhailova N., Shynkar M., Pyatnycka G., Arkhipov V., Voronin I, Holovatch V., Hrakovskyy J., Davydova O., Ivanova L., Izhevskiy V., Klementieva O., Kovalchuk A, Levchenko M., Lisitsa T., Mykhailova N., Pyatnycka G, Petrova I., Popova O. etc.

The aim of the article is to identify trends forming the concept of hospitality on the market of European national cuisines and study perspectives of innovative development the enterprises of restaurants industry of Ukraine.

The main material. Hospitality is an integral part of life and communication in most Slavic nations. Concept of hospitality should be considered inseparable from the concept of «guest» because it is the key to marketing activities of

the restaurant enterprises. Garbar G. A. notes that the term «visitor» is found in the artifacts of the history of Kievan Rus' and is often identified with the word «merchant» because guest called merchant-traders that visit different lands. The term «guest» and «merchant» referred in the contracts of Kniaz (princes) Oleg and Igor. In hospitality, we can identify a guest with consumer or customer who expects a warm welcome and willing to pay more for it than for other benefits (Grabar, 2011, p. 44).

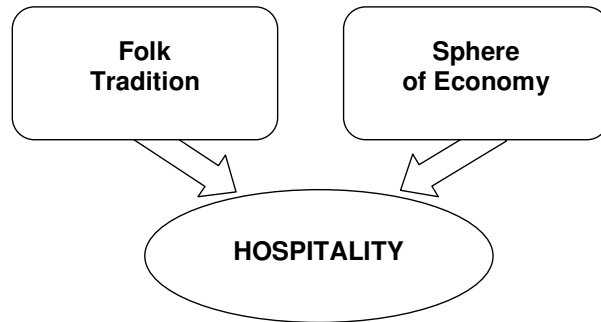
Hospitality concept can be considered as a part of a holistic marketing concept that was formed in scientific work of F. Kotler and K. Keller. In the research scientists study the holistic approach as a result of the synthesis of the four marketing concepts:

- Integrated marketing – strategy that aimed to unification of different marketing methods such as mass marketing, personal marketing and direct marketing. Its purpose is to supplement and enhance the marketing impact of each method, and the exploitation of market data in developing product, pricing, distribution channels forming etc.;
- Internal marketing – management concept of promotion of the enterprise and its policies to employees as internal customers of the organization. It contains such provisions as the assimilation of staff core values of the organization, improving relationships within the team, increasing the degree of identity of workers as members;
- Relationship marketing – concepts aimed at developing long-term relationships of trust with a wide range of customers and its management. Management is based on the database forming with customers profiles, their consumer preferences and history of contact with the company and division of customers into groups according to certain key features to better meet their needs and maintain relationships;
- Socially responsible marketing – a concept that is based on the assumption that the activities of the company to determine the needs and requirements of target markets and to ensure the desired satisfaction by effective ways must be accompanied while preserving and strengthening the welfare of consumers and society as a whole (Kotler, 2012, p. 101).

The concept of hospitality derives from the marketing relationships concept and has its own field of application related to a friendly reception and quality service guests (customers), restaurants, hotels, cruise ships, casinos, resorts, boarding houses, motels, hostels etc. Hospitality can be viewed in two ways (see. Fig. 1).

Figure 1

Directions of study of the concept of hospitality.



Hospitality as a folk tradition became the basis of individual sectors of the economy – the hospitality industry, so studying hospitality in terms of marketing activities of restaurant enterprises need to explore the social nature of the phenomenon.

Zhayvoronok V. researched the hospitality by the example of the Slavic peoples. In his dictionary, he quotes the famous ancient philosophers and gives an example of the emperor Maurice, who in VI century noted: «The Slavs heart to foreigners, guests at their friendly and carry them from place to place where they should be. But if due to negligence of host will be the guest wickedness, against such host arms his neighbor: because wickedness for the foreigners, it is a shame for all» (Actual problems of development of food production enterprises, restaurants, hotels and sales enterprises, p. 45). Ibn Rust – Arabic writer and geographer (end of IX – beginning of X century) wrote «The Book of precious treasure.» In the book, he notes that Rousseau (the people who lived on the territory of Kyiv Rus) honor and welcome the stranger and when visitors resort under their care – they defend them from all accidents. Currently preserved only the seventh volume (Actual problems and perspectives of development of tourism, restaurant, and hotel business in Zaporizhzhia region, p. 215). German historian and monk Gelmolda (at the beginning of the XII century) argues in his book «Slavic Chronicle» that «there is no friendlier people from the Slavs through their hospitality». Considering the statements mentioned writers and philosophers researcher interprets hospitality as:

- folk tradition with love and respect accept and entertain guests;
- readiness, willingness to entertain their guests;

- hospitable ceremony of reception anybody (Actual problems of development of food enterprises, restaurants, hotels, and sales enterprises, p. 15).

Rusavska V. A. defined hospitality in different ways. At this stage we are interested primarily in hospitality as a guest receiving process. In to author's opinion the hospitality – is primarily a kind of ritual, standard steady sequence of actions performed by a variety of «markings». Thus the ritual acts not only formality and action, the value and importance of which are perceived as real and have an undeniable sense for the individual that provides it (Rusavska, 2007, p. 8).

Andruschenko G. I. notes that the tradition of hospitality originated in the era of pre-class formation. This tradition was the only means of strengthening and developing trade and socio-economic links between geographically disparate peoples. Hospitality is so specific human moral quality that exists in all nations from ancient times in different forms of manifestation and is characterized by varying degrees of sophistication, depending on the economic structure of life. It has performed not just a means of informal communication between people, but also a form of protection of people in need of shelter, warmth and care, an expression of trust, compassion, empathy, compassion, understanding, and understanding (Andrushchenko, 2011, pp. 7–12).

In the context of this research we are interested in hospitality as the sector of economy and basic activities of the services sector subjects.

J. Kotler, J. Bowen and J. Maykenz determine the hospitality from the position of consumer and argue that in this context hospitality – is to ensure visitors by sensations associated with necessity, feature his own person, which arise as a result of courtesy, competence and attention of staff in providing services (Kotler, 2010, p. 91).

E. Statler expresses the idea that hospitality – is activity that is associated with the provision of basic needs of clients related to housing, food and rest, so that the highest needs were satisfied. The author argues that the concept of hospitality should be reflected not only in the actions of staff in relation to the guests, but also managers towards staff. He also notes that in this approach the marketing mix should be focused on providing the highest quality services at an adequate price policy (Actual problems of food industry and restaurant enterprises. Modern questions of personnel training, p. 39).

According to N. Webster's dictionary, hospitality – is an area of business that consists of the following types of services that are based on the principles of hospitable behavior and are characterized by generosity and friendliness relatively guests. Hospitality – is as well as the comprehensive concept of different activities aimed for high-quality reception and guest services (Webster New International Dictionary, p. 1).

Durovych A. P. defines hospitality as service sectors that are booming and aims to satisfy customers' needs in hotels, restaurants and other places of public

recreation and establishing friendship relations with them on long-term basis. The author notes that long-term relationships with clients in hospitality are very important because they are much cheaper for the company than actions aimed at attracting new customers. If the guest was dissatisfied, re-gain his attention will need in the twenty-five times more effort than establishing trusting relationships with them on a regular basis (Skrypko, 2012, p. 119).

Another Ukrainian scientist Arkhipov V. V. emphasizes that hospitality is (Arkhipov, 2010, p. 106):

- a system of actions that provide a high level of comfort, satisfy various household and economic needs of guests, provide service;
- the special nature of relations between guest and host (institution of hospitality), that are characterized by high sincerity and ensure the customer a certain level of security and comfort;
- socially formed character of specific activity to serve personality that are the core of the sphere of hospitality.

Voronin I. N believes that hospitality begins at the stage of selecting the location of the hotel and ends at the level of the phrase, «Good luck, we hope to see you next time». Hospitality is always with the main consumer – guest (Voronin, 2012, p. 46).

A classic is the definition of the American Marketing Association, which defines hospitality of guests, clients, government officials, employees and VIP-persons in a particular institution and providing them with a list of services relating to parking, food, accommodation and other possible measures (Extreme Innovation How the World's Best Restaurant Stays on Top, p. 1).

To compare the different views of the concept of hospitality by different authors we constructed Table 1.

According to the table we can argue that the concept of hospitality evolutionated and changed in modern society, than became one of the most important components of social and cultural services.

Hospitality arose during the time of the tribes and developed initially as a form of friendly relations between unrelated peoples and social groups, and eventually developed into the basis of many economic actors who work in large and rapidly growing sector – hospitality. Term hospitality has not changed substantially since it, in today's society is understood as sincere, friendly reception, providing them with shelter and food. With the rapid development of world economy and the increasing share of services in the global economy hospitality began to view as concept and companies who have chosen hospitality benchmark separated a sphere – the hospitality industry.

Table 1

The concept of hospitality in the writings of scholars

Directions study Hospitality	Scholars	Definition of hospitality
I. Hospitality in terms of tradition	Zhayvoronok V. V.	Hospitality – a folk tradition with love and respect, receipt and entertain guests. Hospitality – a readiness, willingness to receipt their guests. Hospitality – a ceremony hospitable reception anyone.
	Rusavska V. A.	Hospitality – is a ritual standard stable sequence of actions performed through a number of «markings».
	Andruschenko G. I.	Hospitality – is a form protection of people that needs shelter, warmth and care, an expression of trust, compassion, empathy Hospitality – is a form protection of people that needs shelter, warmth and care, an expression of trust, compassion, empathy, compassion, understanding, and understanding., compassion, and understanding.
II. Hospitality in economic terms	F. Kotler and J. Maykenz	Hospitality – is to ensure the visitors by sensations associated with usefulness, feature of his own person, which arised as result of courtesy, competence and attentiveness of staff in providing services.
	E. Statler	Hospitality – an activity that is associated with the provision of basic customer needs related to housing, food and recreation, in condition of satisfaction of highest needs.
	N. Webster	Hospitality – is business area, which consists of the following types of services that based on the principles and hospitable behavior characterized by generosity and friendliness relatively guests.

Directions study Hospitality	Scholars	Definition of hospitality
	Salo Y. M.	Hospitality – complex concept of different activities aimed at quality reception and services of guest.
	Durovych A. P.	Hospitality – is sector of the service sector, which is rapidly developing and aims satisfy the needs of customer's hotels, restaurants and other places of public recreation and establishing friendly relations with them on a long-term basis.
	Garbar G. A.	Hospitality – the system of measures to ensure a high level of comfort, satisfy various domestic and commercial needs of guests, service. Hospitality – a special character of relations between guest and host (hospitality and consumers), which are characterized by high sincerity and guarantee a certain level of customer safety and comfort. Hospitality – is socially formed property of specific activities of the individual services that are core of sphere of hospitality.
	American Marketing Association	Hospitality – is reception, clients, government officials, employees and VIP-persons in a particular institution and provides them a list of services related to parking, food, accommodation and other possible measures.

As said above, there are two directions of modern hospitality development (Salo, 2011, p. 202):

- hospitality towards providing housing and amenities (hotel hospitality);
- hospitality towards providing entertainment and food (restaurant hospitality).

In the context of this study we are interested in the second direction.

Results of the scientist's research, who studied hospitality for a long period of time as a social and economic sphere property enables us to summarize the views of the authors and suggest proper generalized definition of the concept.

So the concept of hospitality need to be defined as a system of views aimed at identifying and summarizing the rules and rituals of a friendly reception (clients) restaurants, hotels, and other facilities associated accomodation guests and the provision of related services as a result of compliance with which the client enjoys no only basic needs, but a needs on a higher level. The higher level of society development and the more satisfied the basic needs of the people coused the increasingly important concept of hospitality in business. So, hospitality is an indicator of living standards in the modern economy.

We need to analyse the factors of European national cuisine market in Ukraine. The first it is necessary to determine the characteristics of European cuisine and its components.

European food (western or continental cuisine) – is a complex category, which includes a set of kitchens in Europe, and the peculiarities of the influence of the national cuisines of North America, Australasia, Oceania and Latin America on the kitchen of European countries. Kitchens of European countries have a number of features depending on the location, living conditions, cultural traditions and preferences of people living in this country, but a common feature of all cuisines is continental European origin (fig. 2).

All European dishes are divided into four groups – Eastern European, Northern European, Southern European and Western European market. For the determining of national European dishes need to explore the concept of the restaurant industry (hospitaslity).

Despite the all differences a common feature for European cuisine, there are many meat and vegetable dishes, as well as the secondary role of spices and sauces in cooking. The reason for this is the desire of European nations to preserve naturalness and true flavor components. Another feature is the large number of dishes using wheat flour (Tkachova, 2011, p. 101).

According to state standards of Ukraine (GOST) Restaurant Management – is a type of an economic activity of the economic agents regarding the provision of services with respect to meet consumer needs for nutrition on the organization of leisure or without it (Topolnyk, 2011, p. 129).

Restaurant (French. «Restorantes») – is a place with a original productions, excellent service and comfort combined with the organization of recreation and leisure consumers (Trade and hotel-restaurant business: innovation development in the contex of globalization, p. 114).

Figure 2

Classification of European national cuisine

Eastern European cuisine	<ul style="list-style-type: none"> Azerbaijani cuisine, Belarusian cuisine, Bulgarian cuisine, Armenian cuisine, Georgian cuisine, Moldavian cuisine, Polish cuisine, Russian cuisine (including Tatar cuisine), Romanian cuisine, Slovak cuisine, Slovenian cuisine, Hungarian cuisine, Ukrainian cuisine (including Crimean Tatar cuisine), Czech cuisine.
North European cuisine	<ul style="list-style-type: none"> British cuisine (including English cuisine, Anglo-Indian cuisine, Scottish cuisine, Welsh cuisine), Danish cuisine, Estonian cuisine, Icelandic cuisine, Irish cuisine, Latvian cuisine, Lithuanian cuisine, Norwegian cuisine, Finnish cuisine, Swedish cuisine.
South European cuisine	<ul style="list-style-type: none"> Albanian cuisine, Bosnian cuisine, Gibraltar cuisine, Greek cuisine (including Greek-Macedonian cuisine), Spanish cuisine (including Andalusian cuisine, Asturian cuisine, Aragonese cuisine, Balearic cuisine, Galician cuisine, Estramadur cuisine, Basque cuisine, Valencian cuisine, Canarian cuisine, Cantabrian cuisine, Castile-La Mansiysk cuisine, Catalan cuisine, Leones cuisine), Italian cuisine (including Venetian cuisine, Neapolitan cuisine, Sardinian cuisine, Sicilian cuisine, Tuscan cuisine, Cypriot cuisine), Macedonian cuisine, Maltese cuisine, Portuguese cuisine, Serbian cuisine, Turkish cuisine, Croatian cuisine, Montenegrin cuisine.
West European cuisine	<ul style="list-style-type: none"> Austrian cuisine, cuisine Belgian, Dutch cuisine, French cuisine, German cuisine, Liechtenstein cuisine, Luxembourg cuisine, Swiss cuisine.

European national cuisine in Ukraine – is a collection of entities restaurants that offer clients services related to nutrition and leisure, based on product policy of these establishments, taking into account different national cuisines of European countries.

Way to improve the product, which is offered on the menu, is a food innovation. The concept of «innovation» was first introduced by Schumpeter, which literally means «the embodiment of scientific discovery, technological invention of a new technology or a new kind of product» (Krasnokutska, 2008, p. 12).

The term «innovation» (Eng. – Innovation) means new scientific and technical achievements, innovation as a result of the novelty implementation, but in the nineteenth century cultural scientists used it. The term meant «the introduction of some elements of one culture to another».

The definition of «innovation» is controversial because the basic theories of innovation it is advisable to submit in the table (see. Table 2).

Table 2

Scientific approaches to the definition of innovation

Author	Definition
H. Barnett	Innovation – is any qualitatively new idea.
W. Thompson	Innovation – is new idea, process, products and services.
P. Drucker	Innovation – is primarily economic or social concepts; social innovation is more complex to use than technical.
J. Schumpeter	Innovation – is change to implement and use new types of consumer products, new production and vehicle, markets and forms of organization in production.
M. Porter	Innovation – an opportunity to obtain a competitive advantage. Innovations are a new product design, the new production process, in a new approach to marketing, the new technique advanced training of employees.
K. Freeman	Innovation – is technical, design, production, management activity, production of new products, the first commercial application of new processes or equipment.
B. Santo	Innovation – is a socio-techno-economic process, through the practical application of ideas and inventions leading to the creation of the best in quality products, technologies, and provides income (in cases where innovation focused on economic benefits), its appearance on the market can provide additional income.
F. Nixon	Innovation – a set of technical, industrial and commercial activities, leading to the appearance on the market of new and improved industrial processes and equipment.

According to international standards, which were adopted in Oslo in 1992, innovations – are final result of innovation activity, displayed in the form of new or improved products introduced in the market of new or improved technological process that used in practice or a new approach to social services (Smirnov, 2009, p. 79).

Innovations in nutrition are regarded primarily as the basis of the food industry. Most researchers in the food industry understood innovation as the result of research and development and as new or improved food products, new technologies and systems, industrial equipment, new forms of organization and management of the various areas of the field (Collection of technologic cards on dishes and pre-cooked foods for restaurant enterprises, p. 7). Innovations in the field of nutrition should be the primary focus of innovation activities of enterprises restaurants.

According to the data in Table 2 we conclude that, there is no single interpretation of innovation. Some scientists consider innovation as a material thing and result of innovation activity (new product or service), others think that innovations have not materialized form and reflect changes in the organization of a certain kind of activity, the possibility of obtaining a competitive advantage or a set of specific actions that lead to change. There is also a view on innovation as a dynamic category. In this case, innovation defines as a process.

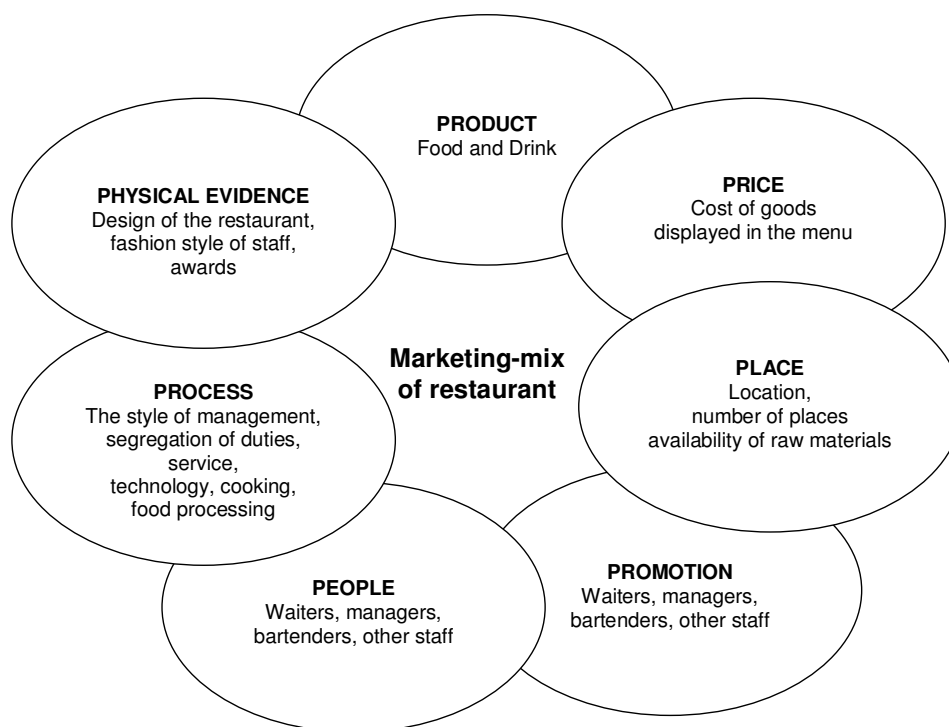
So we need to interpret the innovation as a complex category, economic and social concept that encompasses a new idea or a new approach to the process of production and sales, which had never been used. And the activity aimed at the production of new products that better satisfy the needs of customers that previously not aware and on commercial use of new processes. The result of innovation providing is increasing the level of profits, reduction of costs or exit the company and its customers or society in general to a new level of development.

The term «food innovation» in the restaurant business has not gained widespread usage among Ukrainian and foreign scientists. If the world has arisen trend towards innovation in hospitality, in Ukraine prevailed the traditional approach to the restaurant business doing. For a better understanding, the concept «food innovation» in the context of complex marketing of enterprise of restaurants business (see. Fig. 3).

Figure 3 presents descriptive marketing mix, so it is necessary to detail this element as a commodity (product) of restaurant enterprise. The main products in a restaurant are the food and drinks. For each food establishment, the food take determining role, because its cost can be differ from the price offered on the menu. Such added value creates kitchen staff, which must masterfully wield by different techniques of cooking and furthermore be as a designer and artist. The appearance of food takes determining role because customer orders a meal often «such as sended on that table.» The food should correspond to the style of establishment as thematically and by design.

Figure 3

Marketing Mix of restaurant



Way to improve the product, which is offered on the menu, is a food innovation.

Food innovation in the context of the restaurant business – is the creation and following offering to consumers of restaurant the food and beverages which are fundamentally new or their quality and taste characteristics significantly different from previous ones. The main objective of such innovation – is creating new tastes and new ways of presenting food (Gadomska, p. 25).

To achieve this goal we can define three main directions of activity:

- development of new recipes of food and beverages and improve their appearance (Official Journal of the European Communities, 2002, p. 24);
- change in cooking technology (Molecular Gastronomy, p. 10);

- improving of organization and allocation of responsibilities among the kitchen and staff (Traino, 2012, p. 20).

All these directions of activity are interrelated because for cooking new dishes that accompanied by changes in receipt, there is a need for new development and use of new technology. Accordingly, it is necessary to hire new qualified personnel as for research new product properties and for work with specific kitchen accessories.

Good example of such innovations are restaurants that specialize in mixed types of cuisine (Latin-Asian, European, Chinese, etc.), or combine ingredients that have never been combined. At the core of this innovation is well-known in the world subsector of culinary science «molecular gastronomy».

Culinary science – is an applied science about the food which International Institute of Food Technology (IFT) defines as a discipline in which engineering, biology and physics are used for study the nature of food products, their taste and causes of damage (Molecular Gastronomy, p. 6).

Molecular gastronomy (molecular cuisine) is the fashion trends in cooking, indicating the different dishes with unusual properties and combinations of components. It examines the mechanisms responsible for the transformation of ingredients in cooking and the social, artistic and technical components, culinary and gastronomic phenomena in general in terms of the science. The result of this approach is the food innovation in the form of new foods and beverages. Advances in molecular gastronomy, that made history, are dishes named in honor their inventors-chefs (see. Table 3).

Table 3

Advances in molecular gastronomy, which made history

Achievements of Molecular gastronomy	Description
Vauquelin	Dessert, main ingredients of which are cranberry or orange juice and eggs (feature of this dish – in the process of preparation was found astringent properties juice).
Gibbs	Dessert, which consisting of egg whites mixed with sugar, vanilla pods, prepared in the microwave with the addition of olive oil.
Baumé	The meal, prepared with eggs, which must stay in alcohol for a month for folding protein and yolk.

Source: Molecular Gastronomy, p. 4.

Molecular approach to the formation of the restaurant product is fully justified in view of the increasing competition in the industry and the search for new approaches to attract new customers in restaurants.

Another priority direction of innovation in Ukrainian restaurant business is adaptation the restaurant food to European standards. The source of such standards is the Resolution of the European Parliament and the EU Council № 178/2002, which approve the general principles and requirements of food law. This legislation is intended to ensure the quality of goods of food industry including the products that are offered in restaurants and other catering establishments in the EU. Standards aimed at improving the quality of food that is the basis of the existence of the restaurant business by reducing the harmful substances in products.

We can propose a list of basic standards that acting in relation to food products in Europe and used in the business of restaurants.

- ✓ Food products should not be placed on the market if they are dangerous.
- ✓ Food products are considered dangerous if they are harmful to health or unusable for human consumption.
- ✓ In determining food safety according to European standards must be considered:
 - Conditions of storage, production, distribution and consumption of the product;
 - Information provided by the consumer, including information on the label, and other generally available information to prevent specific harm to health which arising from the specific product or product category.
- ✓ In determining whether food is dangerous to health it must be considered:
 - Not only possible short- or long-term impact for health of consumers, but also for the health of future generations;
 - Possible toxic effects of cumulative nature;
 - Features of health by specific categories of consumers for whom the product is intended.
- ✓ In determining food unfit for human consumption must be considered such signs as a possible contamination of the product, hit its composition pollutants, putrefaction and deterioration of the product.

- ✓ If in part of food product is found unsafe product – all products of such parties are considered as dangerous and can be sold only after testing for safety the all products (Kotler, 2010, p. 10).

In the restaurant's business compliance with these standards is mandatory at every stage from acceptance of goods and semi-finished products to the warehouse of restaurant, ending the features of goods consumption. Meals and drinks that served in the restaurant must be completely safe for health of visitors. For restaurant customers offering the quality food that complies with the requirements of the European Community at the production stage should be used:

- raw materials with documents that confirm the quality and safety (veterinary certificates, quality certificates);
- raw material with expiration dates that allow to save it in a few days;
- raw material that has no defects and is clean.

During the preparation of food only high-quality products should be used. Since this is a European cuisine, we should note that the national dishes of all countries should cook using local ingredients of country cuisine of which restaurant specializes. In this sense, local products – are products originating from countries where food is a national. As we consider European cuisines, for example – French. A typical French cuisine is onion soup (soupe à l'oignon). To cook it, we need the following ingredients as yellow onions, cooking sherry, cheese Gruyere, Emmental and Mozzarella and other ingredients. We can call "French soup" only when all the components of the soup have French origin.

Distribution of food at the restaurant – is the process of moving food and drinks from chefs to customers. In this aspect requires the use of pure, not fragile dishes and tableware made of safe for human's material. Safe consumption of food in the restaurants ensured by providing guests the necessary accessories and correctly compiled menu that excludes ingredients that may be in combination or singly be dangerous to consumers.

Conclusions. A result of research, we identified that the hospitality stored in person since ancient times, when it was a tradition of respect and sincerity take on the traveler (guest), but suffered significant qualitative changes it became the basis around which united the whole industry, known as «sphere of hospitality». One of the components of this rapidly growing sector is the restaurant business, but due to globalization and promotion of tourist services is particularly important market for European national cuisine in Ukraine. Among the factors, that most influence the development of this market, are the economic, demographic, social, cultural, natural, technological, political and legal.

Innovations must be define as a complex category, economic and social concept that include a new idea or a new approach to the process of production and sales, which never used, and as activities aimed at the production of new

products that better satisfy the needs of customers or needs which previously not aware, and on commercial use of new processes.

The term «food innovation» in the restaurant business – is the creation and offerings of food and beverages to customers that are fundamentally new, and their quality and taste characteristics significantly different from previous ones. The main goal of innovation we consider in the creation of new tastes and new ways of presenting food.

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**Microeconomics**

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**TARGETING AS ONE OF THE TYPES
OF STRATEGIC ADVERTISEMENT****Abstract**

The conception of targeting is opened in the article. The tasks which resolve by targeting are characterized. The using of targeting as one of Internet advertising method is proposed.

Key words:

Targeting, advertisement, segmentation, marketing, target market.

JEL: M31, M32.

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The theme actuality. The choice, which firm makes for most effective advertising assets depends on manager's skill to take into consideration tendencies, which are specific for modern market development. Main of them are: the importance of increasing products quality; customer satisfaction, necessity of building permanent relationship with them; ability to think globally; increasing meaning of marketing service. The managers of enterprises use strategic direction of advertisement – targeting to receive information about market, prices, competitors and market capacity. Targeting also helps to understand in which way enterprise has to organize distribution of products or services, in which way to conduct a promotion campaign on market, to build advertisement strategy, to form demand in condition of competitive pressure from other firms on this market.

Such researches as A. Alizar, A. Borodkin, S. Ward, K. Chystov dedicated their works on targeting to developing and implementation of media strategy.

The goal and objectives of the study. The goal of the study is disclosure of theoretical conception of targeting and grounding of ways of targeting development as strategic type of advertisement.

The exposition of basic material. Internet advertisement (ad) is an universal tool for promotion products and services; the usage of this type of ad is not only cost-efficient but very effective. When advertisers bank on ad actions in internet, they can achieve a lot of tasks not spending much time and costs as usual.

It explains that internet is a perspective platform for ad business. There are new technologies, tools and methodologies for efficient increasing of ad campaign. Generally using new tools of ad provides more opportunities to engage potential clients to their resources and to achieve more ad efficiency spending less.

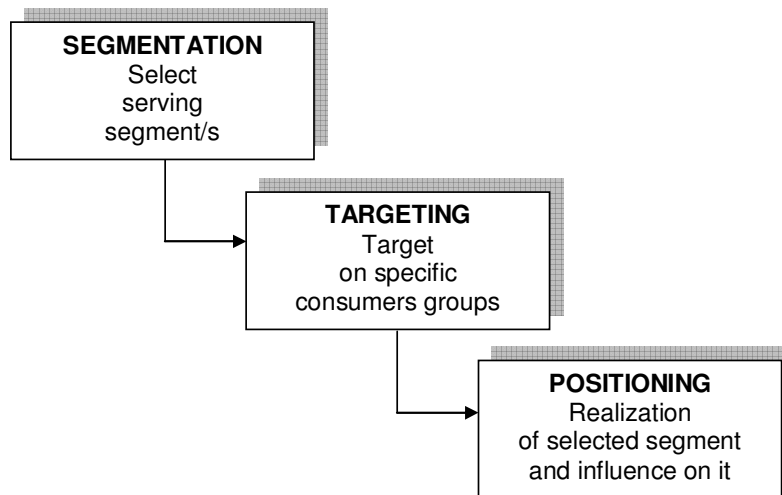
The main method of increasing conversion of every resource is to engage much more target visitors to their page. Taking into consideration the all Internet audience, the most results we get from ad campaign, which at the beginning was target on a specific groups. These groups consist of interested visitors which have opportunities to order or purchase product or service. To target ad on potential client allows not only to get high results for short terms, but to spend less cost.

Type of ad that helps to mark target visitors, which match the criteria, from general are named targeting. At this time only targeting is a main method of efficiency growth of ad campaign and it is irreplaceable promotion element of any products and services in network.

Targeting in the aggregate is a scheme-technical and design solutions that help to choose from general audience that part, which satisfies some criteria. That means to choose the target audience and to be oriented especially on it. (Ward) In other words, targeting is a type of internet ad, which helps to reduce ad costs on engaging target audience to advertised object. Its essence is to choose the group from site visitors which meet some criteria. These criteria are formed by types of targeting, which were mentioned above. In case of targeting usage, the selected ad materials are shown to only those visitors which meet these criteria (Fig. 1).

Figure 1

The influence of targeted advertising



The value of targeting as effective marketing tool is explained by such aspects:

- Segmentation is highly effective tool of competition, because it orients on selection and satisfying special consumers' needs;
- Segmentation orients firm business on a market gap, especially it's actual for new firms, which just started their market activities;
- Market segmentation helps to determine market orientation of firm;

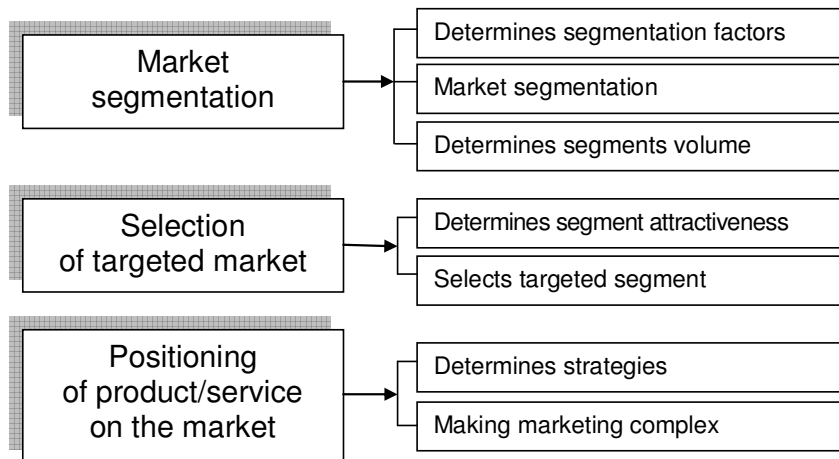
- Segmentation gives opportunity to set marketing goals;
- Successful market segmentation have influence on ad efficiency in general, starting from market research and consumers research to forming corresponding system of distribution and promotion

The definition of STP-marketing was founded in marketing theory. It was creating from first letters of such English words as: segmentation (S), targeting (T) and positioning (P). The STP marketing is a core of modern strategic marketing (STP).

This process captures three main stages, which goes from its name (Fig. 2).

Figure 2

The stages of STP marketing



1. Market segmentation is a stage of marking of consumers group within general market.

Market segmentation is consumers' classification by groups based on difference between needs, characteristics or behavior and marketing complex for every group. The final aim of targeted market segmentation is a selection of consumers' segment to satisfy their needs and firm activity will be direct to satisfy them (Butenko, 2008).

The market segment consists of consumers that have the same response to marketing stimuli. The firm has to decide, how to get to selected segment and to get a competitive advantages. Before that it needs to research competitors' position on market and define its place. P. Dickson notes an important role of positioning in marketing and product policy and to underline that effective positioning can make a millionaire from an entrepreneur and a top manager from middle manager (Dickson, 2007).

2. Selection of target market: from the range of segments firm choose the target one on which its' activity will be oriented.

3. Positioning is identifying the firm product between others.

There is no the only definition of positioning. But A. Ries and J. Traut (Traut), who implemented this term, support the mental approach and give such definition to this term: development and creating of a product image in that way to take different decent place from the others competitive products.

The most popular type of marketing is performed by selection of advertising space in that way when targeted audience match by interests, age, place of living and others.

The advertising networks give us an opportunity to target on ad spaces, geography, watching time (morning or evening, weekdays or weekends). Targeted ad act selectively for consumers whose preferences match a product's attributes and increase response for ad.

A unique opportunity gives us search system, as visitors already have some request. The contextual ad is showing to visitor, depends on search phrases on his request. This ad is more effective because people perceive it as additional information on their theme.

To determine ad material on internet site we usually use key word as a principle. The research systems orients on key words. That's why this ad will be shown to consumer, who use internet for searching information about products or services.

Almost all search systems in Internet use targeting ad for getting profit (such, ad network Google Ad Words is a source of income for Google). These ad systems allow advertise both on pages with search results for specific words and on pages which block contextual ads (Market targeting options).

There are a number of types of targeting, which differ from each other on the principles of audience selection by some characteristics. Using each of them can be very effective in each case. It's important to take into consideration features of offers and target audience.

There are few types of targeting listed below.

Behavioral targeting. Main interests, likes, consumers tastes, which tracked by cookie files are used for segmentation. Though, it creates kind of consumer profile, which give us a full picture about his tastes, hobbies, interests. On the thought of many experts, it is most perspective targeted direction (Alizar). Especially effective behavioral targeting works on ad for consumer of electronics and computers. Two-third of consumers buys these products at least ones on a month. Internet ad has special influence on the forming consumer intention according to authors.

Nowadays in Ukraine leading position on personalized ad is occupied by adware companies. They locate ad banners in programs but experts promise leading position to big portals and sites which are providing behavioral technologies. (Behavioral advertising is most effective for solving problems related to pent-up demand) Most of ad companies which provide internet promotion already have used this perspective novelty. Thus, only few media companies which represented in Ukrainian Internet ad market can give service with behavioral targeting technology. Even these companies are only parts of large international internet holdings. For now it's only two companies such as LLC «Bigun-Ukraine» (www.begun.ua) and LLC «Yandex. Ukraine» (www.yandex.ua) and they are daughters companies of media giants. (Pasichnyk)

According to Jupiter Research 78 % of buyers of consumer electronics and 77% of who already has bought computers did it under the Internet ad influence. 67% of consumer electronic buyers and computer equipment noticed behavioral targeted ad in network. The three quarters of buyers mentioned that they are more sensitive to behavioral target ad than to contextual. According to Frank Gerstenberg, vice president of Revenue Science, American sellers of consumer electronics spend 1.1 billion dollars on online advertising of their products. The data of new research allow them to minimize costs, achieving more effectiveness of its advertising. (Behavioral targeting makes to buy)

Geo-behavioral targeting allows targeting an ad to visitors' interests and habits based on their location, movements, most visited places. (Borodkin)

Geographic targeting allows advertisers to target visitors based on their location (countries, cities, regions). It's one of the most common types of this ad technology. The advertiser select geographic region (countries, cities) where advertising shows.

Time-based targeting is served up an ad to visitor on his local time, which identify by location of IP-address. It's possible to use this targeting by day of the week or the month. Time-based targeting allows limiting display by time to visitor on single day. The setting the time and day of the week, which should show a banner is an important setting, that lets you reach target audience based on calculation of the time which typical representative spends on Internet.

The types of provider: specify internet service providers, whose users see advertising. This type of targeting based on groups of IP address that belong to a particular Internet Service Provider.

The types of connection: specify the connection type of target users (modem connection or separate line)

The types of organization: specify group of users, which were addressed advertisement (offices, banks, universities etc.). A special case is displaying ad to sites depend on their domain.

The frequent display banners to unique users: this type of targeting allows you to limit numbers of banners showing to unique page visitor. The advertiser has to limited numbers of views on a day, week, and month.

Under thematic targeting we understand during registration on the banner network participant have to select their theme. Rarely advertiser does it by oneself. It means to allow or ban display advertising for different sites. It's much more perfect version of thematic targeting.

The language targeting allows selecting displaying ad or not on international sites (for example: on English). The users will see advertising only which have specific browser and operating system.

Psychological targeting, when psychological characteristics are used during ad display (psychological type, social type) (Chistov, 2007).

Matrix Shop Behaviors (MSB) is one of the latest developments based on of data and featuring of managers and client's two-way contacts is forming a kind of behavioral matrix, which use to business model and take to account their features (Oriah, 2010).

With help of targeting ad can influence on selected segment of target audience, place relevant to user ad even on pages without commercial content always keeping the consumer interest, form demand, build long term ad campaign, having known and studied audience, meet their social expectation, lifestyle, level of income (Bogdanov).

Conclusion. Now when advertising effectiveness is decreasing and lacking ad places Internet is not an exception. The growth of media technology and investment in development of new approaches to marketing promotion will continue to promote the intensive development of Internet and offline advertising. Only advertiser makes decision to use these tools. To increase effectiveness of ad campaign can use one type or work with all types of targeting. At reasonable approach to use all tools it allows to increase accuracy of targeting and increase resource conversion.

However, it should be noted, targeting settings are main tools that help quickly to increase the effectiveness of ad campaign. Though, in our time this tool is almost indispensable.

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