

INTEGRATION OF INDUSTRIAL ENTERPRISES INTO GLOBAL ECONOMY AS A KEY FACTOR OF UKRAINE'S ECONOMIC DEVELOPMENT

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The development of industrial enterprises leads to an increase in productivity and employment at the local, national and global levels. In this research, we analyze the liberalization of trade and investment as results of world integration, such as European Integration that expected to generate new business opportunities for Ukrainian industrial enterprises in global marketplaces. The main objective of this study is to provide an empirical evidence of the impact of industrial enterprises' integration into global economy and its effect on Ukraine's economic development.

Based on the experiences of Italian industrial districts, industrial firms can provide high incomes and sustainable growth through upgrading and development. Those lessons from the Italian industrial districts have been applied in developing countries [1]. The major part of the related studies on industrial enterprises has shown the dynamism of firms arising from integration between local firms, which leads to the development of local public and private institutional facilities. Nevertheless, the potential of enterprises has not been fully realized due to the related factors such as corruption, lack of financing, etc [2]. Global economic integration has shown positive influence on eliminating those issues by encouraging the growth of industrial enterprises due to:

- the grows of local markets and customization;
- technological advances that have resulted in rising in production and production networks;
- reduced product life cycles that have made flexible production more important than volume of production;
- the increased importance of the services sector due to rising affluence in developing and post-industrial societies, as well as in low-income developing economies;
- the importance of knowledge, skills, and innovation;
- their reduced bureaucracy, greater flexibility, and ability to respond to rapidly changing customer demands and technology;
- recognition by policymakers both at the national level and international regional levels [3].

The issue is not just about the export orientation and increasing competition in the global economy. Nevertheless, more recent research on globalization and the position of developing country producers within the global economy has argued the potential of improvement in some developing country sectors. We are keen to provide an evidence of influence of integration on economic development of the country and its character.

The impact of the economic integration is analysed within cross-section and panel data frameworks. The Vector Autoregressive Models for Multivariate Time Series are employed for the studies of the effect [4].

The VAR system can be written as:

$$Z_t = \mu + \sum_{i=1}^p \beta_i Z_{t-1} + \varepsilon_t, \quad t = 1, \dots, T \quad (1)$$

where Z_t – the vector of endogenous variables, μ – a constant,

β_i – parameters of the VAR system related to the lag i , ε – the (zero mean) vector of IID normally distributed error terms and T – the number of observations.

The VAR model was estimated to analyse the relationship between economic growth and international trade. The model includes 3 endogenous variables (real gross domestic product (GDP), real exports (EX) and real imports (IM); all the variables are in logarithms). Imports are included to check other influences of international trade, because they may play an important role given the fact that imported intermediate goods are usually necessary for the production of export goods [5].

The results are showing that there is a positive effect of industrial firms' integration on export growth and productivity efficiency growth. Effect of the integration is not homogeneous among all considered firms, it depends on the firm's regional location and industrial activity.

Nevertheless, the globalization is not simply a question of increasing trade. It implies some functional integration between internationally dispersed economic activities [6]. For developing countries, Ukraine in particular, the main question is what role industrial enterprises might play in internationally-dispersed but functionally-integrated economic activities. However, recognizing the different ways in which industrial firm sectors in developing countries can be integrated into global value chains does have implications for the nature and scope of local and national development policies that deserves further analysis.

It might be the case that economic integration and thus the international trade has both positive and negative effects. As it might be a crucial factor of the economic growth, it is the responsibility of public institutions to provide good conditions and friendly environment for the integration of industrial intersperses into a global economy.

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