

Key determinants of country's success under globalization of economy: sector aspect

Olga Yatsenko

The world economy becomes unique, functional and institutionally-structured multilevel system as a result of globalization, key characteristic of which is asymmetric development of its elements, based on differences between available and latent potential. Under these conditions, key task is the provision of the functioning of national economies as well its industries in long-term perspective and minimization of financial, economic, social, demographic, political and ecological risks. The leading integrated element of global economic system is the world market and its structural segments. Globalization of agroindustrial markets and their impact of external competitive environment are the key factors for the market participants and the global interconnection of all sectors of national economy transforms social, political, organizational, economic, information, technological, ecological and resource elements of country's development **(Fig. 1)**.

Key determinant of success under globalization environment is the structural transformation of international economy potential from strategic orientation on export of competitive agroindustrial products. Important export-oriented industry of domestic agriculture is beekeeping, because currently Ukraine ranks leading position in terms of production volumes and honey consumption. This situation requires theoretical, methodological, scientific as well as practical rethinking of the mission of the industry and determination of strategic guidance of formation and realization of its competitive advantages. The latest are the grounds of competitive relations of business entities in the frame of institutional environment and competitive positioning of the country in the system of international coordinates.

Ukraine is integrated in the world global market and is currently positioning in the global agricultural products amount more than 15 elements, however they are mainly raw materials **(Fig. 2)**. These products include sunflower, honey, wheat, barley, sugar beet, eggs, soybean and others.

In rapidly changing globalization environment all sectors of national economy become interrelated, interconnected and complementary and the role of the state in the global economy is determined by a number of export industries as well as volumes and amount of ecology safe and standardized production **(Fig. 3)**. In these circumstances the key state priority becomes creation and support of export-oriented industries that are able to provide global demand produce. Key determinant of success of the global environment is the structural transformation of international trade potential with the strategic priority of export competitiveness of agricultural produce. Beekeeping industry indirectly safeguards agricultural security; stimulates effective development of contiguous industries and gives support of national ecosystems that will positively affect national health, support rural areas development, stimulate increase of working places for rural citizens and increase of vertical and horizontal integration; provide increase of income to the state and local budgets due to the development of agricultural business, payment of

appropriate taxes and legalizations of market operations of business entities; have significant export potential and corresponds to the global supply and demand with the holistic aspect and in the context of the multi-functional development of agriculture and give all reasons to make a conclusion of industry competitiveness.

Competitive institutional environment is the key determinant of global beekeeping market functioning, formation of which is driven by the combination of institutions and institutes that are all functioning under fair market environment and under social, economical, organizational and legal changes (**fig. 4 + supportive table to fig. 4**). Business entities operate within limited frames of normative and legal framework due to limitations imposed by institutions using different coercion mechanism that makes their actions forecasted and controlled. At the same time, stimulation methods create environment of development of competitive relations in beekeeping industry contributing to social, ecological and economic growth. Innovation technologies, IT-infrastructure, experience, knowledge and competence, mutual cooperation business models, global leadership, ecologic issues are the key element of industry growth.

The beekeeping world market is highly globalised and dynamic, but the global economic crisis significantly impacted it. World honey production in 2011 amounted 1.6 billion tons, and exports amounted 492.7 thousand tons annually. Beekeeping market has a number of specific characteristics and in recent years an active redistribution of power between the major producers is observed. Almost 80% of honey production is concentrated among 20 producing countries. World's leading producers of honey are China, Turkey, Ukraine and the United States (Figure 5). Only a few countries: China, Canada, Ukraine, Russia and Poland are completely self-sufficient in production of beekeeping.

According to FAO estimation, Ukraine currently ranks 4th place in the world's honey production with an average level of production of 70 tons (Chart 1). Among the countries of Europe, Ukraine ranks the first place in terms of production, at the same time only 6% of the domestic honey is exported. Currently Ukraine has 5% share in world production and 1.4% in the global export of honey, demonstrating the necessity of increase in industry export potential (Tables 2 and 3).

Ukraine has about 3 million bee colonies in all types of business entities that is 16% lower y-o-y (from 3,515.1 thousand to 2935.5 thousand bee colonies decrease) (Table 4). Honey production in the farms of Ukraine for the period 1990-2012 increased 1.4 times, from 50.9 tons to 70.1 tons (Table 5).

In recent years, according to the International Organization of honey exporters (IOHE) the price for honey increased from 1.2 to 3 thousand USD per ton. China is securing strong price competitive advantage in the global marketplace while the EU countries are the leaders in term of product's quality. In 2011 the price of domestic products of beekeeping in the world market amounted to 2875.1 USD per ton.

Competitiveness of agricultural products and foodstuffs on the world agricultural markets is determined mainly by correspondence between exports and

world prices. To evaluate the competitiveness of the beekeeping industry of leading producing countries relative competitiveness index is calculated (Table 6).

China and Argentina are the most competitive countries on global market, followed by Ukraine. In industrialized countries, growth in the relevant market is limited by a number of objective and subjective factors, such as the mass death of bees in many countries, limited natural resources, adverse climatic conditions, cost of fuel and lubricants.

Currently, significant importance provides an attempt to achieve the attractiveness of the beekeeping industry in the context of strengthening the complementarity of national economies in a globalizing market (Table 7). Aggregated estimation the attractiveness of the beekeeping industry in the world economy can be evaluated as above average (3,11). It is influenced by a number of subjective and objective factors.

Strategic development vector of agribusiness in the beekeeping industry today is impacted by the competitive position of domestic producers on the world market. In that context, one of the most crucial challenges for producers is to identify industry key success factors, namely a set of non-static dependent on internal and external institutional environment such as competitive perspective, sector strategic potential and performance of its formulation and implementation, economic performance aimed at creating a competitive advantage and competitiveness of business entities. Competitive position of domestic players in beekeeping industry in the global market is rated as below average (Table 8).

Entities, in turn, should evolve based on agribusiness and marketing concept development, increase capitalization and implement innovative and information developments with regards to consumers' preferences (Table 9, Fig. 7).

Currently beekeeping industry is considered strategic in Ukraine in terms of production volumes and the level of actual comparative advantages in foreign trade, however several problems are identified that simultaneously occur at the international and national levels. The main challenges are the small-scale production, inefficient distribution system, a limited number of sales channels, the lack of market developments and technologies, lack of integration, imperfect market infrastructure. Business operations in beekeeping industry are characterised by uncertainty, riskiness and lack of guaranteed profit for expanded reproduction. Destructive impact factors of macroeconomic environment are also impacted by a limited capacity of the domestic market of beekeeping production, conventional and organic, and hampers the development of export-oriented vector.

Beekeeping market is actively developing now and is represented in a wide range of products, but the formation of a civilized agricultural markets requires appropriate institutional support and design, able to provide a balance between supply and demand, increase in enterprise profitability and solvency of consumers, accelerate the development of rural areas.

Integration at the level of businesses contribute to the optimization of production activities, ensuring the competitiveness of businesses and the implementation of strategies to domestic producers beekeeping industry in the

globalized food market on an equal footing (Fig. 8). Industry needs to develop innovative and informative platform (Fig. 9).

The process of competitive advantages development of industry should be based on best international practices. International experience in the field of beekeeping certifies provides formation of competitive advantage through: providing industry official priority status; balanced structural agriculture and developed institutional environment, the industrial production level, simulation of intensification of economic activities, the use of modern machinery, equipment, the developed distribution system and the implementation of marketing activities on the basis of marketing, integrated problem solving global and local levels, government support.

Cluster development model is considered the strategic priority for creating competitive advantages of beekeeping industry and solution of regional problems in the context of globalization (Table 10, Fig. 10). Clustering should be performed within the agricultural areas of strategic management: industrial, conventional and organic. A specific role is granted to the competition policy (Fig. 11).

Currently the growth of export potential of beekeeping industry with simultaneous geographic diversification of markets seems very reasonable. To achieve success in today's globalized competitive economy Ukraine should apply and guarantee the ecologic safe and quality of bee products, efficient organization and use of modern agribusiness marketing tools that will improve the competitive position in the global market.

Thus, Ukraine's place in a globalized economy will be determined by its comparative advantage and export competitiveness of goods and services and level of efficiency in international comparison. Most reasonable and promising strategy for the development of the beekeeping industry until 2025 under global challenges should be recognized strategy for sustainable development as one that most closely matches the concept of multi-functional role of agriculture in the world in the context of the holistic paradigm. The strategy provides for the optimal use of resources and revenues for long-term development of competitive, balanced with environmental constraints, high-performance sector of the economy on the grounds of social, intellectual, natural, industrial, market potentials. Sustainability will provide some type of balance between social, economic and natural part of life in rural areas and strengthen the competitiveness of multifunctional beekeeping in the context of multifunctional concept of agriculture.

I would like to finish my report with a quote of the great philosopher and educator of the XVIII century Johann Herder, who said: "Ukraine will be once the new Hellas. Great expanses of the country, the dignity of the people, their musical abilities, fertile land - once awakened. From small tribes that once were the Greeks, there is a great cultural nation. Its borders will reach the Black Sea, and hence - in the wide world. "

Thank you for attention.