



CENTRE FOR EUROPEAN STUDIES
Alexandru Ioan Cuza University of Iasi

CENTRE FOR EUROPEAN STUDIES
Working Papers
Series





Volume XIX, Issue 1, 2017

EDITORIAL BOARD

SCIENTIFIC BOARD

Doina BALAHUR, Professor, Faculty of Philosophy, Alexandru Ioan Cuza University of Iasi, Romania

Daniela Luminita CONSTANTIN, Professor, Bucharest University of Economic Studies, Romania/ President of the Romanian Regional Science Association

Gabriela DRAGAN, Professor, Bucharest University of Economic Studies, Romania

Gheorghe IACOB, Professor, Faculty of History, Alexandru Ioan Cuza University of Iasi, Romania

Corneliu IATU, Professor, Alexandru Ioan Cuza University of Iasi, Romania

Ion IGNAT, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Vasile ISAN, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Gheorghe LUTAC, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Cosmin MARINESCU, Professor, Bucharest University of Economic Studies, Romania

Dumitru MIRON, Professor, Bucharest University of Economic Studies, Romania

Gabriela Carmen PASCARIU, Professor, Director of Centre for European Studies, Alexandru Ioan Cuza University of Iasi, Romania

Carmen PINTILESCU, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Alexandru-Florin PLATON, Professor, Faculty of History / Centre for European Studies, Alexandru Ioan Cuza University of Iasi, Romania

Victor PLOAE, Professor, Ovidius University of Constanta, Romania

Ion POHOATA, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Ioan POPA, Professor, Bucharest University of Economic Studies, Romania

Spiridon PRALEA, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Rodica ZAHARIA, Professor, Bucharest University of Economic Studies, Romania

EDITOR IN CHIEF

Liviu-George MAHA, Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

EDITORS

Anamaria BERCU, Associate Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Sinziana BALTATESCU, Lecturer PhD, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Ovidiu BURUIANA, Associate Professor PhD, Faculty of History, Alexandru Ioan Cuza University of Iasi, Romania

Elena CIORTESCU, Lecturer PhD, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Ramona FRUNZA, Researcher PhD, Alexandru Ioan Cuza University of Iasi, Romania

Ana SANDULOVICIU, Lecturer PhD, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

EXECUTIVE EDITORS

Ciprian ALUPULUI, PhD, Centre for European Studies, Alexandru Ioan Cuza University of Iasi, Romania

Gabriel-Andrei DONICI, PhD, Alexandru Ioan Cuza University of Iasi, Romania

Sebastian ENEA, PhD, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Cristian INCALTARAU, Researcher PhD, Centre for European Studies, Alexandru Ioan Cuza University of Iasi, Romania

Sorin-Stefan MAHA, PhD, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, Romania

Loredana Maria SIMIONOV, Researcher PhD, Centre for European Studies, Alexandru Ioan Cuza University of Iasi, Romania



Volume XIX, Issue 4, 2017

Table of contents

STUDY ON THE PERFORMANCE IN THE SECTOR OF PRODUCTION, PROCESSING AND PRESERVING WHITE MEAT FROM ROMANIA, A MEMBER OF THE EUROPEAN UNION	1
<i>Ciprian APOSTOL</i>	
THE IMPLICATIONS OF THE CIVIL SOCIETY IN THE EASTERN PARTNERSHIP	10
<i>Loredana JITARU</i>	
VOICE OF THE STUDENTS: HOW CAN THE EU TAKE THE GLOBAL LEAD ON TACKLING CLIMATE CHANGE?	28
<i>Costică MIHAI, Alexandru MAXIM and Constantin-Marius APOSTOAIIE</i>	
WILL THE EASTERN PARTNERSHIP BECOME A DRIVER FOR AGRICULTURE?	39
<i>Oksana OKHRIMENKO and Alexander OKHRIMENKO</i>	
METHODOLOGICAL ASPECTS OF DEVELOPMENT AND IMPLEMENTATION OF MANAGEMENT POLICY AT INDUSTRIAL ENTERPRISES	58
<i>Natalia SKOROBOGATOVA</i>	

STUDY ON THE PERFORMANCE IN THE SECTOR OF PRODUCTION, PROCESSING AND PRESERVING WHITE MEAT FROM ROMANIA, A MEMBER OF THE EUROPEAN UNION

Ciprian APOSTOL*

Abstract

In the context that consumption of white meat is increasingly recommended for a healthy diet, the study aims to highlight the main features of the performance in the manufacturing, processing and preserving sector of white meat in Romania. In this direction, the scientific approach was based both on a qualitative and the quantitative approach of the issues studied and the methods of analysis were descriptive and comparative. In order to better highlight the evolution of the performance in this sector was compared the national sector and the European one and the time frame for analysis is between the years 2008-2015, i.e. the period during the financial crisis and the after.

Keywords: performance; white meat; food industry; Romania; European Union

JEL Classification: M49; O14; Q22

Introduction

The food industry is the industrial sector most dependent on agricultural production and has the broadest spread on the surface of the earth, with various sub-branches, such as: the meat industry, the fish processing industry, the dairy industry, the vegetable oils industry, the sugar and sugar confectionery industry, the milling and bakery industry etc.

In the context of a doubling of the world population in the last half century and forecasts of continuous growth, food security, both in quantity but also in quality, is a global challenge. The limitation of natural resources, but also the desire for profit at any cost has led to compromises in the food industry through the acceptance and use of genetically modified organisms, food additives (colorings, preservatives, emulsifiers, stabilizers, antioxidants, etc.), nitrates and nitrites, antibiotics, with harmful effects on the human body. Thus, it is found that diseases triggered by eating disorders have multiplied. For this reason, a series of rules have been adopted, both at national and international levels, to regulate the food market, specifying certain standards to be observed in the production, processing and storage of food.

* Lecturer PhD at the Alexandru Ioan Cuza University of Iași, Romania, e-mail: ciprian.apostol@uaic.ro

The existence of different foods on the market, more or less naturally, has led to a new concern of the population, namely that of identifying "the healthy products". A very important role in providing these products is organic farming, which involves an efficient use of natural resources through environmental conservation. Along with fruits and vegetables, white meat is considered a healthy product because it has less fat compared to red meat. Regardless of colour, the meat is the most important source of protein with high biological value and therefore should not be missing from the diet.

White meat is poultry (chicken, turkey, goose, duck etc.) and fish and it is obtained from the process of production, processing and preservation of two economic sub-sectors, namely – the meat and meat processing industry and the fish processing industry.

The meat and meat processing industry uses meat from pigs, cattle, sheep, poultry or from hunting and include slaughtering establishments of animals (slaughterhouses) as well as those that convert meat in various preparations (canned, cold cuts).

The study captures the main features of the performance in the manufacturing, processing and preserving sector of white meat from Romania.

The nature of the research has a conceptual dimension and a methodological one and the research objectives consist of an analysis of the activity in the manufacturing, processing and preserving sector of white meat from Romania through a descriptive and comparative analysis of specific performance indicators.

The scientific approach is based on a qualitative approach, but also on a quantitative one to the issues studied and the analytical methods are descriptive and comparative.

The study results provide added value to the state of knowledge in this field through the following qualitative aspects of the scientific research: making a brief description of the sector analysis and the presentation of its evolution over the period 2008 - 2015 compared with the development at European level, using some performance indicators.

1. Literature review

The performance of this activity sector is and will be a hot topic for experts in the field. However, there is no definition for this concept that universally fits, it has a multidimensional and interdisciplinary character.

On the World Wide Web there are over 150,000 websites devoted to this notion, and in all the books of financial analysis, distinct chapters are reserved for studying a company's performance by horizontal and vertical analysis of Profit and Loss Account, intermediate management balances

analysis, self-financing capacity of the company analysis, as well as rates of return analysis (Marion, 2001; Colasse, 1994; Mironiuc, 2006; Bușe, 2005; Petrescu, 2004; Petrescu, 2008; Achim, Borlea, 2012). Some authors (Ganea, 2012) have conducted extensive studies on modelling the economic and financial performance of the company.

The regulation of the food industry, in general, and the white meat industry, in particular, is achieved by means of international and national organisations which elaborate standards, principles and regulations. Thus, the European Parliament and European Union Council, on a proposal from the Commission, the Economic and Social Committee and the Committee of the Regions, approved Regulation no. 178/2002 on the general principles and requirements of food law and the establishment of the European Food Safety Authority.

Published on 1 September 2005, ISO 22000 "Food safety management systems - Requirements for any organization in the food chain" is the first international standard for the Food Safety Management System being developed by experts from the food industry, along with representatives of specialized international organisations and Codex Alimentarius Commission, an organization established by FAO (Food and Agriculture Organization of the United Nations) and the WHO (World Health Organization) to develop food standards.

The "Codex Alimentarius" is a collection of standards, codes of practice, guidelines and other recommendations, some of a general nature and others very specific to a food or food group or concerning the operations and management of production or the operation of government systems regulating for food safety and consumer protection.

At national level, there is the National Sanitary Veterinary and Food Safety Authority, established by GO no. 308/2004, by GO no. 1557/2007 and GO no. 42/2004 approved by Law no. 215/2004 and subsequently supplemented by GO no. 130/2006 regarding the organisation and functioning of the Authority National Sanitary Veterinary and Food Safety Authority. At county level, the Authority is represented by the Veterinary Offices and Food Safety Authority, and by Sanitary Veterinary and Food Safety Authorities at the local level.

The national body governing fisheries and aquaculture is the National Agency for Fisheries and Aquaculture, which was founded in 2004, and it is a public institution under the Ministry of Agriculture and Rural Development.

Regarding the national legislation on the white meat industry, we mention Order no. 206/447/86/2002 approving the rules regarding the marketing of poultry meat prepared by the Ministry of Agriculture, Food and Forestry, Ministry of Health and the National Authority for Consumer Protection. We also mention, Order no. 679 / 24.09.2004, published in the Official Gazette no. 699 / 24.09.2002, regarding the amendment Common Decision 206/447/86/2002,

approving the rules regarding the marketing of poultry meat, published in Official Gazette no. 966 / 21.10.2004 and Order no. 122/1999 approving the symbols companies active in the production of canned food for human consumption, packed in metal containers and serial numbers of groups and varieties of food cans, published in Official Gazette no. 9a / 12.01.2000.

2. The general evolution of white meat industry from Romania in the 2008-2015 period

To be able to capture the main aspects of the development of the performance from the activity of production, processing and preserving white meat from Romania, we proceeded to a reorganisation of the activities of the food industry, in the sense that we have analysed only those activities specific to the treated subject within the two major sectors, according to classification of the activities in the Romanian economy, namely: production, processing and preserving of meat and meat products (NACE code 101), from which it was analysed only the processing and preservation of poultry meat (NACE code 1012) and the processing and preservation of fish, crustaceans and molluscs (NACE code 102), from which it was analysed the processing and preservation of fish, crustaceans and molluscs (NACE code 1020).

The activity of production, processing and preserving white meat from Romania had largely the characteristics of a sector which was in a slight increase, the dynamics of turnover in the industry between 2008-2015 having an average rate of 9.84%/year (only one year of the analysed period recorded a slight decrease by 0.1% of the turnover in 2010).

The main players in the industry can be classified into two categories, namely:

- the processing and preservation companies of poultry meat: S.C. Transavia S.A., Alba Iulia, S.C. Avicola Buzău S.A., Buzău, S.C. Agrícola Internațional S.A., Bacău, S.C. Agrisol International RO S.R.L., Prahova, S.C. Avicarvil S.R.L., Vâlcea, S.C. Ave Impex S.R.L., Satu-Mare, S.C. Oncos Grup S.A., Cluj, S.C. Avicola Slobozia S.A., Ialomița, S.C. Bravcod S.A., Codlea, S.C. Avicod Broiler S.R.L., Brașov;
- the processing and preserving companies of fish, crustaceans and molluscs: S.C. Ocean Fish S.R.L., Ilfov, S.C. Negro 2000 S.R.L., București, S.C. Pescado Grup S.R.L., Bacău, S.C. Sabiko-Impex S.R.L., Timiș, S.C. Pomarom S.R.L., Alba Iulia, S.C. Elixir CD S.R.L., București, S.C. Rolux S.R.L., Hațeg, S.C. Group Omega Fish S.R.L., Brăila, S.C. Egan Prod S.R.L., Mureș, S.C. Delta Fish Distribution 2003 S.R.L., București.

If we analyse the turnover, as an indicator to measure the performance, it is observed that the highest values are recorded in the companies from the sector of processing and preserving of poultry meat. This confirms once again that the processing and preservation of poultry meat has the

largest share in the white meat industry from Romania and the processing and preservation of fish, crustaceans and molluscs had the characteristics of a sector which was in an increase.

2.1. The development of the white meat industry in Romania compared to other European Union member states

Romania had a relatively constant level of production of poultry during the period 2008 - 2015 and occupied an honourable place in the standings of European countries in 2015, holding the 9th place after Poland, France, United Kingdom, Germany, Spain, Italy, Hungary and Belgium. This is indicated in Table 1.

Table 1. Production of poultry meat

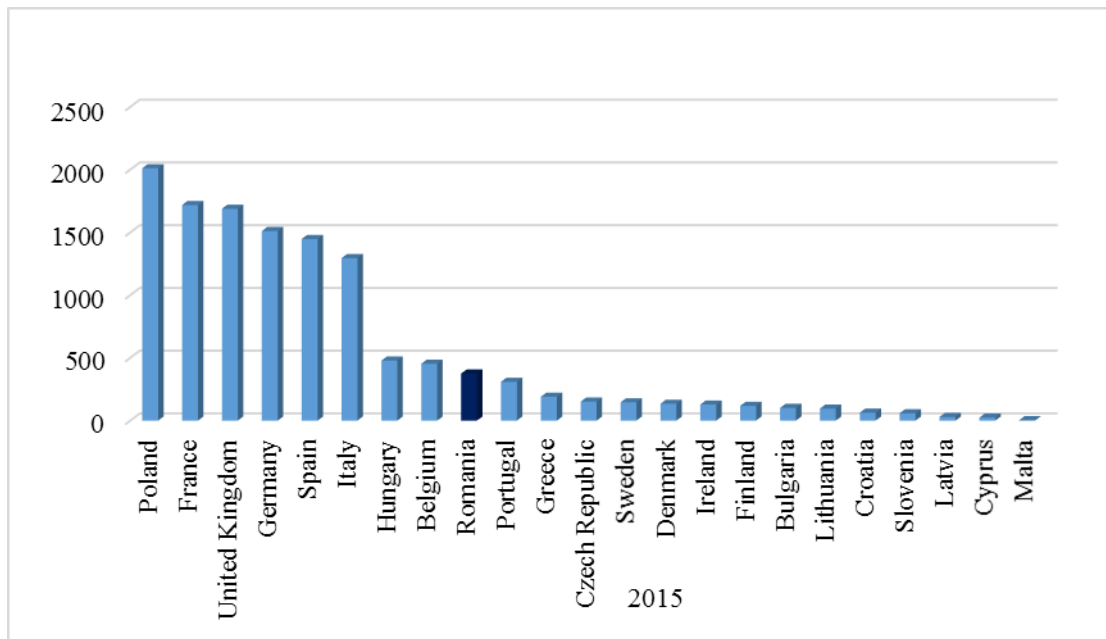
Country(1000 t) \Time	2008	2009	2010	2011	2012	2013	2014	2015
Belgium	-	361.22	404.34	402.75	410.22	388.09	433.27	452.94
Bulgaria	91.19	98.62	96.02	98.45	99.09	94.71	97.87	101.25
Czech Republic	210.27	194.29	188.18	170.08	152.61	148.17	149.41	151.41
Denmark	176.2	167.4	159.6	159.3	147.2	148.5	143	134.4
Germany	1,191.7	1,288.74	1,379.56	1,425	1,428	1,456	1,527	1,511
Ireland	117.41	-	-	128.21	132.41	117.05	115.9	128.02
Greece	171.75	174.1	178	175.23	181.65	180.47	190.53	189.63
Spain	1,375.3	1,316.67	1,349.43	1,373.61	1,384.24	1,342.58	1,436.69	1,446.99
France	1,706.22	1,670	1,712	1,733	1,709	1,695	1,678	1,718
Croatia	92.4	62	60.2	60.8	61.3	55.7	59.1	63.4
Italy	1,115.88	1,143.14	1,179.87	1,219.88	1,258.58	1,223.45	1,242.79	1,294.96
Cyprus	28.73	27.13	27.71	27.4	25.3	21.97	21.65	23.78
Latvia	23.08	23.15	23.39	22.81	24.49	26.71	28.56	29.52
Lithuania	70.65	65.36	71.93	75.63	81.76	89.77	94.41	95.79
Hungary	387.77	360	359.99	383.49	412.2	394.45	430.09	478.71
Malta	4.98	4.68	4.4	4.16	4.25	4.12	3.92	3.91
Poland	1,186.43	1,266.51	1,342.32	1,384.84	1,548.8	1,651.98	1,804.06	2,011.04
Portugal	284.09	291.58	296.35	292.11	292.16	291.74	295.21	308.69
Romania	343.07	289.86	287.47	293.86	312.73	325.55	345.62	374.79
Slovenia	58.69	59.54	61.43	58.28	58.66	57.09	59.8	58.76
Finland	100.86	94.88	96.33	101.51	107.41	111.09	113.37	117.31
Sweden	114.01	109.98	120.05	120.09	116.31	124.83	135.16	145.78
United Kingdom	1,432.62	1,463.14	1,567.72	1,557.52	1,607.94	1,662.2	1,642.62	1,688.84

Source: Author's processing using data from the Eurostat Database

From the data of Table 1, it can be seen that Romania occupies an honorable place in the standings of European countries, not only in 2015, but for the entire period, exceeding the more economically powerful countries, such as Portugal, Denmark, Greece and others.

The poultry production situation in European countries is shown schematically in Figure 1.

Figure 1. Production of poultry meat in European countries (2015)



Source: Author's processing using data from the Eurostat Database

The performance of the sector can be explained by the existence of a certain tradition, in the sense that the activity of poultry production was quite efficient in the period before 1989. Moreover, after 1989, many investments were made in this sector. Therefore, in the analysed period, total assets increased by 55.38%, from 163.6 million euro in 2008 to 254.2 million euro in 2015, according to National Agency for Fiscal Administration.

However, Romania's situation regarding the processing and preservation of fish, crustaceans and mollusks did not present itself as greatly. Except for 2008, when the share of national production from aquaculture represented 4.14% of the total European Union production, the share was insignificant in the other years analysed, as outlined in Table 2.

Table 2. Production from aquaculture excluding hatcheries and nurseries in millions euro

Specification	2008	2009	2010	2011	2012	2013	2014	2015
EU (28 countries)	437.48	3,336.50	no data	3,688.43	3,634.48	3,839.33	3,923.20	no data
Romania	18.13	16.99	5.61	15.89	18.15	20.65	19.19	no data
Share of national production in European production	4.14	0.51	-	0.43	0.50	0.54	0.49	-

Source: Author's processing using data from the Eurostat Database

This situation can be explained by poor organisation of this sector from Romania after 1989, when the privatization of companies was made erratically, with no major interest from strong investors. Therefore, the investments were very low. Thus, in the analysed period, the value of total

assets of the sector grew by only 9.74%, from 77 million euro in 2008 to 84.5 million euro in 2015, according to National Agency for Fiscal Administration. This sector could be developed if there is a greater involvement of the competent organisations. An example of this is the neighbouring countries that have adopted a series of rules and procedures that encourage investment in the processing and preservation of fish, crustaceans and molluscs sector.

2.2. Analysis of the performance evolution in the white meat industry from Romania

The white meat industry from Romania was marked by modest changes in the market during the period 2008-2015. The number of operating companies was around 70 and companies processing and preserving of poultry meat have the largest share, which is presented in Table 3.

Table 3. Dynamics of the companies in the industry

Specification	2008	2009	2010	2011	2012	2013	2014	2015
No. companies Turnover > 0	75	74	73	73	75	71	70	68
Processing and preserving of poultry meat	41	43	44	43	45	43	43	37
Processing and preserving of fish, crustaceans and molluscs	34	31	29	30	30	28	27	31
Evolution in the number of companies		-1	-1	0	2	-4	-1	-2
<i>Dynamics of companies</i>		<i>-1.3%</i>	<i>-1.4%</i>	<i>0.0%</i>	<i>2.7%</i>	<i>-5.3%</i>	<i>-1.4%</i>	<i>-2.9%</i>

Source: Author's compilation using data from the National Agency for Fiscal Administration

According to the data from the table 4, sales volume in the sector increased between 2008-2015 from 246.49 million euro in 2008 to 465.9 million euro in 2015, an average annual growth by 9.84% being registered. It can also be noted that the activity of processing and preserving poultry meat held the largest share in the sales volume. The average number of employees increased during the period analysed from 5,103 people in 2008 to 6,439 people in 2015 (during two years of the review it declined, respectively in 2012 when the average number of employees decreased by 1.4% and in 2014 when there was a 0.5% decrease in the average number of employees) with an average growth rate of 3.45%. Here again we notice that the highest share of employees was registered in the processing and preserving of poultry meat sector.

Table 4. Evolution of sales and employees

Specification	2008	2009	2010	2011	2012	2013	2014	2015	Annual average
Total turnover (mill. Euro)	246.49	281.51	281.29	360.29	398.34	423.16	451.94	465.90	
Processing and preserving of poultry meat	167.73	203.27	209.97	282.41	312.04	342.31	366.50	366.27	
Processing and preserving of fish, crustaceans and molluscs	78.76	78.24	71.32	77.88	86.30	80.86	85.43	99.62	
<i>Dynamics of turnover</i>		<i>14.2%</i>	<i>-0.1%</i>	<i>28.1%</i>	<i>10.6%</i>	<i>6.2%</i>	<i>6.8%</i>	<i>3.1%</i>	<i>9.84%</i>

STUDY ON THE PERFORMANCE IN THE SECTOR OF WHITE MEAT FROM ROMANIA

Average no of employees	5.103	5.437	5.538	6.128	6.044	6.289	6.258	6.439	
Processing and preserving of poultry meat	3.524	4.124	4.317	4.988	5.083	5.149	5.100	5.091	
Processing and preserving of fish, crustaceans and molluscs	1.579	1.313	1.221	1.140	961	1.140	1.158	1.348	
Growing rate		6.5%	1.9%	10.7%	-1.4%	4.1%	-0.5%	2.9%	3.45%

Source: Author's compilation using data from the National Agency for Fiscal Administration

An analysis of the efficiency in the industry shows, with the exception of 2010, a clear upward trend in sales per employee in the period under review, from 48,302.66 Euro/year in 2008 to 72,356 Euro/year in 2015, according to data in Table 5.

Table 5. Evolution of efficiency in industry

Specification	2008	2009	2010	2011	2012	2013	2014	2015
Turnover/employee (EUR/year)	48302.66	51776.57	50792.64	58794.53	65907.03	67285.99	72217	72356
Processing and preserving of poultry meat	47596.62	49289.64	48637.33	56618.14	61388.50	66480.04	71863.2	71945.3
Processing and preserving of fish, crustaceans and molluscs	49878.42	59587.78	58413.03	68317.19	89806.83	70926.17	73776.5	73905.6
Dynamic sales/ employee		7.19%	-1.90%	15.75%	12.10%	2.09%	7.33%	0.19%

Source: Author's compilation using data from the National Agency for Fiscal Administration

Conclusions

The analysis of the evolution of the performance in the white meat industry from Romania shows a moderate increase during the period 2008-2015. Thus, the dynamics of this period shows an average annual increase by 9.84% in sales and only 3.45% of the average number of employees, the largest share being held by activity of processing and preserving of poultry meat.

The performance analysis in the white meat industry from Romania compared to other European countries leads to other conclusions. If as regard to the activity of processing and preserving of poultry meat, Romania is in the top of the standings of European countries, not the same thing happens in the case of the activity processing and preserving of fish, crustaceans and molluscs, where Romania is stands at the bottom of the standings. Considering that the fish processing industry development is closely bound to fisheries both in inland waters and especially in oceanic waters and the largest quantity of fish is ensured by the tropical zone (approx. 55%), followed by the North Sea (40%) and the fact that the investments in this sector are relatively low in our country, so we can explain the place occupied by Romania at the bottom of the standings in this sector.

Finally, the white meat industry from Romania has seen a continuous development period and in combination with the implementation of national and European regulations on technical measures, standards, codes of good practice, guidelines and other recommendations in the food industry can not only lead to an improvement of the range of products offered to the public, both quantitatively and, especially, qualitatively.

References

- Achim, M. V., Borlea, S. N. (2012), *Analiza financiară a entității economice*, Ed. Risoprint, Cluj-Napoca.
- National Agency for Fiscal Administration (2017), accessed on March 2017 at <https://www.anaf.ro/indicatori/indfinanciari.html>
- Bușe, L. (2005), *Analiză economico-financiară*, Ed. Economică, București.
- Colasse, B. (1994), *Analyse financière de l'entreprise*, Ed. La Découverte, Paris.
- EUROSTAT (2017), accessed on March 2017 at <http://ec.europa.eu/eurostat/data/database>
- Ganea, M. (2012), *Modelarea performanței economico-financiare a întreprinderii*, Ed. Universitaria, Craiova.
- Marion, A. (2001), *Analyse financière. Concepts et méthodes*, 2^e édition, Dunod, Paris.
- Mironiuc, M. (2006), *Analiză economico-financiară. Elemente teoretico-metodologice și aplicații*, Ed. Sedcom Libris, Iași.
- Petrescu, S. (2004), *Diagnostic economic-financiar. Metodologie. Studii de caz*, Ed. Sedcom Libris, Iași.
- Petrescu, S. (2008), *Analiză și diagnostic financiar-contabil. Ghid teoretico-aplicativ*, ediția a II-a, revizuită și adăugită, Ed. CECCAR, București.

THE IMPLICATIONS OF THE CIVIL SOCIETY IN THE EASTERN PARTNERSHIP

Loredana JITARU*

Abstract

The Eastern Partnership (EaP) launched in 2009 as the Eastern dimension of the European Neighbourhood Policy introduced the civil society as a new strategic actor in the EU's relations with Eastern Partnership countries. The civil society's role is to participate in policy making, to suggest new initiatives and to promote shared values of partnership, such as: democracy, promoting better governance, state law, sustainable development, respect for human rights and for the fundamental freedoms. The paper is divided into two parts. In the first part, we analyse the role of the civil society in the EaP and we ask whether the increasing role of the civil society in the EaP will lead to the success of this project. In the second part, we analyse the perceptions and the attitudes of civil society towards European integration.

Keywords: Eastern Partnership; European integration; civil society; EaP countries

JEL Classification: F15; F5; F53

Introduction

Eastern Partnership is an enhancement of the European Neighbourhood Policy (ENP), initiated to give new impulse to the EU's relations with its Eastern neighbours. This project was generated by the EU expansion in 2004 and 2007 on the eastern border. Thus, given that the former Soviet states are now direct neighbours of the EU and they had different objectives on foreign policy, the EU could not overlook this. The main goal of the Eastern Partnership is to create the necessary conditions to accelerate political association and further economic integration between the European Union and the interested partner countries. The significant strengthening of EU policy regarding the partner countries will be achieved through the development of a specific Eastern dimension of the European Neighbourhood Policy. Given this aim, the Eastern Partnership will seek to support political and socio-economic reforms of the partner countries, facilitating the approach towards the European Union and encouraging the shared commitment for the stability, security and prosperity of the European Union, the partner countries and of the entire European continent (Council of European Union, 2009).

* PhD student, Doctoral School of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi, e-mail: lory202005@yahoo.com

The main objectives of the EaP are achieved using bilateral instruments, such as the Association Agreement (AA), Deep and Comprehensive Free Trade Areas (DCFTA) and the abolition of visa regime.

To benefit from these tools, eastern partners must make progress on their domestic situation. It is known that „civil society plays an important role in the accomplishment of the reforms" (Lada, 2011). In this context, the main issue of the research is the analysis of the civil society's role in the EaP countries and the analysis of their attitudes towards the European integration.

Although the civil society is an essential component for change and democratization and the review of the European Neighbourhood Policy presented it as a pillar of the EU's Eastern Partnership, its role in the development of national, regional and EaP policies is limited and fragmented. In this context, we try to answer the following questions:

- 1) What are the mechanisms that can be used by EU to increase the role of civil society in the EaP?
- 2) What are the main challenges for the civil society in developing and implementing reforms?
- 3) To what extent are the reforms made by EaP societies in line with EU expectations?
- 4) What is the perception of the Civil Society from EaP countries towards European integration?

To answer these questions, we will try to highlight the importance of the civil society in the EaP and to have a clear perspective over the cooperation relationships between EU and eastern partners.

In the following, we present the methodology used to perform the work and in the following sections we will analyse the role of civil society in the EaP and the Eastern Partners attitudes towards European integration.

1. Methodology

This research is a fundamental one, and it is performed in a setting that combines the theoretical elements with the practical ones. Also, this work is descriptive, analytical, emphasizing the importance attached to the civil society by EU and the six partners within EaP, the obstacles faced by the civil society in the elaboration, implementation and monitoring of the reforms.

The research methods used in this work are qualitative. In the first part, we use the analysis of documents that will help us examine and understand in depth the role of civil society in the EaP and to make an overview of the EaP. In the last part of the research, we try to draw a comparative analysis between the six EaP countries on their attitudes and perceptions towards the EU. Also, in the last part we use tables as a tool for the systematization of data and the interpretation of results.

The research techniques used in this paper include the content analysis and the comparative analysis.

This paper is based on multiple sources of data, which come from a literature review based on books, reports of the European Parliament, European Council, European Commission, the Civil Society Forum of the EaP, specialized articles and other documents.

In the analysis of documents, we have considered the following issues: the role of the civil society in the EaP, social, political and economic changes, which took place in the eastern neighbourhood, the perception of Eastern Partnership countries about European integration.

2. The role of civil society

Launched in 2009, the Eastern Partnership - which includes Armenia, Azerbaijan, Belarus, Ukraine, Georgia and the Republic of Moldova - is a political framework where bilateral cooperation dimensions intertwine with the multilateral ones. Eastern Partnership takes into account the acceleration of the political association and further economic integration between the EU and its eastern neighbours. The novelty of the EaP to ENP is its multilateral size and a new institutional structure for the strengthening of the relations between the EU and the partner countries. The recent emphasis on the strengthening of democracy and on the application of the principles of differentiation and conditionality enables EU to adapt better the level of support to the level of engagement of each partner country in order to make progress in implementing reforms (CESE, 2012). The emphasis is on „a democratic political system because it not only allows but also encourages civil society to participate actively in public life” (Raik, 2006). “It is assumed that, over time, the basic reforms will encourage the political and regulatory convergence around democratic principles and practices. But the change cannot be simply exported, it must come from within” (Charniakovich, 2013). This objective can be achieved through a strong civil society. It was introduced in 2009 by the Eastern Partnership as a new actor in EU relations with eastern neighbours, being a prerequisite for the changes in Eastern Partnership countries. To support this statement, Ales Bialiatski pointed out during the EaP Civil Society Conference from Riga 2015: „civil society is the *locomotive* that attracts EaP countries to EU and its values, and acts as an advocate for the population”. In addition, the European Parliament Resolution concerning the review of the European Neighbourhood Policy emphasized the „importance of supporting the civil society and the role of the civil society in examining expenditures for EU assistance in EaP countries” (European Parliament, 2015).

To understand the importance of civil society in the democratization of the former Soviet countries and the EaP, it is necessary to mention that civil society refers to „interest groups, social partners, networks, ad hoc groups, sports clubs, cultural associations, associations for many other types of leisure activities etc" (Raik, 2015). Thus, we see that civil society includes a number of actors far from the political activities, who can also generate – through their work – trust and solidarity among people, the two indispensable ingredients for a democratic country.

Given that civil society is on the one hand, the locomotive that attracts EaP countries to EU values and standards, and on the other hand, it is the central pillar of the EaP, the EU has as a goal the democratization of eastern neighbours. This objective starts from the fact that civil society makes its presence felt only in a democratic political system, which guarantees freedom of expression, opinion, association etc.

„In very general terms, civil society is needed in the democratization of the partner countries for two purposes: first, to stimulate the process of democratization of the partner countries to move forward and secondly, to prevent this process from slipping behind" (Raik, 2006). The civil society plays an important role in improving transparency and responsibility, both by explaining EU policies in favour of a wider audience and by monitoring the reform efforts of governments. Civil society's actors in Eastern Europe and South Caucasus see EU as an actor who plays four roles: (1) reference model, (2) mediator and enforcement authority for dialogue between local authorities and interested non-governmental parties, (3) the manufacturer for local organizations, (4) promoter of external reform. (Charniakovich, 2013). Another role fulfilled by the Civil Society of the Eastern Partnership countries is the overseer, which calls for greater transparency and accountability. In addition, civil society is seen as a way to defend and promote the values and interests of the various non-state actors. Civil society represents „both a channel for citizens to get to the state and to influence public life and a state channel to communicate its decisions and policies to the people" (Raik 2006). In this sense, a good example is the fact that NGOs provided civil society in EaP countries with relevant information about the EU, thus helping them form their own opinion about the EU and European integration. Also, by means of civil society, small and non-presentational groups for the political elites are heard, thus helping minorities defend themselves from the power and influence of the state.

In addition, the civil society of the six countries in the Eastern Partnership believes that „increasing support for reform requires the abolition of the visa regime, because this liberalization can be considered a multiplier of the reform" (Charniakovich, 2013), and this is one of the main ways of providing the civil society in EaP countries with „a tangible benefit of EU integration" (Kirov, 2015). Sergey Ostaf also supports this statement: „visa liberalization has been the backbone

for the Moldovan politicians to make the process of democratization more attractive". So far, only Moldova enjoys the abolition of the visa regime and Georgia will enjoy a visa-free regime this year.

If we consider the role of civil society in the EaP countries, this is different. For example, „the existence of a critical mass in society against authoritarianism and in favour of democratic changes, especially visible in Ukraine, but also present in Georgia and the Republic of Moldova, was the deciding factor for political change in these three countries. EU had often been a point of reference during the political protests" (Gromadzki, 2015) and EaP was and still is an „anchor for reform" (Kirova *et al.*, 2015). Belarus „wishes to participate in different policy areas without fulfilling any requirements on human rights and democracy, but the role that civil society will play in the EaP will be crucial" (Boonstra *et al.*, 2010). As for the role of the civil society in Belarus within EaP, it is very limited, almost non-existent, because very few people have contact with the outside world. Another important factor limiting the role of civil society in the EaP is that people are sceptical of NGOs (indeed, very few NGOs have been successful) and their mentality is passive, believing that these institutions do not defend the interests of ordinary people. „Civil society actors in Armenia and Azerbaijan are largely reluctant to cooperate, apart from a few exceptions, such as the European Partnership for the peaceful settlement of Nagorno-Karabakh, a project funded by the EU Instrument for Stability" (Charniakovich, 2013). According to some studies, the situation of the civil society in Armenia is better than in Belarus and Azerbaijan. Regarding Georgia, for the EU it is very difficult to support the civil society cooperation involving NGOs in the non-recognized entities in Nagorno-Karabakh, Abkhazia and South Ossetia because the access to these areas is limited. Involving civil society in these areas can help alleviate these tensions and can provide a path to reconciliation.

Civil society actors from EaP countries can be involved based on EURONEST and the Civil Society Forum (CSF). The latter is a platform that was conceived „as a space for open and free discussions on major areas of cooperation, namely: (1) democracy, good governance and stability; (2) economic integration and convergence with EU sectoral policies; (3) energy security and (4) contacts between people" (Andrespok *et al.*, 2013). These platforms meet at least twice a year at the level of senior officials and participation is voluntary and based on the interests of the members of the Eastern Partnership.

The creation of this forum was proposed by the European Commission in December 2008 in its Communication and it was gathered for the first time in November 2009, serving to promote contacts between civil societies and to facilitate their dialogue with the public authorities. The Civil Society Forum aims „to strengthen civil society in the EaP countries and to encourage cooperation between the civil society organizations in partner countries and the EU. It focuses on promoting

fundamental freedoms, participatory democracy and human rights and strives to foster pluralism in political discourse and policy making" (Kostanyan, 2014)

Bosse G. says: „the forum was important for the consolidation and a better coordination of the activities in the EaP Civil Society as a whole” (Bosse, 2014). In a survey conducted by Kaca, Kucharczyk and Lada (Kaca *et al.*, 2011) among the participants in the CSF, the following results were obtained: 76% of the respondents agree to the statement that CSF is an effective tool in bringing EaP countries closer to EU in terms of democratic and economic standards, and 80% agree that the forum has increased the contacts between their organization and other civil society organizations in their country.

Although the six EaP countries have recognized the civil society as an essential actor for change, promoting reforms and democratization, its role in developing national and regional policies is limited. This is explained by the fact that „authorities are mostly reluctant to accept policy recommendations from civil society organizations (CSOs), considering them unprofessional and politically biased" (Lada, 2011). However, civil society actors want to participate in the actual development of the reforms of their countries, not only to act as a *watchdog* on the implementation of the major projects. This will be possible by increasing the role of the civil society in the EaP. This requires more efficient national platforms based on the consolidation of the expert database, financial sustainability, autonomy and the enhancement of government contact. The EU should aim to support national reforming actors who want to implement real reforms in all EaP states. In addition, it should continue to provide a place for the civil society in planning and implementing the EaP policy agenda. This should include: providing feedback on initiatives that have not been considered so far and enabling tripartite dialogue between EU governments, EaP and civil society (Belarus, Azerbaijan and Armenia refuse by all means to involve the civil society in discussions between EU delegates and the government). The latter must be more actively involved in policy planning and eastern forms of dialogue that so far have been reserved for government officials (EaP CSF, 2015). “The inclusion of civil society members in the EaP summits” (EaP CSF, 2015), involving the NGOs in the development and implementation of EaP action plans are just a few examples of achieving tripartite dialogues.

Another way to increase the role of civil society in the EaP is by strengthening the regional cooperation, because it can have a stimulating role in changing the mentality of passive citizens in the partner countries. „Regional cooperation is considered to be extremely important in establishing new contacts, in exchanging *best practices*, in informing and solving the common regional issues. It is considered a form of *effective multilateralism*" (Rakutiene, 2014).

Moreover, a current mismatch between theory and practice can be noticed. In other words, what the EU has proposed the EaP is inconsistent with what it has achieved as regards the support for the civil society in the EaP countries. In theory, supporting the civil society and its involvement in the development and implementation of reforms and action plans were a priority in promoting the common values of the EaP. In practice, the society received limited support from the EU and its inclusion in the development and implementation of reforms and action plans has not been a priority for the EU. This discrepancy is due to several factors, which are included in this work.

It is important to note that the support for the civil society varies in different stages of democratization: pre-transition, transition and consolidation phase. In this context, we can say that Ukraine and Georgia are in the pre-transition phase, Moldova is in transition stage, while Belarus and Azerbaijan have an authoritarian political system.

Considering all the above, we can conclude that the civil society is the central pillar of the Eastern Partnership, the main factor in the reform process and an actor that can influence government policies and make changes both externally and internally (this currently only happens in Moldova, Ukraine and Georgia). In this context, particular importance should be granted to the civil society in the Eastern Partnership.

3. Perception of the Eastern Partnership Countries concerning the European integration

The Eastern Partnership was adopted as a result of EU expansion towards the eastern border and the Russian-Georgian conflict in 2008, which required that some partner states reviewed their attitude towards the European Union. The conflict in August 2008 had a greater impact on Georgia, thereby determining it to consider the EU an essential guarantor of regional security.

EaP provided the opportunity for each partner country to choose its own model of engagement with the European Union based on free and sovereign will. From an EU perspective, „the role of the Eastern Partnership is to promote the political and socio-economic internal reforms by facilitating the convergence towards EU. This objective does not correspond to the one of the political elites in the region. Rather, their perceptions and attitudes towards the Eastern Partnership and the European Union are conditioned by the countries' geopolitical considerations" (Wolczuk, 2011) and by the short-term interests of the political elites.

Even though the six partner countries have common Soviet past and endemic problems, such as widespread corruption, unclear links between politics and business, inefficient bureaucracy, they are not a homogeneous group. The differences between EaP countries have been evident since the launch of the Eastern Partnership and they are evident in the beginning of 2016. These sharp

differences that came from the domestic situations of these countries, led inevitably to the division of the EaP countries into two groups, namely „countries with autocratic governments and countries that are democratic to an important extent. The first group includes Azerbaijan and Belarus. The second group includes Ukraine, Moldova and Georgia. Armenia is situated between the first and the second group, but closer to the second group" (Gromadzki, 2015).

Another division of the Eastern Partners into two groups has been made based on the criteria of signing and implementation of the AA/DCFTA; Moldova, Georgia and Ukraine fall among those who signed, but Armenia, Azerbaijan and Belarus are in the group that did not sign the AA/DCFTA. This division was confirmed by the Final Declaration of the Summit in Riga, May 21-22, 2015, which states that the „implementation of the AA/DCFTA accompanied by the reforms will bring full harmonization with the legislation and the standards leading to gradual economic integration of the partners on the EU internal market, and thus creating an economic space of the EU" (Council of the European Union, 2015).

„Once a partner country has implemented the AA and DCFTA, it will be ready to engage in negotiations to join the EU because the *export acquis* mutually agreed for association is modelled based on the agreements of pre-accession, which imposed the alignment of the candidate countries' legal framework to the EU *acquis*" (Gromadzki, 2015). Therefore, the implementation of the DCFTA would transform Ukraine, Moldova and Georgia into *Shadow Member States*. These three countries should be perceived as more than just partners and EU should use tools similar to those used into the integration process in the relations with these countries. The Declaration also emphasizes that the partners involved in concrete reforms will benefit from the EU incentive-based approach - more for more.

In addition, the six signatory countries of the EaP failed to make substantial progress in the economic modernization and European integration. In addition, the partner countries are disappointed by the EU policy. From their point of view, what the European Union is offering does not match their needs. Nevertheless, „relations with the EU are seen as an opportunity to promote positive changes" (Charniakovich, 2013).

„Faced with deteriorating economic conditions, EaP countries are unable to bear the considerable costs of transformation and EU integration, especially since the real ultimate goal of integration has not been clearly established" (Sadowski, 2013). In this context, we wonder if the ultimate objective should be to achieve the main objective of the Eastern Partnership - political association and economic integration between the Union and partner-countries - or a possible EU membership. In this regard, A. Michta says in *The American Interest* that the European Union does not intend to offer significant accession prospects to the six Eastern partners. Without this major

incentive, the EaP will turn soon into another bureaucratic futile exercise. He also argues that there is no doubt that the EU's demands for serious reforms and the insistence of association normative criteria for partner countries is the right way to proceed. But conditionality only works when there is also a clear reward at the end of the road. When EaP degenerates into an unnecessarily bureaucratic exercise it will be discovered that Europe's shyness at the Summit in Riga and the refusal to provide EaP countries with a clear path to achieve EU membership were major geostrategic mistakes. (Michta, 2015)

Another factor that contributed to the disappointment of the Eastern Partners refers to the major changes that took place within the European Union, leading indirectly to a new context for its relations with Eastern Partnership countries. These major changes are related to the Euro crisis and the debate on the future of the Union and possible division into several concentric circles or speed integration. Due to the crisis in the Euro zone, partner countries no longer consider the EU economic model as optimal to achieve prosperity in their countries. This is because the EU is not the only option available for the six Eastern partners. An alternate option is given by the projects initiated by Russia, namely the Customs Union, which was turned in 2015 into the Eurasian Economic Union. The existence of this project increases the rivalry between the EU and Russia, forcing the common neighbouring countries to choose the integration model. Given that these countries have close political, economic and cultural well-knit connections with both actors, it is important for them to maintain the relations with both actors as optimal as they can.

Despite these obstacles, the attitude of civil society in the EaP countries to the EU is positive. According to a survey funded by the EU (EU Neighbourhood Library, 2014) that was conducted between 28 October 2014 -16 November 2014 in four countries, most respondents trusted the EU and they described the relations between their country and the EU as one of cooperation, namely: Georgia (58%), Ukraine (56%), Moldova (50%), Armenia (50%).

An improvement in the EU's image among civil society in EaP countries was recorded in the summer of 2014. Comparing the outcomes of the summer and autumn survey results, we see an increase in the number of respondents who see the EU positively, namely: Armenia (8%), Belarus (5%), Ukraine (5%), Moldova (3%). We can also notice a slight decrease in Azerbaijan (-1%).

Considering all the above, we see that the attitudes of the six EaP countries towards the European integration differs according to the country. For example, „the political elites of Azerbaijan and Belarus have clearly rejected the EU's efforts in establishing democracy and the reforms necessary to establish the state law, because such efforts represent a threat to their existence. They regard the democratization efforts as an unacceptable obstacle in the internal affairs” (Gromadzki, 2015). At the opposite pole, there are Georgia and Moldova, which have

embraced a clear pro-European attitude and they showed willingness to implement the EU reform agenda, although progress is slow and uneven across sectors.

In the following, we analyse the attitudes of the six EaP countries towards the European integration.

3.1 The Republic of Moldova

The Republic of Moldova sees EaP as a way to advance in the relations with the EU and it shows a strong interest in the *acquis*' convergence. Secrieru S. stated that „the public opinion is more aware of the process of European integration than the EaP; the latter is considered too technical by the average citizen” (Secrieru, 2015).

In 2014, Moldova signed AA including DCFTA with the EU along with two other EaP countries, namely Ukraine and Georgia. „Moldova is the only country whose relations with the EU have developed dynamically since the launch of the Eastern Partnership” (Boonstra *et al.*, 2010), despite the fact that Russia has made negative campaigns against the EU since the beginning of the EaP and actively promoted the Customs Union, which became EEU in 2015 among Moldovan citizens and political elites.

3.2 Ukraine

Ukraine's priority objective is to deepen their relations with the EU and, eventually to join the EU. But „as long as the EU refuses to discuss the hypothetical possibility of Ukraine's accession to the EU, Ukraine will be less interested in reforms and promoting the country transformation” (Moshes, 2006) and Ukraine „will head for the Putinism found in Russia” (Stepniewski, 2015). In addition, Shulga said that „for the bilateral Ukraine-EU relations, EaP offered no real added value” (Shulga, 2015), but instead it is perceived as a regressive step.

In 2013, Ukrainian President Viktor Yanukovich, under Russian pressure, decided not to sign the Association Agreement with the EU, but in the end the agreement was signed the following year. An important factor that determined the Ukrainian political elites and Ukrainian citizens to have a pro-European attitude was the Russian aggression in Crimea. At the same time, this attitude is due to the fact that Ukraine has no choice. According to the survey of 20 March 2014 (International Republican Institute, 2014), 54% of the respondents believed that Russia's action in Crimea aimed the invasion and the occupation of Ukraine's independence. In addition, it does not

want to be always under Russian pressure and it prefers to turn to the EU, seeing this cooperation as a means of counteracting the Russian influence over the country.

3.3 Georgia

Since the EaP was launched shortly after the Russian-Georgian conflict, Georgia has seen EaP as an EU response to Russian aggression. In addition, „Georgia is satisfied with the Eastern Partnership bilateral incentives and the opportunities for multilateral cooperation. However, Georgia's security concerns are largely ignored in the Eastern Partnership" (Boonstra *et al.*, 2010).

The civil society's attitude towards the EU is positive. Moreover, a third of the respondents who participated in a survey conducted by CRRC Georgia (Eurasia Partnership Foundation, 2013) want their country to join the EU. According to this survey, 73% of respondents believe that once their country joins the EU, they will have a safer country, 63% of respondents believe that there will be better chances of restoring the territorial integrity and 65% of respondents believe that EU accession will bring prosperity. At the same time, however, they believe that EU membership could threaten the Georgian traditions.

In November 2013, AA was initiated and it was signed in 2014 with DCFTA, too, representing both a challenge and an opportunity for Georgia. The main challenge is the lack of awareness of the opportunities offered by the European market.

Furthermore, Georgia has achieved in March this year the concrete proof that European integration can bring tangible benefits. This evidence consisted of a formal proposal from the European Commission to the Member States and to the European Parliament to abolish the visa regime, foreseen for this year; Georgian citizens currently have a visa-free regime. At the same time, this clear proof could be an incentive both for Ukraine to carry on the reforms in order to qualify for the abolition of visa regime and for the other two Caucasian countries - Armenia and Azerbaijan - to increase interest in European integration.

3.4 Armenia

In 2013, Armenia waived the Association Agreement with the European Union in favour of joining the Eurasian Economic Union (EEU). Despite the fact that Armenia has chosen to join the EEU, „there is still a high degree of sincerity and political will both from Brussels and from Yerevan to save relations between the EU and Armenia" (Giragosian, 2015). In this context, for

Armenia, the Summit from Riga in 2015 was the starting point in rescuing the relations with the EU and in recovering a degree of confidence.

In addition, Armenia's interests regarding EU „increased since the launch of the Eastern Partnership in 2009. Unlike the other countries, the Armenian authorities, the opposition and the civil society are optimistic about the EaP potential to generate substantial benefits for its members” (Wolczuk, 2011). In this context, according to the survey in the fall of 2014, financed by the EU (EU Neighbourhood Library, 2014) 75% of the respondents believe that the EU is an important partner for their country, 62% believe that the EU brings peace and stability in the regions of Armenia, 59% consider that the level of EU involvement in Armenia is appropriate, and 65% say that the support provided by EU to their country enhanced national development.

„The conflict with Azerbaijan, in Nagorno-Karabakh, the closing of the Turkish border and the negative economic effects of the conflicts from Georgia have put Armenia in a particularly difficult situation geopolitically speaking” (Wolczuk, 2011). To overcome this difficult situation, Armenia is trying to save and develop its cooperation relations with the EU because that is seen as a way to overcome geopolitical isolation and vulnerability, or a way to diversify and to develop cooperation relationships worldwide and to improve the economic situation of the country.

3.5 Belarus

For Belarus, the priority objectives envisaged in the cooperation with the EU include „economic and trade cooperation, technology transfer and easier access to the European market” (Sadowski, 2013) and it does not envisage European integration. Moreover, Belarus is involved in the process of economic and political integration with Russia within the Eurasian Economic Union. To Belarus, EaP is a counter-balance in its relations with Russia and a source of attracting funds to strengthen the power of the actual leading regime. In this regard, President Alexander Lukashenko wants to maintain the best possible relations with Russia, but at the same time would like to have better relations with the EU to counteract the asymmetry in Belarus’ relations with Russia.

3.6 Azerbaijan

Like in the case of Belarus, the priority goals pursued in its relations with the EU are, on the one hand, economic cooperation, technology transfer and easier access to the European market, and on the other hand, to sell oil to EU markets.

The negotiations on the Association Agreement between the EU and Azerbaijan began in 2010, but they stalled because the DCFTA establishment cannot be achieved, as Azerbaijan is not a member of the WTO (a precondition for DCFTA). Given that „Azerbaijan is a major exporter of oil and gas to EU member states and to avoid a stalemate, in 2013 the EU proposed to Azerbaijan a negotiation on a Strategic Modernisation Partnership. This partnership is seen by political elites as an alternative to AA” (Gromadzki, 2015).

Elites of Azerbaijan are „rather sceptical about the EU policy towards the post-Soviet area and the prospects for economic integration with the EU. In Azerbaijan, the support for the Eastern Partnership is difficult to ensure due to lack of EU support for the territorial integrity of the country” (Wolczuk, 2011). Moreover, the Eastern Partnership is seen as a means of asserting the country's role as a major player of energy on the regional and international level and as a means of getting EU support for its strategic energy infrastructure development.

Azerbaijan does not want European integration, but it demands to be treated as self-standing partner and not as a mere recipient of guidance and assistance from the EU. Nevertheless, the global decline in oil prices could lead to Azerbaijan's acceptance of the need for reforms and for stimulating progress in the accession to the WTO and the DCFTA.

In the last part of the work, we structured the data from the analysis above in a table that will facilitate the interpretation of results.

Table 1. Issues on the attitudes of EaP countries towards European integration

Countries	Armenia	Azerbaijan	Belarus	Georgia	Republic of Moldova	Ukraine
<i>Priority objectives envisaged in the cooperation with EU</i>	EU seen as a way: -to overcome isolation; -to develop relationships worldwide; - to improve economic situation.	-economic and trade cooperation; - technology transfer; -easier access to the European market; - to sell oil on the EU markets.	-economic and trade cooperation; -technology transfer; -easier access to the European market.	-deepening relations with EU	-deepening the cooperation relations and eventually joining the EU.	-deepening the cooperation relations and eventually joining the EU.
<i>Signing the AA/DCFTA with EU</i>	NO -2013 dropped to AA with the EU in favour of joining the EEU.	NO -negotiations started in 2010 stalled.	NO	YES -signed in 2014.	YES -signed in 2014.	YES On 21 March 2014 the AA signed the political and economic side to June 27, 2014 (DCFTA).
<i>Member of the European Energy Community</i>	NO	NO	NO	NO - it started the negotiations with the European Commission on February 20,	YES -signed the Protocol of Accession to the Energy Community in	YES -signed the Protocol of Accession to the Energy Community in

	NO	NO -2013 Agreement signed with the EU on visa facilitation and readmission	NO	2014. YES - in the summer of 2016; -Georgian citizens currently enjoy visa-free regime.	2010. YES in 2014	2010. NO. Visa facilitation issues persist.
<i>Abolition of visa regime</i>						
	NO EEU member	NO -partner asks to be treated as self-contained; -wants EU cooperation in areas of common interest.	NO EEU member	YES	YES	YES
<i>The desire to join the EU</i>						
EEU Member	YES	NO	YES	NO	NO	NO

Source: author's representation

Given the data above, we can say that the Republic of Moldova is the best *student* of the EaP – it has signed AA with DCFTA in 2014, it has eliminated the visa regime in 2014, it has been a member of the European Energy Community since 2010.

Both Georgia and Moldova are satisfied with the EU's reform agenda, as it meets the utmost expectations of the civil society and it is consistent with the government's official discourse. However, „the lack of prospect of membership remains the most painful problem for Ukraine, Moldova and Georgia in their relations with the EU” (Grzegorz, 2015). However, the three countries believe that the prospect of EU membership is not far. This assertion is supported also by Article 49 of the Lisbon Treaty ensuring that „any European state that respects the values referred to in paragraph 1 of Article 2 and is committed to promoting them may apply to become a member of the Union”.

While Moldova, Georgia and Ukraine want to join the EU, Belarus, Armenia and Azerbaijan do not want European integration, but only economic and trade cooperation so as to „take advantage of the EU human resources, competences and markets and to maintain a multi-vectorial external policy" (Kirova *et al.*, 2015).

Despite the obstacles faced by the civil society in the EaP, the lack of information of ordinary citizens in the partner countries about the EU and EaP, their limited understanding of the EU policies, the civil society wants to align to the values and norms of the European Union. In addition, the civil society in the EaP countries sees the EU as a means to strengthen the national security of their country, to achieve prosperity and reform.

Analysing the above, we can conclude that the attitudes and perceptions of EaP countries towards the EU are positive, which should impel EU to support the civil society in partner countries

to a greater extent, and including the said civil society in the development and implementation of reforms and action plans should be a priority for the EU.

Conclusions

This paper analyses both the role of the civil society in the EaP and the EaP countries' attitudes towards the European integration. Civil society was a strategic actor in the relations between the EU and the six signatory countries since the launch of the EaP.

Civil society is the central pillar of the EaP and the essential component for change, for improving transparency and responsibilities, for promoting reforms and democratization. In addition, the civil society was the decisive factor in the progress made by Ukraine, Moldova and Georgia. In this context, an enhancement of the role of civil society in devising and implementing national and regional policies is recommended. This will be possible based on the political elite's acceptance of policy recommendations from the civil society organizations, on the consolidation of national platforms, on the inclusion of the civil society members in the EaP Summits, on the involvement of the civil society in the negotiations and the implementation of the Association Agreements and Deep and Comprehensive Free Trade Areas, and on tripartite dialogue between the EU, EaP and civil society organizations.

Civil society has encountered a number of obstacles in its involvement in the EaP. Therefore, we can say that the main obstacle hindering the civil society to be active, independent and involved in the decision-making process is the lack of democracy. Of course, there are also other significant obstacles - such as those related to the history, tradition and culture- that the EU should consider if they want a more active involvement of the civil society. For the democratization of the partner countries, the EU should develop, on the one hand, strategies and effective policies that provide opportunities for citizens to be able to express themselves freely on the matter and to get involved in the decision making, and, on the other hand, adequate and flexible tools to support the projects initiated by the civil society in the EaP countries.

It should to be considered also that the civil society has many roles such as: (1) it has some influence on policy formulation; (2) it gives voice to the opinions of the ordinary citizens among political elites; (3) it controls the political elites in order to prevent the abuse of power by them; (4) it contributes in fighting corruption.

Unfortunately, the EaP objectives were not successfully met for several reasons, such as: (1) the EU has not developed an effective strategy to support civil society in the EaP countries; (2) both ENP and EaP objectives were not formulated clearly; (3) the lack of interest of the political system

of the six partners in creating opportunities for the civil society to get actively involved in the public life; (4) some EU member states (France, the Netherlands) are reluctant to EU enlargement and the democratization of the Eastern Partners; (5) bureaucracy - the financial regulations are too strict and difficult to be respected.

In terms of the partner countries' attitudes and perception concerning the EU, they depend on the political regime, on whether they signed the AA/DCFTA with the EU or not, on the current economic situation, on the Russian influence in their economy and on the short-term interests of the political elites.

If we consider the criterion - signing the AA/DCFTA - the six EaP countries fall into two distinct groups. The distinction is very clear. On the one hand, there are the three countries – Ukraine, Moldova and Georgia – that signed the AA including DCFTA and want European integration, on the other hand, the other three countries – Belarus, Armenia and Azerbaijan – that have not signed the AA/DCFTA. While two of these countries - Belarus and Armenia - are currently EEU members, Azerbaijan is interested neither in the European integration nor in the EEU membership. This division into two groups will last for a long time, because no other EaP country will sign an AA including DCFTA in the near future.

In addition, the EaP countries are disappointed by the EU policy because the real ultimate goal of integration in the EU has not been clearly established. To continue carrying out the reforms and bearing the considerable costs of transformation, these countries need a major incentive. It would consist in offering significant accession prospects by the EU. One such incentive presents a low risk to the EU, since many candidate countries remain candidates to membership for years or even decades. Given that the EU promotes, with increasing efficiency, the Europeanization of the eastern partners and it expands its system of values and governance to these countries, it will be increasingly harder to face the pressure of the request from the EaP countries - the Republic of Moldova, Ukraine and Georgia – of being offered real prospects of EU membership.

Despite the problems faced by the civil society in the EaP, it has a positive attitude towards the EU and it believes this is an important partner for EaP countries, contributing to peace and stability in the EaP region and bringing prosperity through support.

Considering the above, we conclude that the civil society is the central pillar of the EaP, a locomotive that draws the EaP countries to the EU norms and values, and therefore its power in the process of democratization of the EaP countries and its role in the EaP should not be neglected. In this regard, the EU should prioritize its support to the civil society not only theoretically but also practically through the development and implementation of effective strategies.

References

- Andrespok, E., Zaharia, A. and Sutrop, M. (2013), “Eastern Partnership and Development Cooperation”, *Policy Digest*, No. 5.
- Boonstra, J. and Shapovalova, N. (2010), “The EU’s Eastern Partnership: One year backwards”, Working Paper 99, FRIDE.
- Bosse, G. (2014), “The Eastern Partnership and the disintegration of Eastern Europe: The end of the regionbuilding project?”, *European View*, pp. 97–108.
- Charniakovich, A. (2013), “Levers for change: the EU and civil society in the Eastern neighbourhood”, Policy Brief, FRIDE, No.154, pp. 1-5.
- Council of the European Union (2009), “Joint declaration of the Prague Eastern Partnership Summit”, 8435/09 (Presse 78), available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf (accessed 5 April 2016)
- Council of the European Union (2015), “Joint Declaration of the Eastern Partnership Summit Riga 21-22 May 2015”, available at: <http://www.consilium.europa.eu/en/meetings/international-summit/2015/05/21-22/> (accessed 6 April 2016)
- Eastern Partnership Civil Society Forum – EaP CSF (2015), “Recommendations from the Eastern Partnership Civil Society Conference (Riga, May 20-21)”, available at: <http://eap-csf.eu/assets/files/Recomendations-Riga-2015.pdf> (accessed 21 March 2016)
- EU Neighbourhood Library (2014), “EU Neighbourhood Barometer – Eastern Partnership, Autumn 2014”, available at: <http://www.euneighbours.eu/library/content/eu-neighbourhood-barometer-enpi-east-autumn-2014> (accessed 15 August 2016).
- Eurasia Partnership Foundation (2013), Knowledge and Attitudes towards the EU in Georgia: Changes and Trends 2009 – 2013 available at: http://www.epfound.ge/files/eu_survey_report_2013_final_eng_.pdf (accessed 20 August 2016)
- European Economic and Social Committee (CESE) (2012), “CESE si vecini estici ai UE”, available at: <http://www.eesc.europa.eu/resources/docs/qe-31-12-697-ro-c.pdf> (accessed 3 April 2016).
- European Parliament (2015), “European Parliament resolution on the review of the European Neighbourhood Policy (2015/2002(INI))”, available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2015-0272+0+DOC+PDF+V0//EN> (accessed 6 April 2016)
- Giragosian, R. (2015), “Riga and beyond, what future for the Eastern Partnership? Food-for-thought paper: Armenia. Views from EaP Countries”, ECFR Riga Series, pp. 5-7.
- Gromadzki, G. (2015), “The Eastern Partnership after five years: Time for deep rethinking – AFET”, European Parliament, Directorate General for External Policies of the Union Directorate B, Policy Department Study, Brussels.

- International Republican Institute (2014), “Public Opinion Survey Residents of Ukraine, March 14 – 26, 2014”, available at: [http://www.iri.org/sites/default/files/2014%20April%205%20IRI %20Public%20Opinion%20Survey%20of%20Ukraine,%20March%2014-26,%202014.pdf](http://www.iri.org/sites/default/files/2014%20April%205%20IRI%20Public%20Opinion%20Survey%20of%20Ukraine,%20March%2014-26,%202014.pdf) (accessed 20 August 2016)
- Official Journal of European Union (2007), *Tratatul de la Lisabona de modificare a Tratatului privind Uniunea Europeana si a Tratatului de instituire a Comunitatii Europene (2007/C 306/01)* available at: <http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=OJ:C:2007:306:FULL&from=en> (accessed 15 August 2016)
- Kaca, E., Kucharczyk, J. and Lada, A. (2011), “Eastern Partnership Civil Society Forum & how to improve it”, *The Institute of Public Affair*, pp. 1-31.
- Kirova, I. and Freizer, S. (2015), “CIVIL SOCIETY VOICES: How the EU Should Engage its Eastern Neighbours”, *Open Society European Policy Institute*, pp.1-32.
- Kostanyan, H. (2014), “The Civil Society Forum of the Eastern Partnership four years on progress, challenges and prospects”, Centre for European Policy Studies Report, No.81, January, pp.1-25.
- Lada, A. (2011), “Towards a stronger role for civil society in the Eastern Partnership”, *Policy Brief*, European Policy Centre.
- Michta, A. (2015), “After the Summit”, *The American Interest*, 25 May.
- Moshes, A. (2006), “Ukraine Between a Multivector Foreign Policy and Euro-Atlantic Integration. Has It Made Its Choice?”, *PONARS Policy Memo*, No.426, pp. 1-5.
- Raik, K. (2006), “Promoting Democracy through Civil Society: How to Step up the EU’s Policy towards the Eastern Neighbourhood”, *CEPS Working*, No.237, pp.1-33.
- Rakutiene, S. (2014), “The EU’s Eastern Partnership as International Governance: What Is the Role of the Civil Society?” *European Quarterly of Political Attitudes and Mentalities*, Vol.3, No.2, pp.50-64.
- Rommens, T. and Thiers R. (2009), “Strengthening the ENP Through regional civil society cooperation”, *CEU Political Science Journal*, Vol. 4, No. 1, pp. 26-47.
- Sadowski, R. (2013), “Partnership in times of crisis challenges for the Eastern European countries’ integration with Europe”, *Warsaw: Point of View*, No.36, pp.1-53.
- Secieru, S. (2015), “Riga and beyond, what future for the Eastern Partnership? *Food-for- thought paper: Moldova*”, in *Views from EaP Countries*, *ECFR Riga Series*, pp. 19-22.
- Shulga, D. (2015), “Riga and beyond, what future for the Eastern Partnership? *Food-for-thought paper: Ukraine*”, in *Views from EaP Countries*, *ECFR Riga Series*, pp. 23-27.
- Stępniewski, T. (2015), “The EU’s Eastern Partnership and the way forward after Riga”, *International Issues & Slovak Foreign Policy Affairs*, Vol. XXIV, No. 1–2, pp. 17–27.
- Wolczuk, K. (2011), “Eastern Partnership Review Perceptions of, and Attitudes towards, the Eastern Partnership amongst the Partner Countries’ Political Elites”, *Eastern Partnership Review*, No.5, pp. 4-12.

VOICE OF THE STUDENTS: HOW CAN THE EU TAKE THE GLOBAL LEAD ON TACKLING CLIMATE CHANGE?

Costică MIHAI*
Alexandru MAXIM**
Constantin-Marius APOSTOAIIE***

Abstract

The EU has always been at the forefront of tackling environmental issues. This paper responds to the EU's 'call for action' towards addressing the issue of climate change – a key priority for the European Commission in the 2030 policy perspective. The topic is addressed through a focus group that seeks to identify and disseminate possible approaches through which the EU can leverage its international 'actorness' in negotiating a straightforward and binding global agreement for action in climate change mitigation. The focus group involves a sample of students, beneficiaries of an environmentally focused Jean Monnet teaching module (TAG-EU). The diverse academic background of the students (coming from social, natural and exact sciences) provides a unique point of view in tackling this ardent issue and can bring valuable and interdisciplinary contributions to the discussion on climate change action.

Keywords: climate change; EU policy; environmental protection; interdisciplinary approach

JEL Classification: Q54; Q58

Introduction

Independent surveys by NASA and the National Oceanic and Atmospheric Administration (NOAA) have shown, with 94% certainty, that 2015 was the hottest year since modern temperature record keeping began in 1880 (NASA, 2016). In spite of the Kyoto Protocol ending without a successor agreement in place, global leaders still fail to take decisive action on the issue of climate change. However, the 2015 UN Climate Change Conference (COP 21) has produced a principle agreement regarding the limitation of environmental impact by the World's largest polluters, although this in itself is non-binding (United Nations, 2016). The EU has always been at the forefront of tackling climate change related issues, such as: low carbon economy, emissions reduction, energy efficiency, sustainable exploitation of natural resources and general improvement of environmental protection standards.

* Associate Professor, Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iași, Romania, e-mail: ticu@uaic.ro

** Researcher, CERNESIM Environmental Research Center, Alexandru Ioan Cuza University of Iași, Romania, e-mail: alexandrumaxim@outlook.com

*** Researcher, CERNESIM Environmental Research Center, Alexandru Ioan Cuza University of Iași, Romania, e-mail: marius.apostoaiie@uaic.ro

Within this context, the aim of the paper is to identify and disseminate possible approaches through which the EU can leverage its international ‘actorness’ in negotiating a straightforward and binding global agreement for action in climate change mitigation. This is approached from the perspective of a sample of students with a diverse academic background, who have been educated with regard to EU institutions and governance, as well as environmental policies and issues. The students views have been collected using a mix of qualitative methods: a focus group and a short survey using a single ‘open-ended response’ question.

Beyond the introduction, the paper includes three sections. The first section surveys the main issues related to how climate change is perceived and tackled within the European Union. The second provides an outline of the methodology and the context of the research. The third presents the results of the study and provides a discussion on the innovativeness and the feasibility of the proposed climate change mitigation approaches. The final part of this paper is dedicated to concluding remarks regarding the implications of the research and future steps in the development of the “Voice of the Students” series.

1. The issue of climate change and EU measures

Being aware of the impact of climate change on Earth and human society, the European Commission has had, over time, several initiatives in this regard. Reducing carbon dioxide emissions through renewable energy projects, improving energy performance or taxing energy products represent concrete steps in implementing a policy of limiting climate change after 1991.

The adoption by the European Union of the provisions related to the "Kyoto Protocol to the United Nations Framework - Convention on Climate Change", held in 1997, represented a significant challenge for European countries with a great impact on environmental policy and on all other policies adopted at Community level (EUR-Lex, 2016).

Identifying and implementing measures and instruments related to climate change mitigation at the European level have long been and still are part of a gradual process subordinated to a well-defined and integrated strategy.

Taking into consideration the dangers raised regarding the dramatic changes generated by pollution and environmental degradation, the Kyoto Protocol has expressed the importance of: reducing (for the beginning by 5%) greenhouse gas emissions in developed countries, increasing energy efficiency and identifying sources of "green" energy generation. Those ambitious goals required the adoption of concrete measures in the Environmental Action Programmes (EAP) of the European Union.

Consequently, in June 2000, the first European Climate Change Programme (ECCP) for the 2000-2004 period was launched. Its main role was to implement the Kyoto Protocol (European Commission, 2016a).

Under this programme, measures for the identification of the most effective policies to reduce greenhouse gas emissions have been proposed. The objectives of the First European Climate Change Programme are included in the general objectives of the Sixth Environmental Action Programme entitled "Environment 2010: our future, our choice". Under this Action Programme, the mitigation of climate change is an important goal of the European policy of greenhouse gas emissions reduction. The aim is to prevent ozone layer depletion and global warming, phenomena that cause changes to Earth's climate. The action intended to solve problems both in the short and long term, by meeting the objectives of the Kyoto Protocol (reduction of emissions by 2008-2012 greenhouse gas emissions by 8% compared to 1990), as well as meeting the targets set for 2020 (reducing emissions by 20-40% by means of an effective international agreement).

Putting the first ECCP (2000-2004) into practice required a joint effort by several stakeholder groups at the European level. Within this programme, 11 working groups were formed with the goal of identifying concrete measures to reduce pollution and greenhouse gas emissions by focusing on the following areas: emissions trading, energy supply, energy demand, energy efficiency in end-use equipment and industrial processes, transport, industry, research, agriculture, sinks in agricultural soils, forest-related sinks, and the Joint Implementation and Clean Development Mechanism. (European Commission, 2016a).

Launched in October 2005 as a continuation of the first programme, the Second European Climate Change Programme (ECCP II) „has explored further cost-effective options for reducing greenhouse gas emissions in synergy with the EU's Lisbon strategy' for increasing economic growth and job creation” (European Commission, 2016b). ECCP II included new working groups with the following areas of focus: the review of ECCP I, aviation, CO₂ and cars, carbon capture and storage, adaptation and reducing greenhouse gas emissions from ships.

Moreover, due to the broad scope and high importance of climate change and sustainable development issues, through the Lisbon Treaty (December 1st, 2009), the EU decided to assume an important role in the proposal and enforcement of international agreements on these topics. It is considered that all states need to act in a coordinated and coherent way so that the objectives of the Kyoto protocol can be met.

The current Environmental Action Programme (EAP 7 for the period 2013-2020) proposes important measures in the area of adopting and implementing a strategy of adapting to climate change. In order to put this strategy into practice, action is needed at the level of all EU member

states and regions in order to limit the negative climate effects and to meet some specific objectives (European Commission, 2013):

- By 2020: reducing greenhouse gas emissions by 20% compared to 1990, reaching a share of at least 20% renewable energy within to energy consumption, increasing energy efficiency by 20%;
- By 2030: reducing greenhouse gas emissions by 40% compared to 1990, reaching a share of at least 27% renewable energy within energy consumption, increasing energy efficiency by 27%;
- By 2050: reducing greenhouse gas emissions by 85-90% compared to 1990.

In order to reach these objectives, the EU showed a willingness to allocate 20% of the 2013-2020 budget towards reducing the impact of human activities on the environment and climate. This integrated EU approach takes into consideration the concerns of each nation and individual for reducing the risks of climate change and global warming.

Globally, a wider concern exists with regard to the importance and the impact of climate change on individuals. In a study by Stokes *et al.* (2015), the authors found that a median of 51% of respondents believe that humans are already being harmed by climate change, while 28% consider that people will be harmed in the next few years.

Although some consider that this concern is unfounded, a large part of researchers from various fields agree with the fact that the effects of climate change are not only becoming felt, but they also have the potential to influence human life and activity in a significant way. Suggestively entitled „Consensus on consensus: a synthesis of consensus estimates on human-caused global warming”, the paper written by John Cook *et al.* in 2016 analyses the consistency of internationally published studies in the area of climate change. By assessing several works, the authors find a 97% consensus in published climate research, which is considered to be robust and consistent with other previous surveys of climate scientists and of peer-reviewed studies (Cook *et al.*, 2016). Even if the authors of the study have identified various levels of intensity with regard to the connection between human activity and climate change, they conclude that „from a broader perspective, it doesn't matter if the consensus number is 90% or 100%. The level of scientific agreement on AGW (anthropogenic global warming) is overwhelmingly high because the supporting evidence is overwhelmingly strong.” (Cook *et al.*, 2016, p. 6)

This scientific proof fully supports the EU's initiative in adopting concrete measures of reducing the impact of human activities on the climate. It also requires that individuals at all levels become increasingly involved in raising awareness and acting to stop this phenomenon. The opinions of various specialists (including those expressed by students) who are familiarized with the concepts of European policies in the field of environment can provide a ‘witness instrument’ for

identifying the manner in which Environmental Action Programmes are recognised and supported among members of the informed public.

2. Methodology

2.1. Context of the research

EU environmental policy is moving towards increasingly ambitious targets, while the EU consumer markets are becoming more green-oriented. These trends are expected to generate a demand for staff specialized in environmental policy and management on the job market.

Within this context, an academic and professional gap with regard to environmental policy training was identified at a regional level. This issue drew the attention of the CERNESIM Environmental Research Center, a recently established research centre at the Alexandru Ioan Cuza University of Iași, which involves teaching and research staff from five faculties: Biology, Chemistry, Economics and Business Administration, Geography-Geology and Physics. The “Think Green, Act Green: Environmental Protection in a United Europe” (TAG-EU) Jean Monnet Module, developed by CERNESIM and supported by the ERASMUS+ Programme of the European Union, provides a set of tailor-made courses on European integration and environmental protection and policies (EP). The primary beneficiaries of TAG-EU are students from all five CERNESIM faculties, who do not have access to EU and EP studies in their standard curriculum.

2.2. The focus group method

The first research method used in the current study was a focus group involving students participating in the TAG-EU Module. This method was chosen for several reasons (Malhotra and Birks, 2007): a) it is able to generate synergy, especially considering the diverse academic background of the participants; b) it stimulates participants to express their ideas through free-flowing discussions, bridging the gap between students and researchers/lecturers acting as moderators; c) it nurtures spontaneity and the provision of unconventional and innovative ideas; d) it insures that the topic is approached in the logic and the language that the students are familiar and comfortable with, as opposed to using a somewhat rigidly structured and highly technical questionnaire based survey.

The research problem to be approached – leveraging the EU’s international ‘actorness’ in tackling climate change – was established based on: emerging environmental studies (NASA, 2016), the conclusions of the most recent United Nations conference on climate change (United

Nations, 2016), as well as the direct observations of the researchers and students involved in the TAG-EU project.

Prior to the actual discussion on the research problem, the participants took part in an introductory discussion of how environmental protection and sustainable development have become an integral part of the EU's long term objectives and principles. The purpose of this introduction was to serve as a warm-up for the focus group exercise (introducing and familiarizing the participants with topics). The actual topics to be discussed were presented in the form of two questions: "How can the EU mitigate climate change through internal measures?" and "How can the EU leverage its international 'actorness' in negotiating a straightforward and binding global agreement for action on climate change?". For each question, a specific set of policy directions for channelling the discussion was proposed (i.e. geographical coverage and economic/activity sectors where specific regulations are needed).

The focus group involved 12 students from the pool of TAG-EU beneficiaries, who showed interest in taking part in this exercise and, furthermore, proved to be proficient in understanding and debating climate change issues and how EU institutions function. The focus group took place in a conference room that provides a relaxing and stimulating working environment (offering a 360 degree panoramic view of the city, usually used for limited specialized events). The discussion had one of the TAG-EU lecturers as a main moderator, assisted by the two other members of the teaching staff. The overall duration of the exercise, including the introductory discussions and conclusions was one and a half hours.

2.3. The 'top 3' method

The focus group was followed by a detailed presentation of the EU's Environmental Action Programmes (Mihai *et al.*, 2016). Subsequently, a second qualitative assessment of the students' opinions on the previously discussed topic was performed. This was implemented through an ad-hoc designed research method (the 'top 3'), which is based on a short survey using a single 'open-ended response' question: "What are the top 3 most important measures that you think the EU should take in order to better manage climate change issues?".

The purpose of this follow-up exercise is to observe whether gaining specific knowledge on the EU's policy measures in the area of environment (included in the EAPs) affects the students' views on what other measures the EU can adopt in order to mitigate climate change. The responses were analysed and summarized based on content analysis, similar to the approach used for the focus group.

2.4. Limitations

With regard to the focus group method, some specific limitations arise, such as: the polarization of the dialogue around a single person or a single idea, disruptions of discussions or deviations from the main topic. These issues were managed by the moderator and the assistants, who brought the discussions back on track using the above mentioned list of questions and policy directions. However, the overall reliability of the results is limited, given that the focus group was performed only once on a single group of individuals (Munteanu *et al.*, 2008).

As with most qualitative research methods, the mixed approach (focus group and the ‘top 3’ method) used in the current study is subject to limitations related to the subjective interpretation of the responses.

3. Results

The data from the two research methods used was assembled and then reduced through content analysis and coding (Malhotra and Birks, 2007). It was obvious during the reduction process that the data gathered during the focus group was more heterogeneous and less focused on overarching issues, making the coding procedure more difficult. The solutions provided during this exercise proved to be somewhat less feasible, but nevertheless more diverse and innovative.

Table 1 provides a summary of the ideas generated during the focus group. It also classifies the proposed EU policy measures around common descriptors, as well as the two geographical scopes of impact (i.e. within the EU and as a global actor).

Table 1. EU policies on climate change mitigation (internal and global scope of impact)

How can the EU mitigate climate change through internal measures?

- **Sanctioning of negative behaviour** (focused more towards companies): “more restrictive enforcement for littering (especially in areas with a high incidence of dumping)”, “impose taxes on polluters”, “restrictions on *dirty* power plants”
- **Rewarding of positive behaviour** (impact on companies and individuals): “support for recycling start-up companies”, “financial support for companies that gather abandoned garbage and sort/recycle it”, “funding for smart/greenhouses”, “rewards for recycling different materials (e.g. cash for cans and bottles)”, “support green/efficient energy”
- **Partnerships with third parties**: “intervention in the education system from the early stages (teach pupils that climate change exists and what they can do to prevent it)”, “more collaboration with churches and media to raise awareness on climate change”, “create a platform for networking between industry, services, NGOs to exchange information and solutions”, “nurture industrial symbiosis (a company’s waste could be another company’s raw material)”
- **Direct budget allocation**: “more transparency in managing the budget for environmental issues (fines for polluting should fund mitigation projects)”, “taxes on polluters should support green

energy companies”, “increased sanctions/fines can generate more money for green subsidies”

- **Build awareness within companies and the general public:** “creating an environmental assessment committee that can generate audits to show companies how they can earn/save money by acting greener”, “positive reinforcement of positive behaviour: use numbers and visual stimuli to show the positive effects of acting in a climate conscious manner”

How can the EU leverage its international ‘actorness’ in negotiating a straightforward and binding global agreement for action on climate change?

- **Promotion of climate change issues through various media and methods:** “raise awareness through videos that show the advantages of a healthy environment (distribute via internet, foreign TV stations)”, “promote responsible behaviour towards the environment in major EU tourist attractions”, “use opinion leaders, actors, celebrities, trend setters to promote climate friendly behaviour – make environmental protection cool”, “publicise scientific evidence/proof of climate change”
- **Funding for research:** “support mobility and exchange between EU and non-EU countries for researcher in the field of climate change”, “funding for research and publication in the field of group/societal psychology with an environmental focus (how to convince people that their behaviour is harmful for the planet)”
- **International trade restrictions:** “stop products that are harmful for the environment from entering the EU, promoting international safety standards”
- **Build ties with climate advocates:** “consolidate relationships with international allies on every continent (e.g. USA, Norway, Japan, Iceland, Uruguay etc.)”, “associate with politicians who promote action on climate change in various countries”
- **Support technological innovation:** “financially motivate companies across the world to innovate and patent their eco-friendly technologies in the EU”, “act as a mediator to connect eco-innovation NGOs and companies with governments worldwide in order to implement climate friendly projects”

Source: authors’ representation

During the analysis of the data collected through the ‘top 3’ method, we noticed that the information gathered was easier to code and subsequently process. This suggests that during the EAP presentation, the opinions of the students became more focused and grounded in practice, allowing them to then express clearer, more realistic and structured solutions to the overall issue.

Table 2. EU policies on climate change mitigation (summary of ‘top 3’)

What are the top 3 most important measures that you think the EU should take in order to better manage climate change issues? (answers are summarized; categories are listed in order of frequency of appearance)

- **Education and public awareness on climate change and other environmental issues (schoolchildren and adults):** “make it mandatory for every school to make the children understand the situation and learn about efficient ways of fighting global warming”, “make adults realize the importance of a healthy environment”, “invest more in people’s education about climate change and pollution”, “spread awareness of climate change being real and present solutions”, “provide better access to information and build awareness of how our reckless actions can impact the earth and its resources” etc.
-

- **Eco-farming / support for sustainable functioning of the food industry:** “encourage small farms to use eco-energy and to produce eco-products”, “encourage the planting of more trees”, “promoting vegetarianism: less livestock generates less pollution, less killing other animals generates a better world”, “efficient use of natural resources / valuing the natural capital efficiently and non-invasively” etc.
- **Research and support for energy efficiency and less polluting energy:** “sustain the implementation of green power plants not only in houses, but also in schools, universities, hospitals”, “power the industry only with clean electricity (solar panels, wind turbines, atomic power plants)”, “put efforts in finding new ways of providing energy with low pollution”, “research more efficient ways of providing energy” etc.
- **Control of pollution from transportation / restrictions on use of automobiles:** “lower the number of cars or impose non-polluting means of transport”, “try to do something about cars’ emissions like not allowing cars to be driven in some intervals of time” etc.
- **Financial help for eco-businesses:** “support and encourage the development of environmentally friendly companies”, “support financially small start-ups/projects which aim to improve the natural environment” etc.
- **Other:** “make the cities more sustainable”, “conserve the biodiversity of the world” etc.

Source: authors’ representation

Table 2 provides a summary of the responses collected during the ‘top 3’ activity. When comparing these responses with the ones included in Table 1, one can notice that the ‘top 3’ measures are more focused on internal EU policies and standards. An overwhelming majority of the responses are oriented towards positive stimuli, such as education, financial aid, subsidies and rewards. Education is considered to be an essential pillar for the long term mitigation of climate change and it should address the needs of the current as well as the future generations (adults and schoolchildren). In the short term, policies can encourage ecological farming, the use of non-polluting means of transportations and the development of eco-businesses and a ‘green economy’.

Conclusions

This research endeavour was motivated by the need for a new perspective on how to address the stagnant issue of taking global action on climate change. The study involved the use of two qualitative research methods, one of which was a focus group followed by an ad-hoc survey based assessment. Both methods involved 12 students that proved to be proficient in understanding and debating environmental issues and how EU institutions function.

The combined results of the research suggest that the EU is more likely to be successful in mitigating climate change by imposing best practices and regulations at an internal level and then serving as a benchmark or positive example for the rest of the world. Whether it will be global

political leaders, NGOs, companies or the people themselves, if the EU is persistent in this approach the positive examples that it sets out will become desirable and requested in other areas of the world as well. However, it should be expected that such fundamental mentality changes can only happen in the long term and in the context of macroeconomic stability (which would allow governments and people to focus on the quality of life and not on financial insecurity). The only foreseeable exceptions that can help the world to leapfrog towards a more sustainable existence can be life changing events such as: environmental disasters, rampant intensification of air, water and soil pollution or technological breakthroughs (which are more likely to occur if eco-innovation and research is aided through policies).

This first instalment of the “Voice of the Students” series has focused on the issue of climate change – an ardent issue that is being discussed at all levels of society – and on how the European Union can leverage its international ‘actorness’ in promoting sustainable development at a global level. The future editions of this series will seek to tackle other major issues related to the environment and discuss what the EU can do to address them. The innovative aspect of the research is that the proposed measures are identified and presented from the perspective of young students with academic backgrounds in social, natural and exact sciences. It is hoped that such contributions can provide inspiration to policy makers (who may discover unconventional solutions to challenging issues), NGOs (who may discover fresh arguments to support their specific causes) and researchers (who may be able to assess and tackle specific environmental issues from a novel perspective).

Acknowledgements

This research was performed with the support of the ERASMUS+ Programme of the European Union (Jean Monnet Module “Think Green, Act Green: Environmental Protection in a United Europe”, TAG-EU, grant decision number 2015-2244/001 – 001). This work reflects only the views of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

The POSCCE O 2.2.1, SMIS-CSNR 13984-901, No. 257/28.09.2010 Project, CERNESIM, is gratefully acknowledged for the infrastructure used in this work.

The authors also express their appreciation for the active and enthusiastic involvement of the TAG-EU students (class of 2015-2016) in this research endeavour as well as all of the other project activities.

References

- Cook, J., Oreskes, N., Doran, P. T., Anderegg, W. R. L., Verheggen, B., Maibach, E. W., Carlton, J.S., Lewandowsky, S., Skuce, A.G., Green, S. A. Nuccitelli, D., Jacobs, P., Richardson, M., Winkler, B., Painting, R. and Rice, K. (2016), "Consensus on consensus: a synthesis of consensus estimates on human-caused global warming", *Environmental Research Letters*, Vol. 11, No. 4, pp. 1-7 doi: 10.1088/1748-9326/11/4/048002
- EUR-Lex (2016), "Kyoto Protocol on climate change", available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:l28060> (accessed March 2016)
- European Commission (2013), "Green Paper. A 2030 framework for climate and energy policies", Brussels.
- European Commission (2016a), "First European Climate Change Programme", available at: http://ec.europa.eu/clima/policies/eccp/first/index_en.htm (accessed April 2016)
- European Commission (2016b), "Second European Climate Change Programme", available at: http://ec.europa.eu/clima/policies/eccp/second/index_en.htm (accessed April 2016)
- Malhotra, N. K. and Birks, D. F. (2007), *Marketing Research: An Applied Approach*, 3rd ed., Pearson Education Limited, Essex.
- Mihai, C., Apostoaiie, C.-M. and Maxim, A. (2016), "Directions and Strategies of the EU Environmental Policy", Environmental Protection in a United Europe, CERNESIM Environmental Research Center, Alexandru Ioan Cuza University of Iași, Iași.
- Munteanu, C., Maxim, E., Sasu, C., Prutianu, S., Zait, A., Manolică, A., Jijie, T. and Monoranu, A. (2008), *Marketing: principii, practici, orizonturi*, 2nd ed., Sedcom Libris, Iași.
- NASA (2016), "NASA, NOAA Analyses Reveal Record-Shattering Global Warm Temperatures in 2015", Press Release, available at: <http://www.nasa.gov/press-release/nasa-noaa-analyses-reveal-record-shattering-global-warm-temperatures-in-2015> (accessed April 2016)
- Stokes, B., Wike, R. and Carle, J. (2015), "Global Concern about Climate Change, Broad Support for Limiting Emissions", available at: <http://www.pewglobal.org/2015/11/05/global-concern-about-climate-change-broad-support-for-limiting-emissions/> (accessed April 2016)
- United Nations. (2016), "Action taken by the Conference of the Parties at its twenty-first session", FCCC/CP/2015/10/Add.1, Report of the Conference of the Parties on its twenty-first session, held in Paris from 30 November to 13 December 2015, UN FCCC, Paris, available at: <http://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf> (accessed April 2016)

WILL THE EASTERN PARTNERSHIP BECOME A DRIVER FOR AGRICULTURE?

Oksana OKHRIMENKO*
Alexander OKHRIMENKO**

Abstract

This article is devoted to the impact of the Eastern Partnership on agricultural production of the member states. ENPARD basic parameters are examined. The results of agricultural development of the states participating in ENPARD and states preparing to join the project was monitored. The Eastern partnership is based on a deep and comprehensive free trade area (DCFTA), economic integration and convergence with EU policies, energy security, human contacts etc. The absolute and relative indicators of agricultural development of the Eastern Partnership countries are analysed. The general and individual problems of the countries are studied. The analysis showed an unequal economic potential for agricultural development. It was noted that the strategic partnership involves interstate cooperation to achieve mutually beneficial internal and external goals.

Keywords: Partnership; convergence; agricultural development; economic integration

JEL Classification: O19; O43; Q17; Q18

Introduction

"With perseverance, anything and everything, whether right or wrong, good or bad, is achievable and can be conquered."

-John Davison Rockefeller.

In the course of their development, the countries enter into partnerships with the aim of focusing on important aspects of joint activities. Ukraine has about 20 strategic partners. There are discussions in academic and professional circles concerning numerous centres of strategic interest.

On the one hand, bilateral and multilateral strategic partnership agreements define strategic objectives, common approaches to address key aspects of international politics and to deepen contacts in important areas of international relations, and on the other, the partner relations are often conflicting and impede the further dynamic development.

Signing of the Multilateral Agreement on the Eastern Partnership marked the beginning of a new era of cooperation with eastern neighbours by mediation and with participation of the EU,

* Doctor of Economics, Prof. of International Economics Department, National Technical University of Ukraine "Sikorsky Kyiv Polytechnic Institute", Kyiv, Ukraine; e-mail: goth12@mail.ru

** Associate professor, President of the Ukrainian Analytical Centre, Kyiv, Ukraine; e-mail: sols@meta.ua

based on a deep and comprehensive free trade area (DCFTA), economic integration and convergence with EU policies, energy security, human contacts etc.

The EU policy on the Eastern Partnership contains a number of negative expert opinions. However, as shown by Riga 2015, the Partnership continues to operate and develop, attracting new tools to achieve its goals.

Our research summarizes the results of the Eastern Partnership in the field of agriculture, the areas of which were outlined by the Eastern Partnership Platform 2 "Economic Integration and Convergence with EU Policies" in the Work Programme for 2014 - 2017.

In a joint statement by Armenia, the Republic of Belarus, Georgia, Moldova and Ukraine on the Development of Advisory Systems of Agriculture and rural development at the Riga Summit, the importance of these aspects of the Eastern Partnership cooperation in the field of agriculture was noted in order to:

- further deepen the relations and cooperation in agricultural and rural advisory system between the European Union and its Member States and our countries,
- secure the European Union support of the reform programs in the field of agriculture and rural areas,
- strengthen the business aspect of the Eastern Partnership through cooperation to improve agricultural entrepreneurship.

The Eastern Partnership member states are the long-time strategic partners of Ukraine. The list of strategic interests goes beyond the Eastern Partnership. The development of agriculture is a new direction of cooperation within the Eastern Partnership. Besides, only a part of the Partnership states receives specialized funds. An unprejudiced evaluation of the results of cooperation requires a long period of the relationship monitoring. Therefore, the aims of research are– the expert assessment of some directions of the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) and the results of agricultural development of the Eastern Partnership member states (European Commission, 2014).

The main objectives of the research are:

- to identify the basic principles of the National Agricultural Policy of the Eastern Partnership member states;
- to conduct the monitoring of the European Neighbourhood Programmes for Agriculture and Rural Development;
- to conduct a comparative analysis of effectiveness of the agricultural sector development in the ENPARD member states and states not participating in this program;

- to identify the problems and development priorities in the field of agribusiness for the Eastern Partnership member states.

The research is based on the equal partnership theory, which envisages the combination of policy, mutual assistance, trade and investment into a single policy based on the developing countries' efforts. In spite of the controversial points as regards feasibility of this concept, we strive to test the hypothesis of equal interdependence of developed and developing countries, and forms of partnership and cooperation between them. We believe that partnership in international economic activities should be based on the principles of openness, collaboration, information sharing, mutual responsibility and mutual development of the integration processes on a common economic basis. Bilateral and multilateral formats of the Eastern Partnership provide for work in the fields both between Member States and the EU, and directly between the parties.

1. Literature Review

According to researchers dealing with various forms of international economic relations, elementary forms of international cooperation and integration are the direct connections for businesses (companies and organizations). They are most interested in achieving an optimal scale of activities through cooperation and collaboration with foreign companies (Shishkov, 1993). In the case of the Eastern Partnership, we have the opposite situation, when the partnership is "instilled" from the top with support of national governments. This allows validating certain provisions of international relations theories and hypotheses.

Milner H. (1992), exploring the international cooperation, developed the hypothesis regarding the conditions under which cooperation between States is becoming more probable, namely:

- the "Hypothesis of Reciprocity", the main content of which is expectations of the benefits of cooperation and the fear of loss, and even penalties in the event of deviations therefrom.
- the "Hypothesis on the Number of Actors", in terms of which the prospects of cooperation increase with the decrease in the number of interacting states.
- the "Iteration Hypothesis", on the basis of which the possibility of accession is related to the cooperation mode and interaction duration.
- the "Hypothesis of the International Regimes", i.e. standards, principles and decision-making procedures, the totality of which represents an international cooperation centre.
- the "Epistemic Communities Hypothesis" describes the role of professional experts in development of international cooperation.

- the "Power Asymmetry Hypothesis" considers that cooperation is more probable if there is a strong and focused hegemonic State.

The main disadvantage of these hypotheses, according to Milner H. (2009), is that they are not focused on the internal sources of international cooperation. We are planning to combine the findings of these hypotheses validation using the theory of endogenous growth. This theory of growth (endogenous growth) appeared as a result of the presence of acute problems of economic development in developing countries and is focused on internal factors and mechanisms of economic development, which collectively are able to ensure self-development and self-reproduction of national economies.

If we talk about the practical aspects of international partnership and cooperation, we should pay attention to the research of Soupihanov (2009), which deepened the concept of the structural foundations of world markets, constantly changing and complicating, evolving both in the interests of individual countries or regional integration associations and in the interest of the global community. The researcher developed a methodology of evaluate the potential market for agribusiness products. A spectral export line allows detecting the points of contact in the commodity exchange transactions of partner states.

Another point in the research areas of international partnerships and their effectiveness is the scope of agribusiness development at the level of partner states. According to research by Mayovets Y. (2007), the unique formation of agricultural enterprises in Ukraine appear to have been carried out in five directions, namely land reform; economic reform; formation of agricultural market instead of the old distribution system; financial stabilization; and social development. However, none of these directions is completed and this has led to a crisis in agriculture.

In some developed countries, agribusiness has been developed successfully within the framework of public-private partnerships. Spielman D.J. (2006) notes that a public-private partnership is a potentially important means of conducting pro-poor agricultural research in many developing countries. The results of this research suggest that primary impediments to the partnership are perceptions, competition and risk, while the issues of costs and conflicting incentives are secondary. Investment in innovative organizational mechanisms and supportive public policies is necessary.

The methodological basis of export-oriented policies in the global innovation economy should offer new outlook of agricultural economics (a new agrarian vision, agrarianism) based on social and environmental priorities (ecocriticism), an active state and public policy and legislation establishing the social criteria of the policy (McMichael, 2009). The main aspects of innovation in the EU are reflected in the Common Agricultural Policy (CAP).

The experts examined a number of components of agribusiness development at the national and international levels, namely economic potential, export opportunities, public-private partnerships, integration etc. The effective progress of international agreements in specific economic conditions will depend on their content and quality of management.

2. Involvement of the Eastern Partnership member states in the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD)

The European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) was established in 2011. The programme has become a new political initiative aimed at development of agriculture, food security, sustainable production and rural employment. The main principles of the programme are compliance with national development strategies; interaction with regional development programs; ensuring coordination between different ministries participating in the programme. During the programme cycle, which lasts from 2014 to 2020, the partner states have to identify three sectors in which they cooperate with the EU. Georgia, Armenia and Moldova took advantage of the possibilities offered by this programme. The basic parameters of the involvement of these countries in ENPARD are shown in Table 1. The implementation of the Eastern Partnership is based on the principles of differentiation, shared ownership and responsibility, as well as the "more for more" approach (the greater the progress of the partner states in implementing reforms, the more support they receive from the EU).

Table 1. European Neighbourhood Programme for Agriculture and Rural Development

Country, period	Description, Budget	Expected results
Georgia 2013-2018	Promoting the business-oriented farmers' cooperatives as a model for small farmers to improve their production and access to markets Budget: EUR 102 mln.	<ul style="list-style-type: none"> - Strengthening of cooperation among small farmers; - Improved performance of institutions engaged in agriculture; - Increasing and improving services to small farmers; - Development of business-oriented small farmers groups, associations and other forms of profit-based collaborative actions between farmers.
Armenia 2015-2017	"ENPARD Armenia Technical Assistance: Producer Group and Value Chain Development" Budget: EUR 2.8 mln.	<ul style="list-style-type: none"> - Support of agricultural institutions, encouragement of development of farmers' associations and improvement of access to more affordable food in the European Neighbourhood countries; - Strengthening of the newly established primary producer groups; - Development of effective, sustainable new producer groups, as well as assistance to and strengthening of existing ones at various stages of their development; - Strengthening of the value-added chains ensuring improved access to affordable, better quality food.
Moldova 2015-2018	"ENPARD Moldova – Agriculture and Rural Development" Budget Support Sector Reform Contract (BS SRC): support the Government	<ul style="list-style-type: none"> - The growth of export potential of key products in the EU market; - Restructuring and modernization of the agri-food sector; - Sustainable management of natural resources; - Improvement of living and working conditions in rural areas; - Harmonization of products with quality, security and control

WILL THE EASTERN PARTNERSHIP BECOME A DRIVER FOR AGRICULTURE?

efforts to eradicate poverty, promote sustainable growth, improve food security and employment in rural locality
Budget: EUR 64,075 mln.

requirements of the European Union's;
 - Improvement of agricultural product competitiveness;
 - Promotion of investment in physical infrastructure and services in rural areas.

Source: ENPI (2012), European Commission (2014), European Commission (2014)

Armenia is the most agrarian country among the Eastern Partnership member states. The share of agriculture is about 20% of Armenia's GDP, and this proportion remained actually stable after signing of the Eastern Partnership Agreement (see Table 2).

Table 2. Share of agriculture in GDP, %

Country name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	20.9	20.5	20.3	18.4	18.9	19.2	22.8	20.1	20.7	20.8	19.4
Azerbaijan	9.9	7.5	7.0	6.0	6.6	5.9	5.4	5.5	5.7	5.7	6.8
Belarus	9.9	9.9	9.7	10.1	9.7	10.6	9.4	9.8	8.1	8.6	7.8
Georgia	16.7	12.8	10.7	9.4	9.4	8.4	8.8	8.6	9.4	9.3	9.2
Moldova	19.5	17.4	12.0	10.7	10.1	14.4	14.8	13.4	14.8	15.5	13.8
Ukraine	10.4	8.7	7.5	7.9	8.3	8.3	9.5	9.1	10.2	11.8	14.0

Source: The World Bank Group

The European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) was launched in Armenia in January 2015 and will last for three years. The Programme is designed to support the agricultural institutions, encourage the development of farmers' associations and improve access to more affordable food in the European Neighbourhood countries.

The "ENPARD Armenia Technical Assistance: Producer Group and Value Chain Development" project is implemented by UNIDO and UNDP. The overall objective of the Technical Assistance project is to support the Government of Armenia in ensuring an efficient and sustainable agriculture contributing to better conditions in rural areas of the country.

The project announced an open call in the mazes of Shirak, Lori, Gegharkunik, Aragatsotn, Kotayk and Vayots Dzor to select and support the groups engaged in production and processing of fruit, berries, nuts, vegetables, potatoes, grain, legumes, honey, herbs, tea, milk and dairy. Currently, the call is open and the application process is underway.

Agricultural policy is aimed at liberalizing the economy, agricultural land and other means of production, manufacturing and service infrastructures. Considerable attention is paid to development of agriculture due to active government support.

Despite the fact that there has been a significant decline in production volumes in agriculture in 2010, in the following years, Armenia demonstrated a steady increase in added value (see Table 3

and Table 4). For the economy of Armenia, the agribusiness has been and remains very important and indispensable for sustainable operation of the national economy.

The area of the cultivated agricultural land in Armenia increased by almost 68 thousand hectares from 2011 to 2015 and amounted to 351.3 thousand hectares. The targeted use of arable land has reached 78.5% in 2015, compared to 63.2% in 2010. 53 agricultural cooperatives were created in the framework of the "Eastern Partnership" programme for development of agriculture and villages (ENPARD) (National Statistical Service of Armenia, 2015). The increasing number of business entities and area of arable land has led to positive trends. The volume of products grown by peasant farms increased in 2016.

Table 3. Agriculture, value added (2010 constant US\$) USD mln.

Country name	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	1,716	1,767	1,872	1,574	1,795	1,965	2,114	2,279	2,539
Azerbaijan	2,760	2,928	3,031	2,933	3,103	3,308	3,470	3,380	3,603
Belarus	4,570	4,963	4,977	5,096	5,436	5,784	5,542	5,694	5,535
Georgia	989	946	884	847	919	885	985	1,001	1,030
Moldova	475	671	650	700	680	543	796	864	748
Ukraine	8,823	10,287	10,082	9,950	11,901	11,389	12,961	13,337	12,710

Source: The World Bank Group

Table 4. Value added growth rate in the previous year, %

Country name	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	10.0	3.0	6.0	-16.0	14.0	10.0	8.0	8.0	11.0
Azerbaijan	4.0	6.0	4.0	-3.0	6.0	7.0	5.0	-3.0	7.0
Belarus	5.0	9.0	0.0	2.0	7.0	6.0	-4.0	3.0	-3.0
Georgia	-	-4	-6.0	-4.0	9.0	-4.0	11.0	2.0	3.0
Moldova	-35.0	41.0	-3.0	8.0	-3.0	-20.0	47.0	9.0	-13.0
Ukraine	-5.0	17.0	-2.0	-1.0	20.0	-4.0	14.0	3.0	-5.0

Source: The World Bank Group

The wheat harvest increased to 369.4 thousand tons, which is about 10% higher compared to the last year's 338.1 thousand tons. The same trend is observed in the potato harvest, i.e. 776.6 thousand tons compared to the last year's 733.1 thousand tons. As for vegetables, this figure amounted to 10,337 thousand tons (954.6 thousand tons in 2015) (National Statistical Service of RA, 2016).

The added value in agribusiness in Georgia has been growing very slowly, despite the fact that it is the first to receive funding under the ENPARD programme among the Eastern Partnership states. The total ENPARD budget for Georgia, covering the period of 2013-2018, is EUR 102 million. The project funded by the EU covers 13 municipalities in 5 regions of Georgia. The main objective of the project is to contribute to increased productivity of Georgian agriculture and

reduction of rural poverty, as well as support of establishment and strengthening of business-oriented farmers' groups to promote increased effectiveness and competitiveness of small farmers in agricultural economy. The agriculture cooperatives supported by the project are operating in the fields such as hazelnut production/mechanization/processing, potato farming/storage facilities, grape farming, apiculture, vegetable farming/greenhouse/cooling/storage and crop production/mechanization.

A slow growth of the added value alternates with negative growth (see Table 3 and Table 4). Consequently, the country has shown a declining share of agriculture in GDP. 2011-2013 became symbolic for food exports increase. However, it is rather an exception to the general trend. The rise was followed by a substantial drop (see Table 5 and Table 6).

Table 5. Food export, USD mln.

Country name	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	96	206	154	200	275	393	492	539	507
Azerbaijan	1,743	336	738	717	917	1,109	1,160	1,080	608
Belarus	1,692	2,131	2,202	3,092	3,747	4,471	5,254	5,236	4,003
Georgia	523	422	603	524	706	1,012	1,649	1,628	1,063
Moldova	589	695	690	846	1,222	985	1,093	1,157	945
Ukraine	5,801	10,141	8,834	9,083	11,629	16,676	15,831	15,532	14,171

Source: The World Bank Group

Table 6. The rate of food export in the previous year, %

Country name	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	115	-25	30	38	43	25	10	-6
Azerbaijan	-81	120	-3	28	21	5	-7	-44
Belarus	26	3	40	21	19	18	0	-24
Georgia	-19	43	-13	35	43	63	-1	-35
Moldova	18	-1	23	45	-19	11	6	-18
Ukraine	75	-13	3	28	43	-5	-2	-9

Source: The World Bank Group

The economy of the Republic of Moldova used to be focused on agriculture. Despite the fact that in general, there is a decrease in the share of agriculture in GDP, it amounted to 13.8% by the end of 2015. The agribusiness is a priority for the Moldovan economy. The EU funds will be used for milk and meat production projects, building of large greenhouses to grow vegetables, production of agricultural products with high added value, frozen and canned food, as well as development of rural infrastructure. All registered farmers in the country, including those from the Transnistrian region, will be able to get access to EU funds under the ENPARD Programme in Moldova.

The European Union will provide over EUR 64 mln. of financial assistance to the Republic of Moldova until 2018 under the ENPARD Programme for development of agriculture and rural areas.

At the same time, EUR 53 mln. will be allocated as direct budget support and will be paid to the country in three instalments until 2018. These funds are intended to support the Government efforts to implement the policy in the field of agriculture and rural development. Besides, EUR 11 mln. will be allocated to Moldova as additional support.

The expected results of the EU assistance to Moldova in the framework of the ENPARD Programme are improved design and implementation of agricultural policy and rural development and improved quality of services, increase of investment in agriculture modernization, compliance with agri-food industry requirements and food chain safety and quality of EU food products, increased levels of education, improved research and advisory services in agriculture and agri-food sector, including the promotion of information systems and improved access to capital, input and output markets for farmers, increased employment opportunities and income generation in rural areas in support of the agriculture and agri-food sector etc.

3. Development of agriculture in the Eastern Partnership member states not covered by ENPARD

In Azerbaijan, the trend of agricultural production was quite unstable prior to the signing of the Eastern Partnership Agreement. Therefore, the increase in the share of agricultural products in the GDP in 2015 to 6.8% cannot be directly linked to the project participation.

The same unstable trend is observed in Belarus. However, unlike Azerbaijan, judging by results in 2015, the share of agriculture in the GDP declined. Perhaps, it has more to do with the Belarus economic measurement model than the Eastern Partnership programme. Although the share of industry and services in GDP has increased significantly, the agricultural sector still remains a developed part of the national economy.

Constraining factors for development of agriculture in the Republic of Belarus are the lack of agricultural land market; a limit of the land area for private farmers to 100 hectares; the use of land by foreign companies only on a rental basis. However, agriculture in Ukraine demonstrating growth is developed in the same conditions. Therefore, the reasons must be sought elsewhere. According to the World Bank, the amount of added value created in the agricultural sector of Belarus (at a fixed value, 2010) can be seen in the relatively small but steady growth over the past 10 years (see Table 3). There is no breakthrough in the agricultural business in Belarus, but a sustainable development. Only starting from 2015 there was a slight decline in production, which continued in 2016. For 8 months of 2016, the agri-food output in all categories of property holdings fell by 2.2%.

The extension and expansion of the food embargo against Russia in June 2015 stimulated the development of a number of agricultural areas (cultivation of vegetables in greenhouses) and processing of food raw materials (fish products, cheese-making).

Belarus maintains longstanding economic relations with Ukraine, going far beyond the Eastern Partnership. At the end of 2015, Ukraine ranked second by turnover, third by export and fifth by import (in 2014 – the second, second and fourth, respectively) in the structure of foreign trade turnover of Belarus. The important directions of the Belarusian export to Ukraine in the field of agriculture are mineral and nitrogen fertilizers - USD 91,389 mln. and tractors and truck tractors – USD 57,029 mln. The most significant areas of import from Ukraine are waste from extraction of vegetable oils (USD 194,328 mln) and vegetable oil (National Statistical Committee of the Republic of Belarus, 2016).

Agricultural policy development in the context of the Eastern Partnership takes into consideration the provisions and principles of relevant state programmes, the "State programme of sustainable rural development for 2011-2015", and the "State programme for agribusiness development in the Republic of Belarus for the years of 2016-2010".

The economy of Ukraine is strengthening its positions in the agricultural sector actively. This is shown by the data on the share of agriculture in GDP presented in Table 1. This trend has particularly intensified after Ukraine's signing of Association Agreement with the EU. Its benefits in mutual trade allow domestic products to enter the European markets freely.

The fall of world prices for goods traditional for Ukrainian export (products of the chemical industry and metallurgy) facilitated the transfer of capital into the agro-industrial business. Reorientation of Ukraine's economy from industrial to agro-industrial model can become a cornerstone in the building of its export capacity and formation of a national brand.

Due to its area, Ukraine has the largest absolute indicator of the value added in agribusiness. At the same time, business performance is closely dependent on the level of world prices for basic agricultural products. Ukraine is a confident net exporter of grain, expanding its export potential. This means that the formation of domestic grain prices in Ukraine is largely based on the situation in the world markets. Recently in the world, despite an increase in gross fees, the main cereal crops has been steadily increasing, which in turn affects both domestic prices of cereals and manufacturers' profit.

Besides external factors affecting the export volume, there are internal factors affecting the cost of the grown grain, namely increased cost of petroleum products, fertilizers, seeds, deficit of vehicles, and loss of grain during harvesting. It is the increased impact of the devaluation factor that directly or indirectly led to higher input cost. Export of some products, including animal and

confectionery products, has been lost due to changes in relations with Russia. Ukrainians began to consume mainly Ukrainian products, which are in demand in the global market due to high quality and safety.

According to the FAO (Food and Agriculture Organization), the index of food prices, particularly grain, as of July, is the lowest over the past five years (see Table 7). Ukraine in 2015/2016 MY set a record in grain exports, i.e. 39.4 mln tons. Experts disagree on the forecasts for cereal prices in 2016/17 MY. On the one hand, there are cereal stocks in the market replenished by new harvest, and in some regions a good harvest is expected, so the domestic prices for grain are reduced. However, because of rise in fuel prices, this trend could be reversed. According to FAO forecasts, the global wheat production in 2016/17 MY will amount to 732 mln. tons, mainly due to the United States, Russia and the EU. The global cereal demand, according to FAO, will be increased by 1.3% in the 2016/17 marketing year as compared to an earlier forecast. However, the world stocks at the end of the agrarian season in 2017 will be 1.5% lower than projected earlier.

Table 7. Index of food prices

	Months 1-7 of 2014			Months 1-7 of 2015			2015 vs. 2014 growth rate, %		
	Amount, mln. tons	Price, USD/t	Cost, USD mln	Amount, mln. tons	Price, USD/t	Cost, USD mln.	Amount	Price	Cost
Wheat	3.3	247	815.1	3.7	188	695.6	112	76	85
Corn	11.1	204	2,264.4	13	161	2,093	117	79	92

Source: FAOSTAT, 2016

US experts predict this year's record average crop yield of wheat in the world, 33.3 c/ha, which eliminates the 2.2% reduction in acreage, and transitional balances will increase by 6.1% to the record 258 mln. tons. According to experts of the Ukrainian Agribusiness Club Association, the harvest of grain crops in Ukraine in 2016 is expected to reach 59.8 mln. tons, i.e. 0.3 mln. tons less than last year. The largest share in the grain harvest will account for corn, the gross amount of which will reach 27.3 mln. tons. However, an increased demand in 2016/17 MY will not build transitional balances. Gross harvest of wheat decreased from 26.5 million tons in 2015 to 23 million tons in 2016 due to reduced acreage. Gross barley yield is estimated at 7.9 million tons (-5% compared to the last year), which was estimated for 2016 at 20.5 mln tons, i.e. 0.6% lower than in 2015/16 MY. Ukrainian grain exports is estimated at 17.2 mln tons (+ 8.5%).

The Eastern Partnership provides an opportunity for the member states to develop their business with support of European programmes and partners. However, this requires members to have an active willingness to work with European companies, to strive for new reforms and development of new business areas. The Eastern Partnership aims at developing agribusiness in the states willing to participate in programmes of high technological level. For this purpose, the member states receive access to European companies, which can help them introduce new technology and ensure productivity growth in the agricultural sector.

We cannot talk about a close connection between labour productivity in agriculture and states' membership in the Eastern Partnership programme. If we analyse the figures in the agriculture value added per worker, we would note some randomness in fundamental change of the trend direction. There are significant leaps in this relative indicator. We might speak here not only about fluctuations of export earnings, which is also relevant, but also about the trends of de-industrialization, reduced crop yields and livestock productivity, irrational work organization, excessive employment etc. The low level of labour productivity is caused by depreciated production facilities, the use of outdated technologies, a lack of motivation in work, a lack of decent conditions of work, a lack of staff in agricultural enterprises, and a lack of infrastructure. These factors reduce not only productivity, but also quality of agricultural products.

The issue of productivity has another dimension. Large agricultural holdings have access to financial and technical resources, but are not able to ensure mass employment in rural areas. However, the ability of minority shareholders is limited due to the lack of resources, though they make up the social structure of rural areas. Therefore, agricultural holdings productivity growth cannot be the main objective, taking into account the negative social consequences for Ukraine (Ivasyuk P., 2016).

During the analysed period, the largest increase in labour productivity in the agribusiness in Ukraine was achieved. During 2012-2013 MY, the production surplus of agribusiness per worker increased by 55% to USD 4,000 - 6,000 (in fixed 2010 prices) (see Table 8).

Table 8. Agriculture value added per worker (fixed 2010 prices, USD)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	11,069	11,551	12,479	10,636	12,376	13,742	15,103	16,637	19,091
Azerbaijan	2,611	2,739	2,811	2,703	2,850	3,032	3,187	3,112	3,339
Belarus	9,365	10,560	11,012	11,742	13,036	14,459	14,469	15,558	15,814
Georgia	2,595	2,542	2,436	2,393	2,665	2,633	3,012	3,158	3,346
Moldova	2,021	3,021	3,094	3,500	3,578	3,001	4,629	5,267	4,765
Ukraine	3,333	4,006	4,049	4,125	5,099	5,048	5,948	6,342	6,270

Source: The World Bank Group

This was largely due to introduction of new technologies in the agriculture of Ukraine by European partners of participants. To develop the agricultural business, it is very important to increase productivity and create new technological processes. This is the only way that these countries can be successful in the agricultural sector and win their place in the global food market. Labour productivity in agribusiness has grown substantially in Moldova and Armenia. Not so radically as in Ukraine, but some elements of the new European technologies were also introduced in Moldova, which stimulated the labour productivity growth. As regards Armenia, the labour productivity growth in the republic was due to development of cooperation with Russia, not with the EU. Moldova cooperates more with the EU. The approaches are different, but the result is approximately the same.

Table 9. The rate of agriculture value added per worker in the previous year, %

Country Name	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	4	8	-15	16	11	10	10	15
Azerbaijan	5	3	-4	5	6	5	-2	7
Belarus	13	4	7	11	11	0	8	2
Georgia	-2	-4	-2	11	-1	14	5	6
Moldova	49	2	13	2	-16	54	14	-10
Ukraine	20	1	2	24	-1	18	7	-1

Source: The World Bank Group

The lowest labour productivity in the agribusiness was seen in Azerbaijan and Georgia by 28 and 29%, respectively, for the period from 2007 to 2015 (see Table 8 and Table 9). Despite the injection of funds from the EU, Georgia cannot show any significant results in improved labour productivity, or in increased export of its agricultural products. The emphasis on small agricultural cooperatives does not allow for the full use of the economic potential for development. In any case, labour productivity growth in the agriculture of Belarus and Georgia as a whole can be considered satisfactory for their economic model.

Moldova showed the greatest growth in labour productivity. However, it must be remembered that in 2007 it had the lowest rate in the group of states participating in Eastern Partnership.

The World Bank calculated the food production index used as a basis for the years of 2006-2010 (see table 10). This index shows food production in the Eastern Partnership member states after agreement signing, particularly after implementation of main provisions of agricultural support programs.

Table 10. Food production index (2004-2006 = 100)

Country Name	2005	2006	2007	2008	2009	2010	2011	2012	2013
Armenia	102.2	108.6	120.7	120.0	119.6	104.6	115.6	123.5	129.2
Azerbaijan	102.9	105.6	105.7	112.6	122.6	120.9	128.5	135.0	139.8
Belarus	99.1	106.2	106.3	114.2	119.0	123.1	118.8	124.9	125.9
Georgia	119.5	78.1	89.4	76.4	76.5	71.6	77.1	72.6	86.9
Moldova	98.9	95.5	76.0	102.8	90.6	93.8	101.5	76.2	87.8
Ukraine	102.3	101.1	94.1	114.1	116.9	106.9	123.7	126.6	138.4

Source: The World Bank Group

The food production index in Ukraine since 2009 went up to 18% by 2015. This is the largest increase among the Eastern Partnership member states. Ukraine managed to accelerate the food production significantly through introduction of new technologies in the agricultural businesses significantly. Moldova, vice versa, for the period from 2009 to 2013, recorded a decrease in the food production index. Moldova had problems with dry climate. Also, agricultural producers are not able to hedge their risks, since the insurance companies are not interested in signing contracts with farmers due to arrears in payments by the state.

In Georgia and Azerbaijan, this index rose by 14% over the period analyzed. Although these countries do not have a great influence on the development of agriculture, food production fully satisfies their needs. In Belarus and Armenia, the index rose by 6% and 8%, respectively. Ukraine has appeared to be the most successful country in the development of food production among the Eastern Partnership member states.

Export of agricultural products in Ukraine is a priority of the foreign economic activity. The share of food export in the total export of Ukraine tends to increase. This is the result of the agribusiness growth stimulation. However, after signing of an association agreement with the EU, Ukraine has intensified its activities in sale of food in the EU. Ukraine exports a lot of agricultural raw materials, not only finished food. Ukraine shows the highest share of export of agricultural raw materials in the total export of the country for 2015 among the Eastern Partnership member states, and this figure is growing continuously (see Table 11 and Table 12).

Table 11. Agricultural raw materials export (% of commodity export)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	0.97	2.98	3.00	1.52	0.93	1.12	0.05	0.16	0.25	0.34	0.62
Azerbaijan	1.03	0.71	0.62	0.04	0.15	0.06	0.05	0.08	0.09	0.08	0.08
Belarus	2.51	1.86	1.92	1.30	1.56	2.04	1.48	1.22	1.64	1.64	1.87
Georgia	2.22	2.38	2.42	1.91	2.12	1.10	0.91	0.94	0.98	0.99	1.05
Moldova	0.73	1.04	1.41	0.80	0.66	1.04	1.04	0.76	0.68	0.81	0.95
Ukraine	1.47	1.36	1.29	0.86	1.15	1.13	1.07	0.98	1.25	1.75	1.87

Source: The World Bank Group

Table 12. Livestock production index (2004-2006 = 100)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013
Armenia	99.0	106.8	112.0	116.1	114.7	112.8	112.8	115.0	124.5
Azerbaijan	99.9	103.7	109.2	113.9	134.2	144.1	148.6	158.0	165.9
Belarus	101.2	107.8	110.1	114.2	123.1	126.2	127.1	132.9	136.5
Georgia	108.8	82.9	82.9	75.9	73.7	75.6	74.2	69.9	74.1
Moldova	100.3	103.1	103.4	82.0	88.5	100.5	101.2	95.0	95.8
Ukraine	99.1	101.4	98.8	96.2	96.6	98.6	98.9	100.0	104.8

Source: The World Bank Group

This is a contradictory trend. For the economy of Ukraine, it would be better to export finished food. However, the world structure has developed in such a way that it is required to resort to the export of agricultural raw materials. Perhaps, in the future this trend will be changed towards export of products with high added value. As for the other member states of the Eastern Partnership, Moldova is the leader by export of food in the total country export for 2015. Although this share has reduced after 2009, Moldova tries to refocus on other types of exports.

Armenia, unlike Moldova, relies on export of food. After 2009, Georgia showed a decrease in the share of food export in the total export, but by 2014-2015, the share of food export increased again. The same can be said about Belarus. There were moments when the share of food export in the total exports decreased. Azerbaijan has a weak dependence on food export (see Table 11 and Table 12).

If we talk about the classical forms of partnership suggesting the cooperation and joint efforts in common projects in the framework of the Eastern Partnership, we have identified the basic interests of the crossing points (see Table 13).

Table 13. Areas of bilateral cooperation between Ukraine and the Eastern Partnership member states

Country	Bilateral cooperation states
Belarus	Sector of plant growing and seed production, food and processing industries, veterinary and phytosanitary control, agricultural machinery.
Azerbaijan	Sub-sectors of food, including confectionery, alcohol, oil, milk, meat, tobacco; construction of a joint logistics centre for mutual supplies of agribusiness products in Ukraine and Azerbaijan.
Georgia	Export and import transactions to meet the countries' market needs in agricultural and food products, including cereals, natural juices, meat and milk products, tea, fruit and vegetables (apples, peaches, nectarines), citrus fruit, wine, food, etc.
Moldova	Seed production.
Armenia	Quarantine and plant protection.

Source: Operational update of news agencies

Joint projects of the Eastern Partnership member states have an episodic nature. From the hypotheses put forward by Milner H. about the probability of cooperation between states, we can

confirm, in our case, only one hypothesis, that of International Regimes. This is regime in place between the states and the EU. There is a focus on rules and standards developed and implemented by the EU. The EU acts as a centre and a link in the system of the Eastern Partnership. However, in most cases, these relationships are built on a bilateral basis between the centre and the partnership members.

Conclusions/Final remarks/Future debates etc.

The main tools to implement the Eastern Partnership policy are a strategic association agreement and a free trade zone. On the one hand, in the context of a multilateral treaty, we have post-socialist countries, which, despite the common past, have significant differences in climate and economic conditions. On the other hand is the EU, which forged ahead in achieving many economic and technical indicators. The inequality in economies of the two sides contains certain risks associated with the loss of local markets by resident companies. In terms of the national currency devaluation, as it happens in a number of countries, import substitution takes place due to the low purchasing power of the population. This fact is an element of market reduction and competitive risks at this stage. Post-socialist countries do a lot for reorganization of agrarian and industrial sector, starting with land privatization and ending with adoption of the EU technical regulations.

In this article, we covered a limited list of issues related to agribusiness development in the Eastern Partnership member states. The analysis showed an unequal economic potential for agricultural development. The reason lies in climatic differences and in organization of agricultural production. Georgia and Armenia focus on cooperatives. A part of the economy in Belarus is state-owned, and shows significant results (milk production). In Ukraine, along with farms, large agricultural holdings are developed, including those based on foreign capital. Whilst the issue of providing employment through creation of agricultural cooperatives has relevance to Moldova and Georgia, Ukraine represents a current consolidation of agricultural enterprises on the basis of technology.

Development requires availability of an operating market of agricultural land. It can serve as an additional stimulus to attract investment in industry from both domestic and foreign sources.

Logistics systems of the Eastern Partnership member states require optimization. This will create additional competitive advantages for storage and transportation of products. An effective risk hedging system in rural economy, seed certification, leasing of agricultural equipment etc. is needed.

To find solutions to the agribusiness pressing issues, major investments are needed. The EU allocates its funds covering a part of the investments needed, but they cover only the minor needs. The reforms that would stimulate the inflow of investments in the agricultural sector are necessary.

During investigation, the countries were subdivided into groups: the ENPARD member states and the states simply getting ready to join the project. Initially, the countries were in unequal conditions so we cannot say that the capital injections were able to resolve the existing problems. The proposed funds cover a wide range of issues not only related to technical modernization, but also increasing competitiveness. The funds are designated to address the social problems in rural areas.

The signing of contracts related to EU's association with Ukraine, Moldova and Georgia provided them with additional opportunities to strengthen and develop trade in the European markets. However, as the analysis showed, each side has used this opportunity with a different result.

The strategic partnership involves interstate cooperation to achieve mutually beneficial internal and external purposes. These objectives of the Eastern Partnership for the agro-industrial sector should not only be intended to get access to the EU market, but also to increase the competitiveness of the agribusiness sector and to reach the potential of foreign trade in global markets.

Further directions of scientific research should tackle the issues related to the agricultural infrastructure and qualified staff, which form the basis of competitive production.

References

- Commission of the European Communities (2004), "Communication from the Commission, European Neighbourhood Policy", COM(2004) 373 final 12 May 2004, Brussels, available at: [http://www.europarl.europa.eu/meetdocs/2004_2009/documents/com/com_com\(2004\)0795_/com_com\(2004\)0795_en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/com/com_com(2004)0795_/com_com(2004)0795_en.pdf)
- ENPI (2012), "Financing Agreement European Neighbourhood Programme for Agriculture and Rural Development in Georgia (ENPARD Georgia)" ENPI/2012/023-280, Addendum 01, available at: <http://enpard.ge/ge/wp-content/uploads/2015/05/Addendum1ENPARD.pdf>
- European Commission (2014), "European Neighbourhood and Partnership Instrument Overview of Activities and results 2007-2013", available at: <http://www.enpi-info.eu/files/publications/Overview%20ENG%20web%20low.compressed.pdf>

WILL THE EASTERN PARTNERSHIP BECOME A DRIVER FOR AGRICULTURE?

- European Commission (2015), “Financing Agreement ENI/2014/034-128 - Special Conditions ENP ARD Moldova - Support to Agriculture and Rural Development”, CRIS decision number: ENI/2014/034-128, available at: http://amp.gov.md/portal/sites/default/files/inline/financing_agreement_between_the_eu_and_the_rm_on_enpard_0.pdf
- FAO Statistical Pocketbook (2015), *World Food and Agriculture*, Food and Agriculture Organization of the United Nations, Rome.
- Ivasiuk P., 4 July 2016. The EU Eastern Partnership Summit discussed the agricultural sector of Ukraine [Na sammite Vostochnogo partnerstva ES obsudili sostoyanie APK v Ukraine. Ukrainskie natsionalnyie novosti] Ukrainian national news, available at: <http://www.unn.com.ua/ru/news/1584063-na-samiti-skhidnogo-partnerstva-yes-obgovoreno-stan-apk-v-ukrayini>
- Mayovets, Ye. (2007), *Agrarian Enterprise in the transformation Economy of Ukraine. – Manuscript. Thesis for a Doctor’s degree in Economics specialising in 08.00.01 – Theory of Economics and History of Economics Research*, Lviv National Ivan Franko University, Lviv.
- McMichael, Ph. (2009), *Contesting Development: Critical Struggles for Social Change*, Routledge. 274 pages.
- Milner, H. (1992), “International Theories of Cooperation: Strengths and Weaknesses”, *World Politics*, No 3, Vol. 44, pp. 466-496
- National Statistical Committee of the Republic of Belarus (2016), “Foreign trade / Annual data” available at: http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/
- National Statistical Service of Armenia (2015), “Economic and Financial Data for the Republic of Armenia”, available at: <http://docs.armstat.am/nsdp/>
- National Statistical Service of RA (2016), “Volume of gross agriculture output, mln. drams / 2016”, available at: <http://www.armstat.am/en/>
- Shishkov, Yu. V. (1993), “Integration and disintegration: concept adjustment” [Integratsia i dezintegratsiya: korrekcirovka kontseptsii], *Global Economy and International Relations*, No 10, pp. 50-69.
- Soupihanov, B. C., (2009), *Development of markets of agrarian products*, NSC IAE, Kyiv.
- Spielman, D.J. (2006), “Public-Private Partnerships in International Agricultural Research: An Analysis of Constraints”, *The Journal of Technology Transfer*, Vol. 31, Issue 2, pp. 291-300.
- UNDP (2014) UNIDO-UNDP Programme in Armenia ENPARD Technical Assistance: Producer Group and Value Chain Development SAP 120603, Annex 1, available at: [https://info.undp.org/docs/pdc/Documents/ARM/UNIDO-UNDP%20ENPARD%20Armenia%20TA%20ProDoc%20\(final%20final%20final\).pdf](https://info.undp.org/docs/pdc/Documents/ARM/UNIDO-UNDP%20ENPARD%20Armenia%20TA%20ProDoc%20(final%20final%20final).pdf)
- World Data Bank World Development Indicators Agricultural raw materials exports (percentage of merchandise exports), available at: <http://databank.worldbank.org/data/>
- World Data Bank World Development Indicators Agriculture value added per worker (constant 2010 US\$), available at: <http://databank.worldbank.org/data/>

World Data Bank World Development Indicators Agriculture, value added (constant 2010 US\$), available at:
<http://databank.worldbank.org/data/>

World Data Bank World Development Indicators Agriculture, value added (annual % growth), available at:
<http://databank.worldbank.org/data/>

World Data Bank World Development Indicators Food production index (2004-2006 = 100), available at:
<http://databank.worldbank.org/data/>

World Data Bank World Development Indicators GDP (current US\$), available at: <http://databank.worldbank.org/data/>

World Data Bank World Development Indicators Livestock production index (2004-2006 = 100), available at:
<http://databank.worldbank.org/data/>

METHODOLOGICAL ASPECTS OF DEVELOPMENT AND IMPLEMENTATION OF MANAGEMENT POLICY AT INDUSTRIAL ENTERPRISES

Natalia SKOROBOGATOVA*

Abstract

The article examines the essence, main principles and objectives of the management policy at the enterprise. Author investigates in the position of management accounting in the enterprise management and structures the levels of management of the economic entity. A conceptual framework of management accounting has been developed in the paper, which includes the purpose, content, methods and results of the process of management accounting. On the example of the chemical industry, the international and domestic experience in the development and implementation of management policy within the structure of industrial enterprises were analyzed, as well as the positive and negative aspects of accounting practices were highlighted. Based on the analysis of foreign experience and taking into account the specificity of economic development of Ukraine, the author elaborates on the areas for the methodological approaches to the development of management policy of Ukrainian companies to be improved.

Keywords: enterprise management, management policy; strategic accounting; principles of management; efficiency; planning; management accounting

JEL Classification: M10; M41; B41; D20

Introduction

Strengthening of integration processes in the world economy brings its changes to the workflow of business entities in any country: on the one hand, it offers a number of new opportunities for their development, and, on the other hand, the risks that might threaten the successful functioning of the enterprise appear. In the conditions of transformation of the world economy and restructuring existing inter-state relations, the effective development and implementation of management policies of enterprises is of crucial importance in order to maximize efficient use of existing capacity and scale up their activities. Given the importance of forming the effective management policy at the enterprise in the conditions of integration processes aimed at production increase and improving enterprises efficiency, the chosen area of research is crucial.

The purpose of the research is grounding of theoretical aspects and development of scientific and methodological bases and practical principles to improve the mechanism of management policy

* Candidate of economic sciences, associate Professor, Department of International Economics, National Technical University of Ukraine "Igor Sikorsky Kyiv Polytechnic Institute", e-mail: nskorobogatova@ukr.net

within the paradigm of sustainable development. To achieve the above aims the following tasks should be implemented: investigate into the economic categories of enterprise management - their essence and components, determine the role of management accounting within the enterprise management, analyze international experience in establishing successful management policy at industrial enterprises, define current challenge of establishing management policy at domestic enterprises, develop the main areas for improvement of the management policies at domestic enterprises in conditions of integration processes in the world economy.

In the paper, various research methods were deployed: historical method to analyze the development of notions of “management” and “management policy”; methods of theoretical generalization, analysis and synthesis to research the structure of the enterprise management policy; methods of grouping, statistical, mathematical methods, methods of graphic analysis to conduct the economic analysis of the enterprises activities and to determine the impact of integration processes and management policy on the enterprise development; methods of comparison, analysis and synthesis to analyze the international experience of establishing the management policies at enterprises; system and complex approaches, methods of mathematical modeling to develop the areas for improvement the management policy at the Ukrainian enterprises in conditions of integration processes according to the concept of sustainable development. Fundamental principles of economic theory, legislation base, periodicals and monographs, statistics reports of the State Statistics Service of Ukraine and Eurostat, as well as internal statistic reports of such companies as BASF SE, Bayer Group, Cherkassy plant of automobile chemistry LLC comprise the theoretic and information basis of the research. Results of the research, conclusions and recommendations were grounded by means of complex approach.

Literature review

Successful implementation of business functions in the workflow of enterprises requires the involvement of a certain capital to fund operations, materials and investments, etc. The effectiveness of the very business functions depends on the efficient usage of available resources within the business transactions process.

Any business activity consists of three main interrelated elements: investment, operating and financing activities. There is a specific management function providing planning, organization, motivation, control and regulation of activities in order to coordinate the activities of different types (Golov, 2004, p. 27). According to article 65 of the commercial code of Ukraine, enterprise management is carried out in accordance with its constituent documents, by combining the rights of

the owner regarding the economic use of his property and participation in the management of the workforce (Economic Code of Ukraine, art.65).

M. Meskon defines management as the process of planning, organization, motivation and control, which is necessary to achieve the objectives of organization. According to Meskon, there are such main objectives of the enterprise activity: survival, efficiency and productivity (Mescon, 1992, p. 34). According to Meskon, the management process includes only measures aimed at achieving certain goals, but does not include the step of forming the very targets of company, which is somewhat inaccurate, since the choice of directions of development of the enterprise is one of the key pledges of its success.

However, Gordon John Bolt (1991), Meskon (1992) do not investigate into the process of establishing the corporate goals, going directly to their achievement. Setting goals is a more global stage of the management process, thus, let us consider the basic levels of management: strategic, tactical and operational (Fig. 1).

Figure 1. Model of management levels hierarchy



Source: Developed by the author based on Hrebinchuk, 2010

Development of management policy at the enterprise is an important aspect in the process of effective work of organization, it needs to meet the interests of the company and to consider a number of external and internal factors. The success of the company depends on choosing the correct strategy and effective control system for its implementation. Understanding of the strategy begins with defining the goals and long-term activities of the company, which determine its mission, and the mission of the company is morphed into specific objects, embodied later through specific corporate strategies.

Strategy is a set of policies, procedures and approaches to business to ensure a long-term success. The concept of the management policy in the Ukrainian scientific literature is quite rarely found, yet, its definition can be found in foreign literature. The American Institute of certified public accountants (AICPA) states that management policy is the process of determining the areas of the enterprise development, setting goals and organization of activities of enterprises, where the goals will be achieved. In practice, it covers the following areas:

- Strategic management, tactical management, operational management;
- Performance management – the practice of making business decisions and performance management of the organization;
- Risk management – identification, measurement and management of risks to achieve the goals of the organization (American Institute of Certified Public Accountants).

As based on the objects of implementation of management policy, the enterprise activities may have various aspects, not only limited to the economic component. Scientists Norton and Kaplan proposed a special and balanced scorecard that complements the system of financial parameters of activity of the enterprise and the system of the estimation of the prospects. Targets and indicators of this system are reduced to four main constituents: financial criteria, customer relationships, management of internal business processes, staff training and development (Kaplan and Norton, 2003, p. 18).

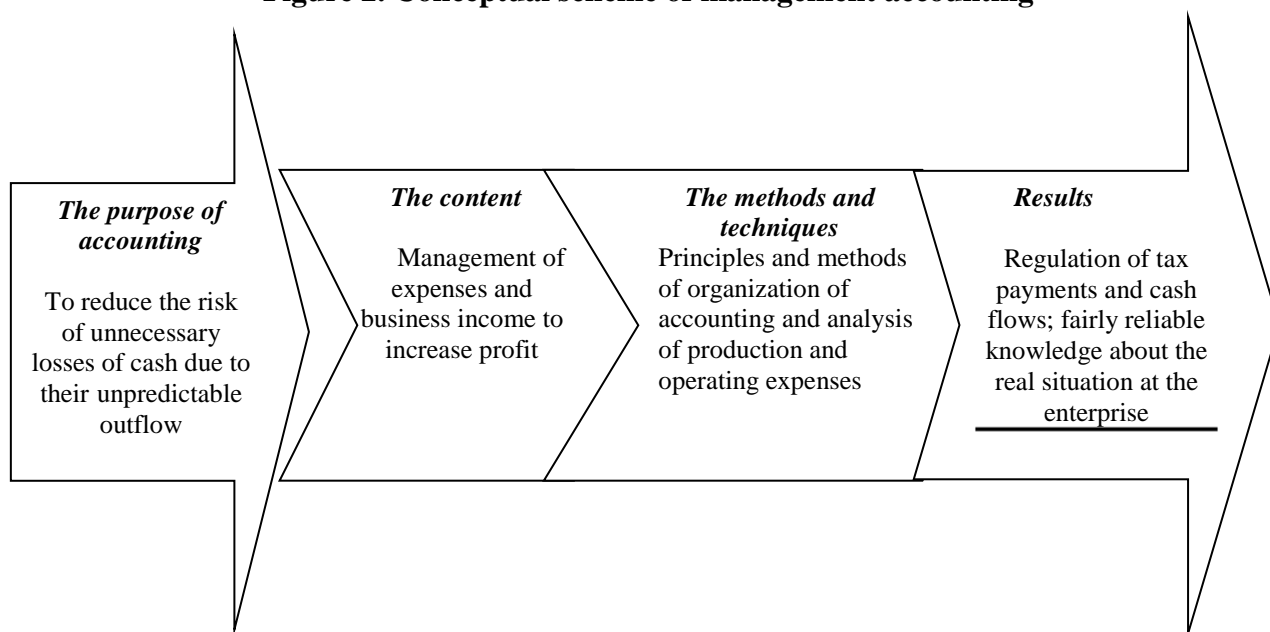
The objects of implementation of management policy at the enterprise can be changed depending on the level of management decisions, the center of responsibility, within which the management and kinds of business processes is carried out etc. The development and implementation of selected management strategy at all levels concerning all objects of management requires the information support, which is a system of accounting of economic operations at the enterprise. The system of accounting of economic operations consists of two main components: accounting (financial reporting) and management (enterprise cost records) accounting. Under management accounting (or controlling) we interpret the information system of management by revenues and expenses (i.e. by its profit) of the enterprise, including such subsystems as planning, control, analysis, and control of costs and revenues (Drury, 2004; Horngren and Foster, 2003; Shirenbek, 2005).

A broader interpretation of this definition is provided by the Institute of management accountants of the USA (Institute of Management Accountants - IMA). According to IMA, management accounting is "the process that adds value, of continuous improvement of planning, design, dimensions and functioning of systems of financial and non-financial information that guides management action, motivates the behavior and supports and creates the cultural values necessary to

achieve strategic, tactical and operational goals of the organization." According to this approach, the information obtained in the management accounting system has to be "significantly expanded by supplementing its operational and physical (nonfinancial) information, such as quality indicators, duration of process, and subjective evaluations, such as customer satisfaction, employees 'creativity and performance of a new product" (Atkinson et al., 2005, p. 26).

Thus, in the context of management accounting, not only financial indicators are formed, but also the indicators that are used for actual and predictive valuation of economic results of the enterprise activity as a whole and its respective structures. On the basis of such information, the managerial decisions can be made on a wide range of issues and areas: pricing, increase or reduction of production capacity, process improvement of cost control, the monitoring of implementation of plans, etc. (Fig. 2).

Figure 2. Conceptual scheme of management accounting



Source: Shick and Skrobogatova, 2010, p.18

We can distinguish the following tasks of management accounting:

- Determination, preparation and interpretation of information to develop a strategy (i.e. the development of decisions, in particular, the analysis of alternatives, the prerequisites and effects of management decisions);
- Planning and control of current business operations (for example, the right balance between expenses and income of the enterprise, the analysis of deviations from budget etc.);

- Justification of management decisions, implementation of the results obtained in the control process, further process of economic management of the enterprise (implementation of feedback);
- Identification of actual financial results of economic activity in the operations of enterprise.

As caused by the legislation, solving a wide range of tasks, elaborating on the variety of activities and forms of enterprise ownership comprises the application of unified rules of management accounting. The feature of management accounting is also revealed through the fact that the organization of accounting work reflects the specificities of the organizational structure and business activities of each specific enterprise. Therefore there is a need to use a differentiated approach to the accounting not only of the enterprises costs, but revenues, and, consequently, the management accounting system, which, as a rule, is formed by each company independently.

2. Foreign experience in implementation of management policy at industrial enterprises

Foreign companies pay much more attention to establishing of management policy and management accounting, as compared to national enterprises. That is why the systems of management policy and management accounting are better developed among European and American companies. Germany, in particular, became a center of consolidation for European accountants, because of the International Federation of accountants established there. Management policy of German industrial companies is often the key to their leading position in the global market. In the chemical industry, BASF is the undisputed leader not only in Germany, but also worldwide. The company began applying the systematic approach to establishing the managerial policy, in the late 1980ies (almost at the same time when the scientific research started its investigation into the management policy). Currently, the effectiveness of this approach is indicated by the indicators of financial results, which the company demonstrates.

BASF SE (*Societas Europaea*) is a German chemical company with headquarters in Ludvishshafen (Reynland-Palatinate). BASF is the largest chemical company of the world, the group produces a wide range of products: plastic, paint, cosmetics, food additives, industrial and construction chemicals, agrochemical for plants protection, etc (BASF SE). Representation office of BASF SE in Ukraine was opened in 1992 in Kyiv and became one of the first missions of large Western companies in Ukraine: regional offices operate in all regions of the country. The Department of plant protection also serves the customers in Moldova and the Caucasus. Business of BASF in Ukraine goes outside of the country. Plastics, dispersions and pigments are supplied the

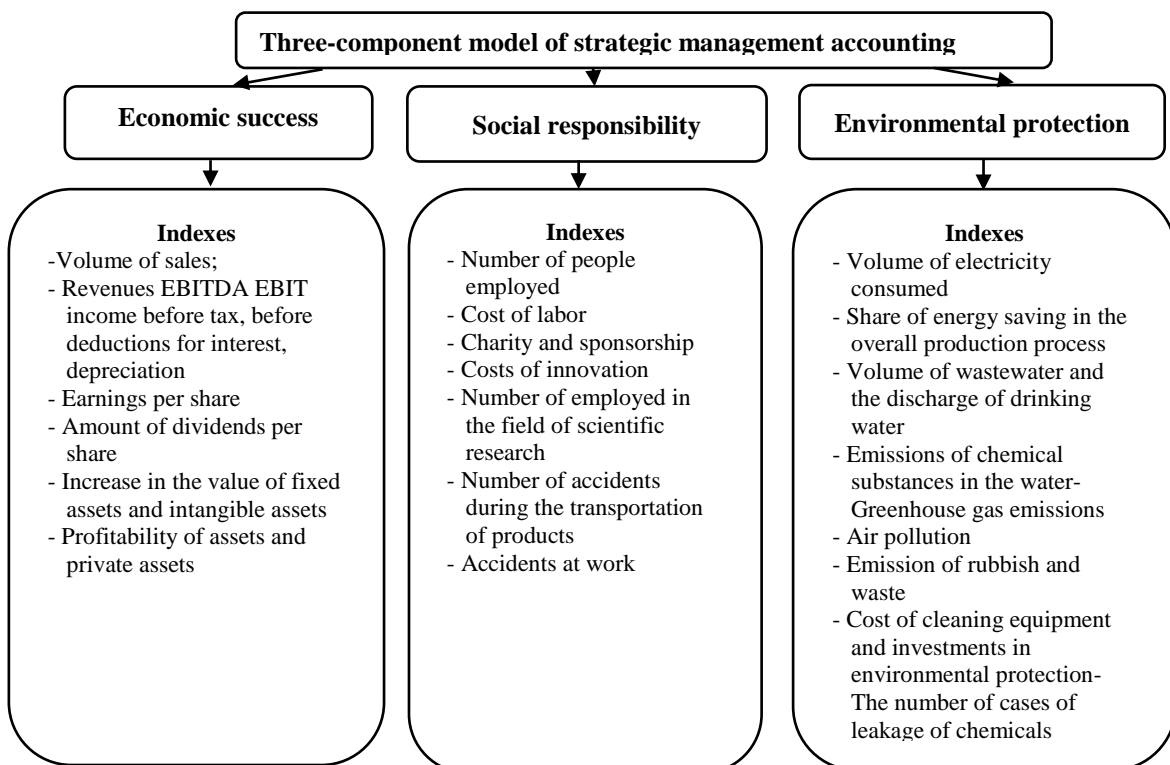
market of the Republic of Belarus. Since 2007, all activities of BASF SE in Ukraine are conducted through BASF LLC (Limited Liability Company).

The company's strategy is to satisfy the current and future needs of society due to science achievements and innovations under the condition of combining the economic success, social responsibility and environmental protection. BASF is committed to consolidate its position as the leading chemical company in the world. Their main slogan is "We create chemistry" (BASF SE).

Talking about the structure of the company, it consists of 4 main segments, which are divided into 11 divisions. In addition, for financial reporting of all divisions, they are grouped into four geographic regions: Europe; North America; Pacific Region; South America, Central Asia, and Africa. From a legal point of view, BASF occupies a central position among the companies in the group: directly or indirectly, it owns a significant share of equities of BASF Group.

The branched structure of the company and scale of its activities significantly impedes the implementation of effective management at all levels and across all business units, which requires the management personnel in order to have a clear and coherent system of management at the three levels: strategic, tactical and operational. With the aim of information support of effective management processes, the company applies the system of strategic management accounting. Strategic management at BASF is a three-component system and is based on basic postulates such as: economic success, environmental protection and social responsibility (Fig. 3).

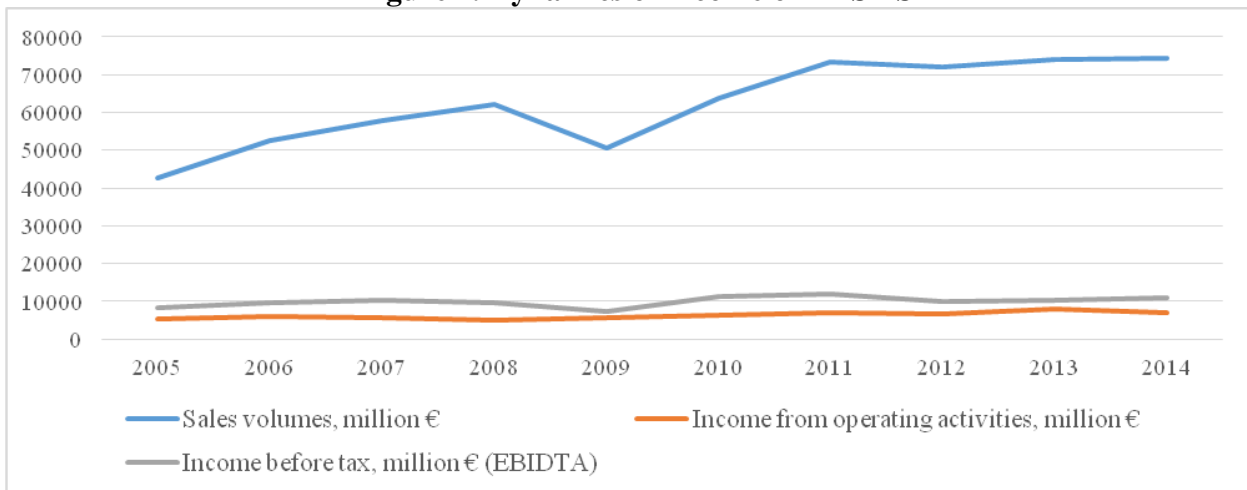
Figure 3. Three-component model of strategic management accounting at BASF SE



Source: Developed by the author based on the data of BASF SE

These fundamental components determine the structure of the consolidated reporting of management accounting. Its largest division is the economic division, which involves the indexes of economic statistics: sales volumes, revenue, EBITDA (profit before expenses for interest, taxes depreciation and amortization), revenue, EBIT (profit before taxes and minority interests), profit and adjusted earnings per share, dividends per share, cash from operating activities, increase in the value of fixed assets and intangible assets, depreciation of fixed assets, return on assets, return on equity. The indicators of formation and use of added value, are elaborated on in a separate section. The dynamics of key economic indicators is illustrated in Fig. 4. In particular, one can observe the upward trend of the main indicators of business income, a significant decline was observed only in 2009 as a result of the global economic crisis.

Figure 4. Dynamics of income of BASF SE



Source: Developed by the author based on the data of BASF SE

Special attention is paid to the creation of added value – part of cost of products which is created specifically by the organization. In 2014 it comprised the following:

- 1) Total economic impact from economic activities - 77 billion euros;
- 2) Allowance for depreciation – (3.4) million euros;
- 3) Expenses for electricity and other purchased services – (13.26) billion euros;
- 4) Cost of raw materials – (43) billion euros;
- 5) Added value -17.34 billion euros.

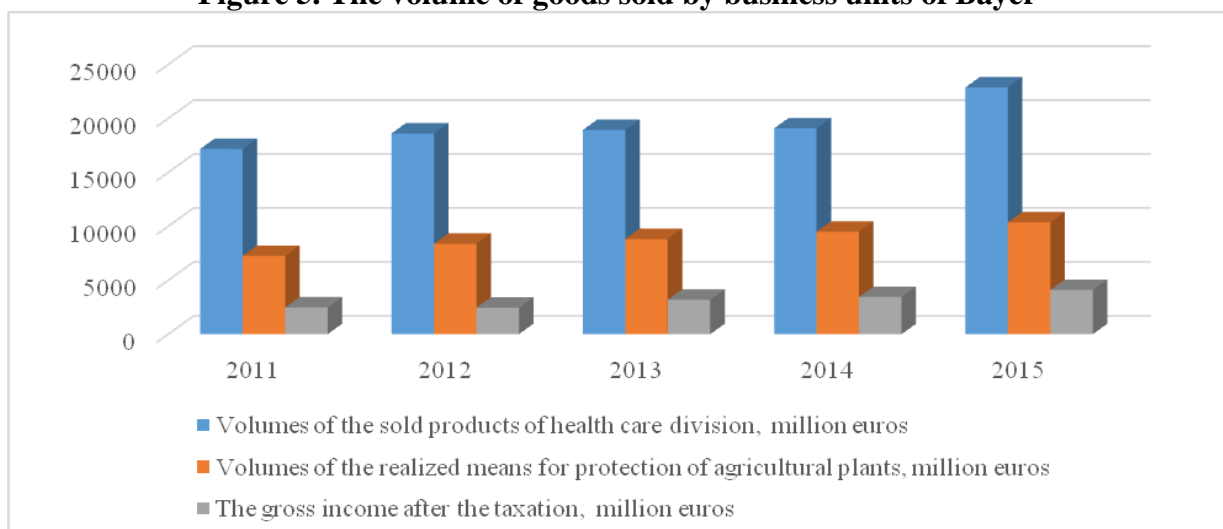
Other objects of management accounting of the company are social and environmental responsibility. In the area of social responsibility the basic indicators are: the number of employees, personnel structure, the cost of labor, expenses for charity and sponsorship, the number of employed in scientific research, expenses on innovation activities, the number of accidents during

the transportation of products, the number of spills of chemicals during transportation, the cases of injuries in the workplace, the performance index of health. The indicators which characterize the efficiency of the company in the area of environmental protection include: the volume of electricity consumed, energy efficiency share in the total production process, the volume of wastewater and the discharge of drinking water, the volume of emissions of chemical substances in the water (organic elements, nitrogen, heavy metals), greenhouse gas emissions, air pollution, emissions of rubbish and waste, the costs of pollution control equipment and investments in environmental protection. The company plans to continue to increase the scale of its activities, increasing the volume of products sold and revenues in the short term and in the medium term. Similar positive trends are kept in the field of social responsibility and in the field of environmental protection. The company adheres to the modern concept of socially responsible marketing, which includes meeting the needs of customers and targeting at improving general welfare of society as a whole.

In general, we can conclude that in the process of enterprise management, the managerial staff should not focus only on economic performance indicators of the enterprise, but should also take into account all factors of influence, both internal and external, with the aim of creating a sustainable competitive position in the market.

Among the enterprises of the chemical industry, it is advisable to consider the experience of another German company Bayer, which has directly operated in the Ukrainian market for 25 years and is one of the leading manufacturers of chemical products. The structure of activities of the company determines one of the characteristics of the formation of the management policy of the company based on accounting management for each division. The value of sales in units and amounts of comprehensive income after taxation is shown in Fig. 5.

Figure 5. The volume of goods sold by business units of Bayer



Source: Developed by the author based on the data of Bayer AG

The first disadvantage of management accounting in the implementation of management policy is the lack of clear consolidated reports for each of the countries, in which the activities of the company are carried out (in contrast to the BASF company, its management policy was studied in the previous paragraph). That is, management accounting information by country is provided as supplementary information, which is the basis for consolidated reports. However, some information is not presented. Moreover, even the financial statements of the Ukrainian units of the BASF company are not freely accessed on the official websites of either company's website or the state one (Smida.gov.ua, in particular).

The positive aspect in the organization of the management accounting in the company is the use of a three-component model: the economic component, social responsibility and environmental protection. This concept is fully consistent with the principles of sustainable development and the concept of socially responsible marketing. However, the list of indicators used in each of the segments is somewhat limited, especially the economic indicators. Examples of key indicators reported in management accounting of Bayer Company are represented in the table 1.

Table 1. Segment reporting of management accounting of LLC "Bayer"

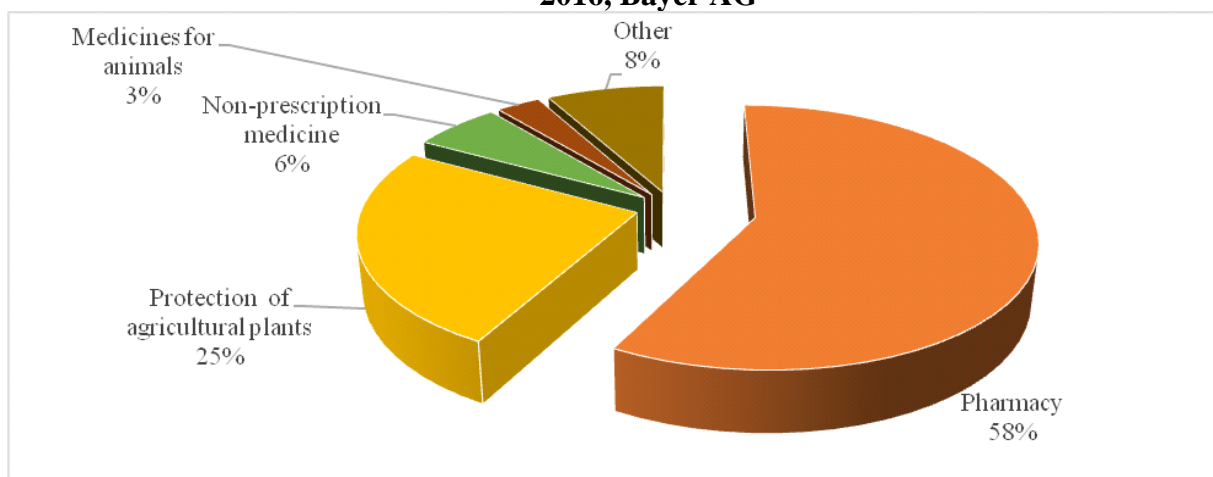
Segment of management accounting	Examples of indicators
The economic component	Volume of sales, different types of income (EBITDA, EBIT, pre-tax and after-tax), income per share, earning gain, debt, investments in research and development, utilization factor of capital resources
Component of social responsibility	The number of employees, expenses for wages, number of women among managers, number of nationalities among members of the managerial staff, number of staff with health insurance policies, the number of registered accidents at production site.
Environmental protection	Electricity consumption, repeated electricity consumption, greenhouse gas emissions, emissions of chemicals into water, water consumption, volumes of hazardous waste

Source: Developed by the author based on the data of Bayer AG

Analyzing these indicators, we can notice that its comprehensive list of indicators is not sufficient for making effective management decisions. In particular, the indicators of analysis of the economic activities of enterprises are the indicators of income, however, there are no indicators of costs, revenues, profitability and etc. Insufficient attention is paid to the analysis of the costs, which can lead to inefficient management decisions, such as dropping possible reserves to reduce costs. Indicators of profitability and operating profitability are more revealing in comparison with the revenue indicators.

Significant changes in the dynamics of most indicators within the last years are not observed, there is an upward trend in reducing the environmental pollution and the use of energy resources, except the amounts of hazardous waste, the volume of which increased in 2015. A positive point worth mentioning is the detailed attention given to accounting and cost planning for scientific research and innovation. Analysis of indicators of expenditure on scientific research and innovation of the Bayer Company, showed that the company is betting on innovation in the production process. In addition, significant attention is also paid to the process of planning expenditures on scientific research and innovation for the future (Fig. 6). However, it should be noted that the planning process in other spheres of economic activity of the company is not represented enough; in the plans for the current period there is information about the loss of activity of the enterprise, but this fact is another confirmation that the enterprise should pay more attention to developing its managerial policy and the organization of management accounting, in particular: a more detailed analysis of the costs of the enterprise, an analysis of the profitability and factors influencing the formation of the financial result of the enterprise. It is also necessary to point out the work of the managerial staff in the aspect of planning of the main indicators of activity of the enterprise, the value of which must be achieved in a future period. It is better to develop the plan values for the nearest reporting period, but within a longer plan period (at least mid-term).

Figure 6. The structure of planned expenditures on scientific research and innovations for 2016, Bayer AG



Source: Developed by the author based on the data of Bayer AG

Analysis of the foreign experience of management accounting with the aim of implementing effective management policies indicates on the importance of an integrated approach to the analysis of enterprise workflow and the development of plans for future periods. Thus, in management accounting for such companies as BASF and Bayer, there are three categories of indicators:

economic, social and environmental. At BASF, for each of the categories there is an analysis of indicators and plans for development for the upcoming year and mid-term periods (up to 5 years) to implement the overall strategy of the company. This approach indicates that the commercial success of the company depends not only on its financial performance, especially when paying attention to many domestic companies. In addition, this approach emphasizes on the importance of management accounting as compared to the financial accounting, which is mandatory; analyzes only the financial component of the entity workflow. Positive experience of conducting management accounting at BASF are: an integrated approach which includes non-economic components; significant details of each segment of the company's workflow; accuracy in the short and medium term planning; reporting at different levels of activities (reports of separate branches, regions, departments, divisions and consolidated reports).

3. Practice of using methodological approaches of management policy at Ukrainian companies (on the example of LLC "Cherkassy plant of automobile chemistry")

Practice of management policy at domestic enterprises lags behind the level of development of management accounting at foreign ones. The main trend in the Ukrainian market is set by active foreign enterprises and enterprises with foreign investments, and management experience of domestic enterprises is vague. In order to analyze the management policy of domestic enterprises in the context of integration processes, the LLC "Cherkassy plant of automobile chemistry" has been selected: it is one of the largest enterprises in Ukraine specializing in production and trade of fluids of technical use for the automobile industry. It has operated in the Ukrainian market for 26 years exporting its products to around 50 countries. The company owns such brands, as: "VAMP", "POLUS", "Gostowskiy product", "ALTAIR", "ZZIMA". The company has an accredited laboratory, warehouses of 5,000 m² and plant area of 7000m², its production capacities allow to produce up to 200T per day. During the last 10 years of its activity the company demonstrated a positive trend of increasing the volume of production, profits, and export volumes. The volume of production and profits are constantly growing. The only exception is 2008, when the growth rate of the net profit demonstrated reduction of 58% and in 2013 production volumes declined by 2%, while the volume of net profit fell to 61 thousand UAH (the growth rate is -96%) (SMIDA). The analysis of the company's financial standing indicates a fairly stable financial standing of the LLC "Cherkassy plant of automobile chemistry" for the year of 2015 and potential for further development. The significant advantage of the enterprise is its export orientation. Today the company exports its products to more than 50 countries, including European countries, USA,

Canada, UAE. In general, analyzing the operational conditions of the enterprise LLC "Cherkassy plant of automobile chemistry", it is possible to characterize its working condition as stable. However, it is important to pay much more attention to changes that occur in the external environment, such as the socio-political situation in the country, and the process of integration into the common economic space with the European Union and globalization in general.

The management policy of LLC "Cherkassy plant of automobile chemistry" is at a primitive level when compared to foreign TNC. The main instruments of management accounting of the company are systematically consolidated reports, issues on the quarterly and annually basis, however, the information content of these reports is fairly limited. Positive aspects of implementing the management policy and creating management accounting of LLC "Cherkassy plant of automobile chemistry" include:

- a high degree of detailization of the indicators of economic activity of the enterprise: besides the indicators of balance, which the financial report includes, the management reporting comprises the indices of profitability, profitability of the main activity of the enterprise, indicators of foreign economic activity of enterprise, expenditures on R&D, enabling a more detailed and deep analysis of implementation of its management policy;
- positive financial results company workflow support the evidence of management policy success at the current stage;
- having defined a long-term strategy and priorities for the development, since 2011, in particular, the company has set a priority for increasing the export of products to the abroad countries with a purpose of entering the global market; the long-term strategy and specifies the activities of the company for the period from the year 2011 to 2021.

However, the management policy of the company has a significant list of elements that require the improvement of the operations at the enterprise to ensure the stable competitive positions in foreign markets in the context of integration processes, including:

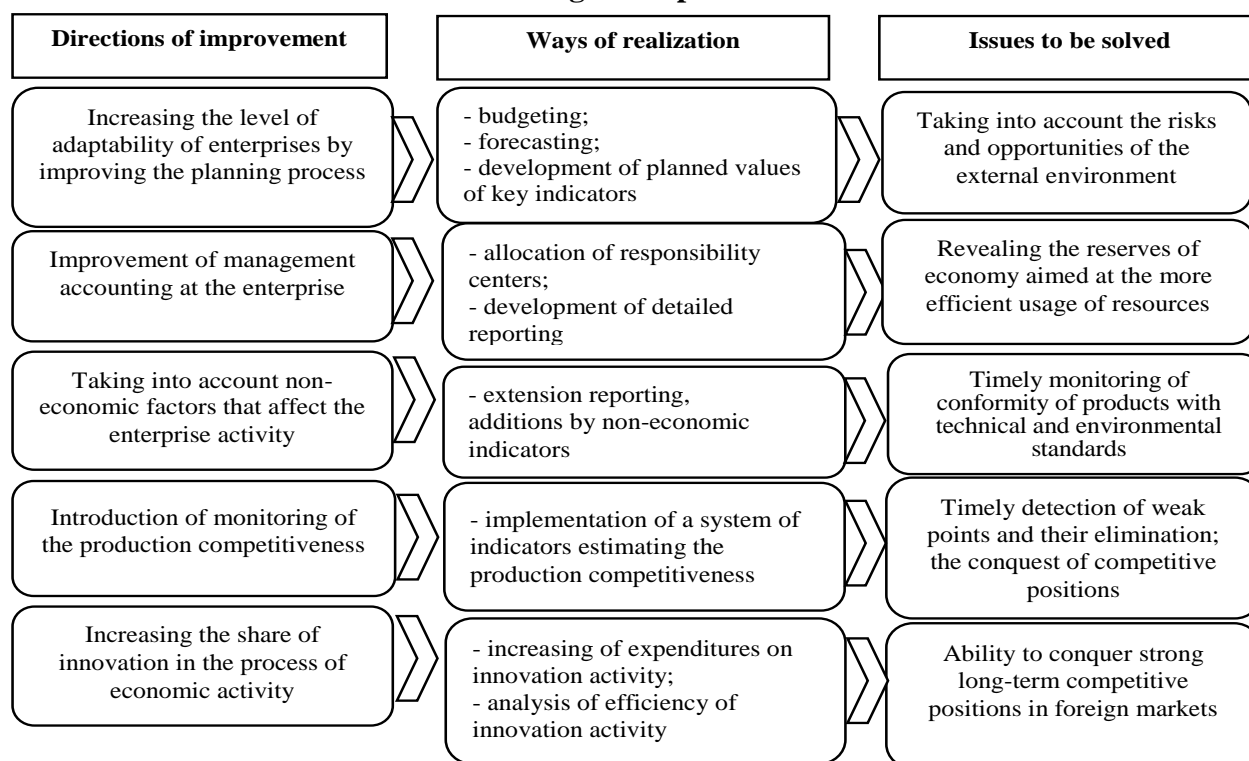
- the lack of focus in the reporting documents on externalities of external influence on management accounting: only the indicators of internal activities of enterprise are analyzed;
- focus is narrowed to the economic indicators of the company - the company pays little attention to managing the issues of social responsibility, innovation development, environmental protection (though in fact the company works in these industries, so it has an accredited laboratory, conducts joint research with research institutes, in particular with the aim of replacing components of products which are dangerous for human health and the environment in general and etc.);

- attention is not paid to the share of innovative products in the implementation of management accounting, cost-effective innovation and development, the number of staff employed in this area and other indicators that can help the managerial staff in the development of strategies of the company;
- setting goals and strategies of the company is unclear, strategic plans of the company for the next (undetermined) period are as follows: "strengthening the leading positions in the Ukrainian market and increasing the sales in the global market; meeting the needs of customers, partners and employees; constantly growing revenue".

Such unclear goal setting and neglecting the influence of external conditions in the managerial policy of the company leads to the inefficiency of management and can possibly create a situation when the potential of the company cannot be disclosed to its full extent. In condition when the strategy and methods of its implementation are clearly chosen: clear goals setting and taking into consideration many factors that were left out, the company has all the prerequisites to gain a leading position not only in the Ukrainian market, but expand its operation on a global scale, that corresponds to its long-term program of export-oriented and expansion into the world market.

4. The areas for improvement of management policy at domestic enterprises

Analysis of the main indicators of the foreign economic activity of Ukrainian enterprises and specificities of the management policy of the foreign economic activity of enterprises demonstrated that the main problems faced by the Ukrainian enterprises are: the unavailability of the enterprises to react to the various types of operational risks; neglecting development opportunities; insufficient attention to non-economic factors that affect the enterprise workflow, etc. Considering the problems and taking into account the analysis of foreign experience of management at enterprises, we elaborated on the following basic areas to increase the efficiency of the management of the foreign economic activity at the enterprises (Fig. 7).

Figure 7. The main areas for the management policy improvement at enterprises in conditions of integration processes


Source: Developed by the author

One of the main and major directions is the improvement of the level of adaptation of enterprises through improvement in the planning process. Planning involves setting of specific goals which have to be achieved in the course of activity of the enterprise, taking into account risks and opportunities that may arise in the implementation of activities. In response to recent political events there has been some reorientation of the vector of import and export towards European countries. The agreement on the establishment of a free trade zone between Ukraine and the EU works towards the implementation of FEA, which entered into force in 2016. This was one of the main prospects for Ukrainian companies: almost no taxes to be paid by Ukrainian companies for certain goods in the EU within the transition period. This factor should be taken into account by the enterprises in the course of planning the sales price of goods exported to the EU: on the one hand, the producers may reduce the price by the amount of duty that had to be to paid earlier, and thus choose the way to enter the market with goods at a more loyal price in comparison with competitors, or, on the other hand, choose the system of target costing, according to which, the price of goods is determined in accordance with market conditions, and profit (the difference between price and cost) would be increased by the amount of the fee that was paid previously.

However, the risks that may arise when entering foreign markets, for example, consumer loyalty to locally produced goods should be taken into account.

Important characteristics of planning are: definition of objectives, specification, targeting and thoroughness. The objectives to be achieved have to be formulated at three levels of management: strategic, tactical and operational. That is, if the company plans to increase the profit in the reporting period, goals and objectives should be detailed: by which indicators this increase may occur, what units should be responsible for the growth of some or other indicators, etc. The responsibility of these units also applies to such characteristics as targeting at specific tasks, which have to be carried out by specific units and dedicated persons, who will monitor the performance of indicators. The thoroughness of the planning process ensures the setting of realistic goals, which the company can achieve in a future period. The thoroughness of planning activities is achieved through the high-quality information support of the process of managerial decision-making.

In addition, another important factor is that management accounting, as opposed to financial, can include indicators of the impact of external factors on the company activity. Insufficient attention to indicators of external influence can lead to neglecting of possible risks in the planning process. Also, the management accounting system must contain non-economic indicators of enterprise activity, which is another way to increase the efficiency of management of foreign economic activity of enterprises. At the present stage the most successful enterprises in the world adhere to the concept of socially responsible marketing, which stipulates the main objective of the enterprise to satisfy the needs of the consumers more effectively than those of the competitors, and at the same time, improves the general welfare of society as a whole.

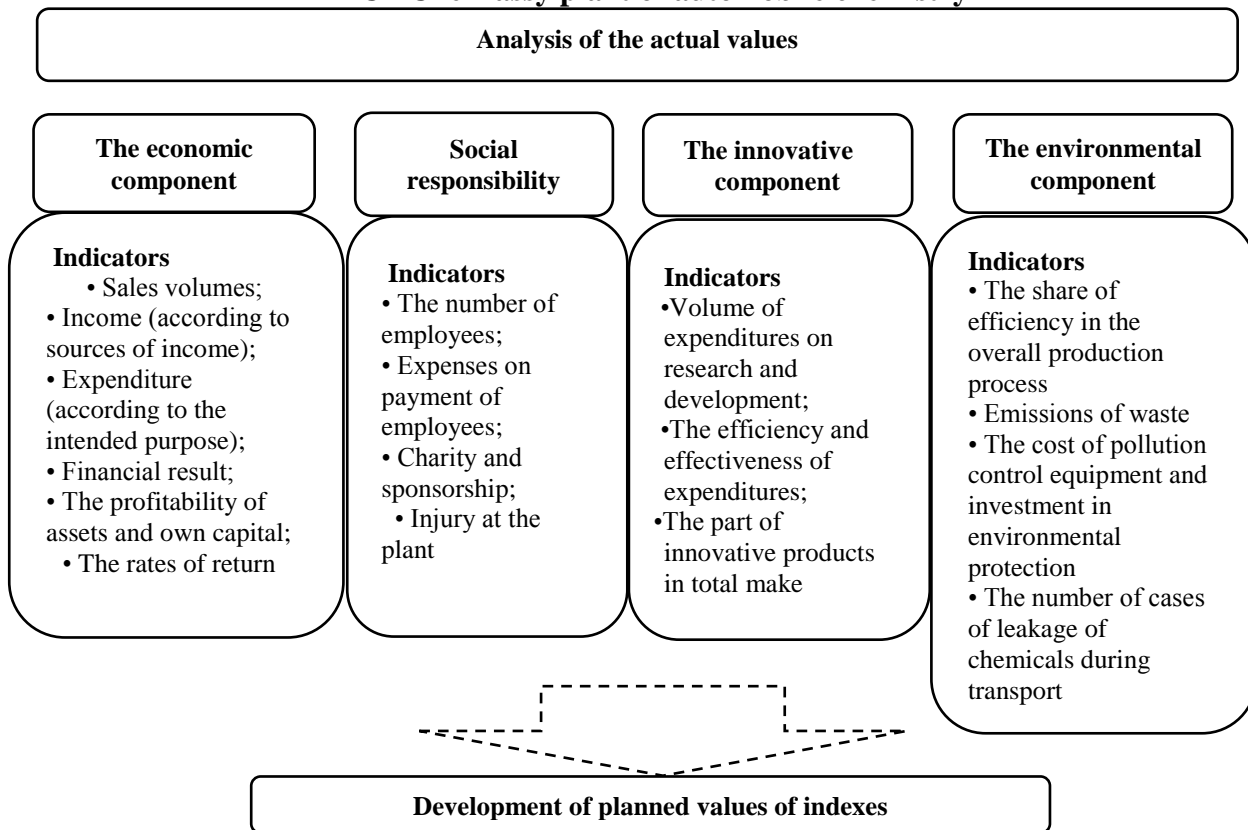
In the context of increasing the overall welfare of society, the main components the enterprise should pay attention to is the social responsibility and environment protection (for industrial companies, especially). Analysis of the experience of foreign enterprises illustrates that the analysis of enterprises activities of the non-economic type complies with specificities of a three-component system of strategic management accounting. Based on the analysis of the indicators of social responsibility and environmental protection of enterprises, one can determine the values according to these indicators, in accordance with indicators of economic activity of enterprises for the effective functioning in the context of the sustainable development concept.

One of the factors for increasing the competitiveness of products is the degree of innovativeness. Enterprises which are paying much attention to innovation, creating new products or providing new features to existing products, meet better the needs of consumers, become the undisputed leaders in the industry and trendsetters and the rest of the enterprises need to catch up with them. So the innovative component is one of the keys to success in both domestic and foreign

markets. Speaking specifically about the chemical industry, it is worth noting that the chemical industry is one of the most innovation-active sectors and drivers of the development of other sectors of the economy. According to analysts, Strategy Partners Group [16], chemical industry surpasses other industries by knowledge intensity – a measure of costs of R & B per employee. If the chemical complex makes the figure of 100%, a measure of costs of R & B in the pharmaceutical industry is 171%, in the telecommunication industry it reaches 90%, in the automotive industry it is equal to 62% and in mechanical engineering a measure of costs of R & B is 15%. Foreign experience illustrates that one of the most effective methods of carrying out innovative activities in the chemical industry is industrial parks (chemical parks). The active chemical activity of techno-parks is considered to be a significant factor in the high rate of development of the chemical industry of China. In some segments of the domestic chemical industry, the first examples of the organization of new production structures of innovative orientation have appeared (the chemical techno park "Chemo-Pol" in the Odessa region, the industrial park "Svema" in Sumy region).

Upon analyzing the basic principles of management policy of the enterprise of chemical industry of LLC "Cherkassy plant of automobile chemistry", it was revealed that the processes of the implementation of the management policy and the formation of management accounting reporting with the aim of having the informative support of the management process require a significant number of changes and improvements. First of all, for the effective management of the accounting activities of the enterprise and the adoption of effective management decisions in the company, it is expedient to introduce a comprehensive system of strategic management accounting (based on the three-component system). An example of a model and a set of indicators for LLC "Cherkassy plant of automobile chemistry" is illustrated in Fig.8.

Figure 8. Comprehensive model of strategic management accounting for LLC "Cherkassy plant of automobile chemistry"



Source: Developed by the author

The implementation of an accounting system of indicators of social responsibility and ecological constituent will encourage the managerial staff to work more effectively on the management of these aspects of the company. At the same time, positive social effect will help the company to increase the loyalty of consumers, potential consumers and society to their trademarks, both in Ukraine and abroad. In its turn, it increases the level of competitiveness of products in the market of automobile chemical goods leading to the increase of volume of realization of products in both internal and external markets in future.

The following elements for the companies to pay attention to are conducting detailed management accounting and analysis of indicators characterizing the activity of the company in the field of research and development. Increasing the share of innovation products in the assortment of the enterprise production increases the competitiveness of goods in the internal and external markets. And successful development of new products or products with new qualitative characteristics can bring the company to leading positions in the field of automobile chemistry, as the company that sets a trend in the production technologies of chemicals for cars.

To ensure the effective functioning of the complex system of strategic management accounting, its implementation has to be completed through responsible centers: it is important in establishing the management policy at any enterprise when the responsibility to achieve specific goals and tasks is assigned to particular persons. At the same time, reporting of management accounting has to be rather detailed to fix the results of the activity of separate divisions and managers. To ensure the principles of targeting at the enterprise are implemented, it is important to introduce the system of specific centers of responsibility.

Conclusions

Management policy is a business management element used for the purpose of minimization of enterprise risks and to increase the level of profitability of its assets. As a result of the research, it has been defined that the main levels of management at the enterprise are strategically allocated in the system of management policy, which is determined as a basic element of information support for the process of taking the administrative decisions.

Investigation of the foreign experience in the sphere of establishing management policy allows us to point out on the following: an integrated approach to the analysis of indicators of the enterprise activity and the short term and mid-term activity planning are the core within the enterprise general strategy. Analysis of basic principles of management policy in domestic enterprises demonstrates how essentially different from the international companies they are. In particular, more attention is paid to the economic indicators of the activity of the enterprise whereas other constituents are barely investigated into; there is no practice of development of accurate plans for future periods; not enough attention is paid to the analysis of the efficiency of the innovative activity in enterprises. All these factors influence the decrease in competitiveness of the production of domestic enterprises in foreign markets.

We suggest the main areas for improvement of the implementation process of the management policy at Ukrainian industrial enterprises are the following: improvement of the process of planning for the purpose of increasing the level of adaptation of enterprises to market conditions; improvement of the management accounting system at the enterprise, providing the managerial staff with information in the decision-making process; the accounting of non-economic factors of activity of the enterprise for the purpose of the implementation of an integrated approach to business management and increasing the competitiveness of production; analysis of the efficiency of carrying out innovative activity for the purpose of effective investment of capital in scientific developments for increasing the competitiveness of production.

On the basis of the analysis of the foreign experience in establishing the management policy at chemical industry enterprises, the complex model of organizing the strategic management accounting for the LLC "Cherkassy plant of automobile chemistry" has been developed: it includes four primary groups of indicators for the analysis: economic and ecological indicators, social responsibility and efficiency of innovations, and focuses the attention of managers on the process of planning and the development of planned values for each group of indicators.

Further research requires the development of methodical bases of identification and evaluation of factors of macroeconomic instability in the industrial enterprises workflow in conditions of globalization of world production.

References

- American Institute of Certified Public Accountants*, available at: <http://www.aicpa.org/Pages/default.aspx>.
- Atkinson A. A., Banker, R. D., Kaplan, R. S. and Young, M. S. (2005), *Managerial Accounting*, Publishing House "Williams", Moscow.
- BASF SE, available at: <https://www.basf.com>
- Bayer AG, available at: <http://www.bayer.com>
- Bolt, J. Gordon (1991), *A practical guide to marketing management*, Economics, Moscow.
- Drury, K. (2004), *Introduction to the management and production accounting*, UNITY, Moscow.
- Economic Code of Ukraine, adopted by the Verkhovna Rada of Ukraine 16.01.2003 number 436-IV, available at: <http://zakon2.rada.gov.ua/laws/show/436-15> (accessed 19 December 2016)
- Golov, S. (2004), *Management Accounting*, Libra, Kiev.
- Horngren, C. and Foster, J. (2003), *Accounting: Administrative aspect*, Moscow.
- Hrebinchuk, O. (2010), *Strategic, tactical and operational management of engineering companies*, available at: <http://www.economy.nayka.com.ua/?op=1&z=349> (accessed 05 October 2010)
- Kaplan, N. and Norton, D. (2003), *Balanced Scorecard. From strategy to action*, ZAO "Business Olympus", Moscow.
- Meskon, M., Albert, M. and Hedouri, F. (1992), *Management Basics*, Delo, Moscow.
- Shick, L. and Skorobogatova, N. (2010), *Management accounting*, Zaporizhzhya National University, Zaporizhzhya.
- Shirenbeq, H. (2005), *Business Economics*, Peter, St. Petersburg.
- Stock market infrastructure development agency of Ukraine (SMIDA), available at: <http://smida.gov.ua>