Chernyshova Larisa,
PhD in Economics, Associate Professor,
Kot Elena,
PhD in Economics, Associate Professor,
Department of international economics,
Kharkiv State University of Food Technology and Trade,
Kharkiv, Ukraine
Velychko Kateryna,
PhD in Economics, Associate Professor,
Department of International Economics and Management of
Foreign Economic Activity,
Simon Kuznets Kharkiv National University of Economics
Kharkiv, Ukraine

MECHANISM FOR IMPROVING THE FOREIGN TRADE COMPETITIVENESS OF THE NEW EUROPEAN UNION MEMBER COUNTRIES

The European Union is currently experiencing asymmetric trade integration, manifested in the possibility of allocating more economically developed kernel and less developed countries of the European periphery. This trend has developed historically. Confirmation of this was the earlier uneven development of the founding States of the European trade integration process within the framework of ECSC (European Coal and Steel Community), where there was a significant economic lag in Italy in terms of the per capita gross domestic product (Average value 30% less than other participating countries of ECSC) [1, p. 33-36].

During the expanding process of European economic integration joined the "first wave" of countries with weaker economies, so called "PIIGS" (Italy, Greece, Spain, Portugal, Ireland). The "second wave" also included the more poorly developed states that joined the European Union in 2004-2013 (Hungary, Cyprus, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Czech Republic, Estonia, Bulgaria, Romania, Croatia). Based on this understanding, policies to reduce existing and emerging trade and economic imbalances within the EU is one of the conceptual bases of the European integration process.

«Methodological approaches to optimization intra-European trade flows, as a factor of equalization of the social and economic development of the European Union countries, are laid down in the basic EEC/EU agreements in the form of the EU's "cohesion policy". The main objective of such policy is to supporting socio-economic development processes at the regional level through comprehensive compensation resulting from the integration of selected national and regional economic systems into the Common European Economic Space. At the same time, the key mechanism for equalizing the socio-economic development of the European Union countries is the Accumulating and further reallocating of financial resources in the special supranational funds, whose activities are aimed at equalizing the relative trade advantages of the new EU member States» [2, p. 22].

Optimization of intra-European trade flows is the main factor in equalizing the socio-economic development of the European Union countries and affects simultaneously two main directions. The first area includes the adoption of "autonomous" unilateral trade regulation measures, as a tariff under the Common Customs Tariff for the European Union and non-tariff measures, which include anti-dumping measures, embargoes and others. The second direction includes the conclusion of bilateral and multilateral trade and economic agreements with non-EU member States and international trade and economic unions and organizations [2, p. 23].

The European Union therefore has a number of instruments to regulate trade flows, as a factor in expanding integration processes as shown in the table 1.

Table 1

Tools for regulating trade flows in the EU
(compiled based on data [3])

Regulatory tools	Characteristic
1	2
Regulation of the trade external tariffs	The pan-European nature of customs regulation implies that imported goods crossing the EU border once are subject to a single Charge, regardless of the number of internal borders crossed by States. If initially the total tariff was the arithmetic average of the national tariffs of European countries, then now it has an ad valorem nature.

Continuation of the Table 1

1	2
Anti-dumping regulation	Regulation by the European Commission is based on statements by industry unions of commodity producers or large regional companies. The disadvantage of this tool is the long duration of the application (to one-and-a-half year), which is due to the detailed study of the problem (The Commission satisfies an average of 15 per cent of applications).
Protectionist measures	Protectionist policies provide structural restrictions on the entry of certain goods or groups of goods for a specified time period if their import significantly reduces the competitiveness of the respective producers in the EU member States.
Definition of goods localization	The State of origin of the goods in the European Union is the State in which the technological process essential for the economic nature of the goods was carried out. An exception, there may be countries of origin of high-tech goods, which is due to the economic interests of the European Union in attracting and testing innovative technologies and know-how.
Measurement of the customs value of goods entering the EU economic space	The customs value of imported goods is calculated on the basis of the real transaction price principle, which means the value actually paid for the goods imported into the EU. At the same time, the price of the transaction means a comprehensive estimate of the actual cost of the goods, which may include a number of additional costs (licensing costs, commissions, brokerage fees, packaging costs of the goods.
Establishment of administrative standards and requirements for the protection of the environment and public health.	The adoption of these rules and regulations, including those governing intra-European trade flows as a factor in expanding integration processes, may also have a protectionist context. It should be stressed, however, that in European practice, in most cases, through these measures, it is the declared goal of protecting the European market from poor quality and dangerous goods for citizens and the environment is being pursued and achieved.

The need to improve the main institutional forms of improving the externel trade competitiveness of the new European Union member countries is due to the increasing degree of inequality in the EU, which makes it difficult to successful transition all integrated education to the new level of intra-trade cooperation.

The foundations of the EU "cohesion policy" were laid in 1988 by introducing into the practice of supranational regulation of mechanisms for increasing the foreign trade competitiveness of the new member countries.

The annual budgets of the European Structural Funds now have been replaced by multi-year financial plans. An important organizational advantage of such plans is to guarantee the preservation of the necessary volumes of financing for long-term projects to optimize intra-European trade flows, the implementation of which in modern political conditions is threatened by a shortage of funds or a change of foreign policy relations. Since 1988 four multi-year plans have been implemented by the European Commission within the framework of strategic planning covering the next periods of economic integration: 1988-1993, 1994-1999, 2000-2006, 2007-2013. Now the strategic framework «Europe 2020» implements the long-term financial plan for 2014-2020.

Shifting the organizational and management tools of policies to improve the international competitiveness of the new European Union member countries from the national to the regional level has contributed to the reallocation of financial resources to regulate intra-European trade flows as a factor in expanding integration processes. These processes were caused by the following structural problems of European integration development:

– concentration of the economic development problems of the European Union within the territorial boundaries of certain regions;

– regional problems of economic integration of the new EU member countries are conditioned by the objective characteristics of geographical location and the historical structure of the regional economic system;

– insufficient concentration of financial resources in the most needing regions, need of targeted support to depressive regions.

A key factor in encouraging new European Union member countries to step up efforts to optimize intra-European trade flows is the elimination of the quota arrangement for aid to member countries and the priority of the choice of funded projects by the country 's leadership. The quota arrangement has been replaced by pan-European funding objectives based on common principles and criteria for all member countries on the effectiveness of social and economic development equalization policies.

At the same time, within the framework of the within the European Single Economic Area, the formation of a favorable climate for portfolio and foreign direct investment has emerged. The new member countries of the European Union have changed their external trade specialization, which has had an impact on the dynamics of gross foreign trade indicators, maintaining stable trade relations with traditional partners.

In order to justify the relationship between the process of trade flows optimization and the external trade conditions of socio-economic development of European Union countries, will analyses the change of individual indicators of its development after the accession of new States.

Figure 1 shows the growth of the gross domestic product of the new EU member states in 2019.

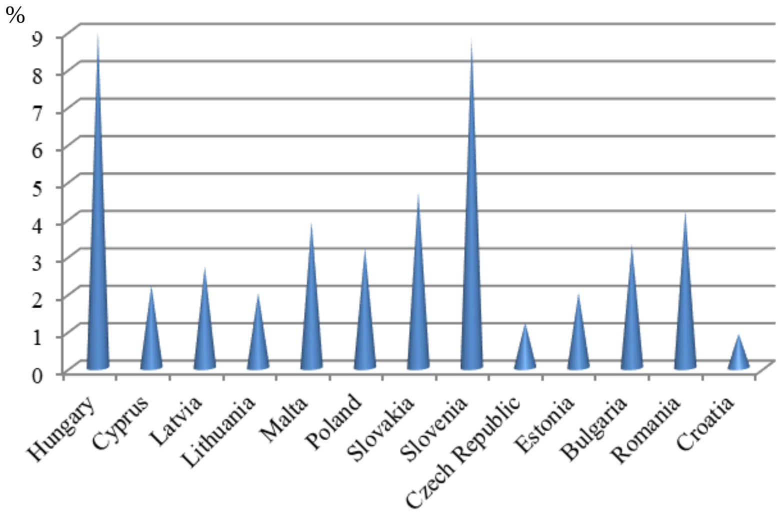

Fig. 1. GDP growth rate of the new EU member states 2019 (compiled based on data [4, 5])

The data show positive steady growth in the gross domestic product of the new EU member countries. The considered dynamics makes it possible to state the relative effectiveness of the pan-European policy of equalizing the conditions of socio-economic development of optimizing trade flows.

To confirm the conclusions, consider the indices of industrial production refined on the basis of retrospective recalculation of the production indices on the basis of the 2005 base year. The dynamics of industrial production indices of the new European Union member countries are presented in Fig. 2.

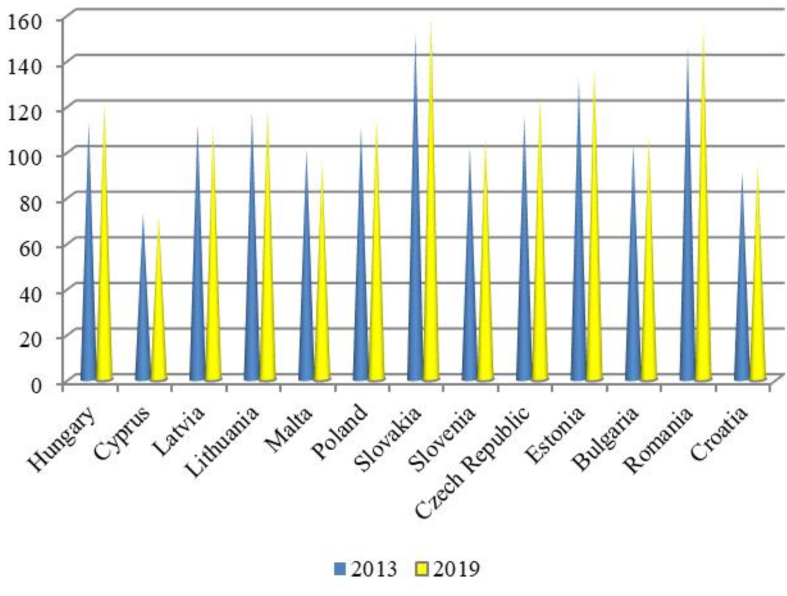

Fig. 2. Industrial production indices of the European Union new member countries taking into account retrospective recalculations for 2013 and 2019
(compiled based on data [4, 5])

The figure shows the positive dynamics of industrial production indices for the new European Union member states.

An important task of the equalizing policy of the social and economic development of the European Union countries is the growth of the main indicators of living standards of the population, namely: unemployment rate, inflation rate, income concentration index. Comparison of the selected indicators of the new European Union member countries is presented in Fig. 3.

The results of the comparative analysis shows that there are significant disparities and disparities in living standards among EU member States. The existence of these imbalances actualizes the problem of forming a mechanism to increase the foreign trade competitiveness of the new European Union member states, as a factor of equalizing the conditions of their social development, the feature of which is the compliance of quantitative criteria with the common goals for the European Union.

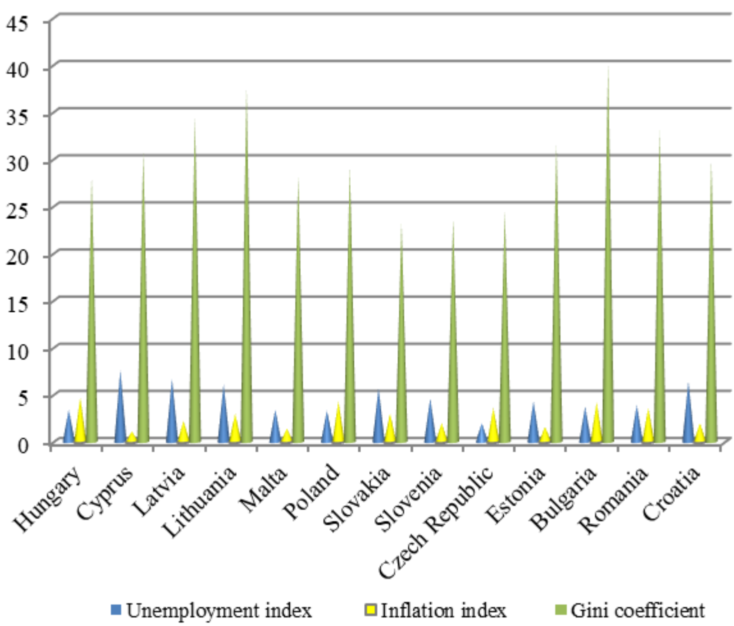

Fig. 3. Main indicators of population living standards
of new European Union member states in 2019
(compiled based on data [4, 6])

Policies to equalize the socio-economic development of EU countries are evolving according to the vector and pace of European integration. In 2006 the main methodological approach to optimizing intra-European trade flows and equalizing the socio-economic development of the European Union countries became the "convergence".

With the entry into the European Union of new member countries that joined in 2004-2013, additional financial support was introduced during the transition period to equalize trade flows for European regions with gross domestic product per capita exceeding 75% of the EU-28 average and less than 75% of the EU-15 average. However, the "catching up" economies of the "first wave," which have a GDP per capita value of less than 90% of the European average, also received financial resources from the Cohesion Fund to accelerate convergence. This distinction of economic development indicators by member countries groups shows the differentiation of the initial socio-economic conditions of foreign trade development for the countries of the European Union [7, p. 24].

At the present stage of development of the European Union there are also changes in the principles and criteria of effectiveness analysis of the equalizing policy of the social and economic development of the European Union countries. For the period from 2014 to 2020, within the framework of development goals aimed at European territorial cooperation and investment in stimulating economic growth and job creation, Target support for not economically lagging regions with GDP per capita less than 75% the EU-28 average and so-called "transit" regions (GDP per capita 75-90% EU-28 average), but also for relatively competitive regions (GDP per capita more 90% the EU-28 average). At the same time, the mechanism for improving the foreign trade competitiveness of EU member States will maintain the principle that the more developed regions of Europe will receive less financial resources, a large part of which is support for the development of innovative technologies of energy efficiency, green energy and renewable energy sources [8].

In order to assess the effectiveness of policies to equalize the socio-economic development of countries in the European Union the following basic principles have been identified:

– Long-term programming as the methodological basis for socio-economic equalization processes;

– Concentration of financial support for foreign trade competitiveness, consisting in localization of investment resources to a limited number of depressed territories in the least developed regions;

– Additional co-financing subsidies involving central funding from the EU secured by national investment programs;

– Public-private partnerships in the form of joint management decision-making and implementation involving representatives of regional and national business communities and supranational governments [9].

Thus, the conceptual basis of the process of social and economic development equalizing of the European Union countries is the "EU Cohesion Policy," implemented since 1988 by introducing into the practice of supranational regulation of the European Union mechanisms to increase the foreign trade competitiveness of new member countries.

The instruments of supranational regulation of external and internal commodity flows as a factor in the expansion of integration processes within the EU has been identified: regulation of foreign trade tariffs, anti-dumping regulation, rules of goods origin, rules of measuring the customs value of imported goods into the EU economic space, establishment of administrative rules and requirements for environmental protection and public health.

The results obtained in this study on the characteristics of the mechanism for improving the foreign trade competitiveness of the new European Union member countries can be taken into account in the development of the main directions of the mechanism to increase the foreign trade competitiveness of Ukraine within the framework of modern integration processes.

References

1. *Zakharova, N. V. (2007). Economy of the European Union countries: features of development and the future of European construction: monograph, Publishing house of RSTEU, Moscow, 146 p.*

2. *Gorbatenko, E. Yu. (2017). Conditions for the expansion of European integration (methodological aspect), International Economics, No. 1, pp. 22-28.*
3. *Strezhneva, M. V. ed. (2017). The European Union in global economic governance, IMEMO RAS, Moscow, 255 p.*
4. *Eurostat database: <http://europa.eu.int/en/ comm/eurostat/serven/home.htm.> [Accessed 2 April 2020].*
5. *European Commission Joint Research Centre: <http://ec.europa.eu/dgs/jrc/index.cfm> [Accessed 6 April 2020].*
6. *Income inequality in EU countries. Available at: < https://lt.sputniknews.ru/infographics/20190823/9967160/Neravenstvo-dokhodov-v-stranakh-ES.html.> [Accessed 4 April 2020].*
7. *Drynochkin, A. V. (2014). Consequences of the EU Accession / Eurointegration: Impact on the Economic Development of Central and Eastern Europe, IE RAS, Moscow, pp. 50-62.*
8. *Golovenkin, D. E. (2009). Trade relations between Russia and the European Union in the context of European integration processes: dis. cand. econ. sciences: 08.00.14, Moscow, 192 p.*
9. *Maslova, E. A., Potemkina, O. Yu. eds. (2017). Modern Europe: 60 years after the Treaties of Rome, Part I, IE RAS, Moscow, 118 p.*