

Popadynets Nazariy

PhD (Economics), Researcher,
Department of regional economic policy,
M. I. Dolishniy Institute of
Regional Research of NAS of Ukraine
4 Kozelnytska Str., Lviv, 79026, Ukraine
popadynets.n@gmail.com
ORCID ID: 0000-0002-7556-6135

**INFLUENCE OF TECHNICAL REGULATION SYSTEM
ON THE DEVELOPMENT OF CONSUMER GOODS
INTERNAL MARKET UNDER THE CONDITIONS OF
UKRAINE'S EUROPEAN INTEGRATION**

Abstract: The trends of consumer goods internal market development in 2005-2015 related to the improvement of the quality and safety of production under the conditions of global competitiveness are analyzed in the paper. Major problems of the policy of forming and development of internal goods market in the context of EU-Ukraine Association Agreement implementation are outlined. The nature of Chapter 3 «Technical barriers to trade» of the Title IV of EU-Ukraine Association Agreement is explained. The fact that technical regulation system contributes to competitive ability of the domestic production at consumer goods internal market in terms of intensification of Ukraine's integration into the EU is proved. Major shortcomings of the technical regulation system are generalized. Special attention is paid to the fact that domestic production becomes unable to meet the increasing need of domestic market for competitive and qualitative goods. The system of technical regulation is explained as the development factor of consumer goods internal market under the conditions of Ukraine's European integration. The ways of further development and improvement of technical regulation system at consumer goods internal market on legislative and executive levels are suggested.

Keywords: consumer goods internal market, European integration, market surveillance, technical regulation system, quality, technical procedure.

JEL Classification: L10, L11, L81, O52

Introduction

The research of consumer goods internal market in terms of dynamic European integration is of utmost importance in the modern economic theory. Lately we could observe the tendency of consumer advantages development towards qualitative and safe production at consumer goods internal market under the influence of modern European integration pro-

cesses. Indeed, the consumer market plays important role in the stimulation of national production development, improvement of residents' well-being and strengthening of economic and political independence.

Technical regulation is the main component of national policy in the sphere of quality directed at human needs. The condition of technical regulation system testifies to technological progress of any country, its production competitive ability and technical capability of its producers and conformity estimators.

Technical regulation is one of the major components of efficient conditions creation in order to form and implement the state industrial and socio-economic policy, including the active competitive environment, introduction of innovations, and elimination of administrative barriers and barriers in internal and external trade and increase of investment volumes on this basis.

The purpose of the article

The article aims to research the system of technical regulation as the factor of consumer goods internal market development under the conditions of Ukraine's European integration.

Research results

1. Analytical review of consumer goods internal market development

During 2000-2013 the average annual paces of Ukraine's internal market growth amounted to 3.6%. In 2013 its volume amounted to 88.7% (Pustovoit 2015, p. 50) Ukraine does not lag behind many countries - world economy actors by the size of internal market. This is proved by the data of World economic forum. Thus, by the Internal Market Index Ukraine was ranked 27 (out of 131) in 2007-2008, 29 (out of 134) in 2008-2009, 29 (out of 133) in 2009-2010, 28 (out of 139) in 2010-2011, 37 (out of 142) in 2011-2012, 38 (out of 142) in 2013-2014, 37 (out of 144) in 2014-2015, 46 (out of 140) in 2015-2016 and 48 (out of 138) in 2016-2017 (Economic Discussion Club 2016, Available from: <http://edclub.com.ua/analytika/pozyciya-ukrayiny-v-reytyngu-krayin-svitu-za-indeksom-globalnoyi-konkurentospromozhnosti-1>). Such change in rankings is disappointing for internal market and the economy at a whole.

Consumer goods internal market and its development indicators reflect the general economic situation and are formed under its essential influence (Mazaraki 2016, p. 7). The following are the tendencies of consumer goods internal market development: underdeveloped consumption sphere, crisis in the sphere of domestic goods production, high dependence on imports, strengthening of imbalances between production and con-

sumption and relevant drop in the capacity of internal market. Inability of domestic production to meet the increasing needs of internal market for competitive and qualitative goods is more and more evident.

Development of consumer goods internal market under the conditions of intensification of Ukraine's European integration processes is defined by the dynamics of foreign economic conditions (Lahutin 2015, p. 173). Thus, the dynamics of Ukraine-EU foreign trade turnover testifies to the fact that goods and services export decreased in 1,8 times in 2009 compared to the previous 2008 year.

The demand of domestic consumers for European production also suffered a drop. However, foreign trade indicators in 2010 testify to restoration of before-crisis tendencies. The volumes of export and import in 2013 almost didn't change compared to the previous year. This can also testify to stabilization of Ukrainian exporters' position on the EU market. Export of goods to the EU increased by 8356,0 mln US dollars or by 66.74% during 2009-2013, and import grew by 11393,2 mln US dollars or by 61.80% (Pustovoit 2015, p. 50-51).

The results of foreign trade dynamics analysis show considerable excess of imports over exports. This is traditional for Ukrainian foreign trade and it also constitutes one of strategic problems of economy development.

Overall amount of Ukrainian export of goods amounted to 34.4 billion Euro in 2015, which is 29.3% less comparing with the previous year. Ukraine's import of goods also decreased considerably (by 31.1%) and amounted to 33.8 billion Euro. In its turn, the share of import of consumer goods sold through the trade network increased from 9.1% in 2005 to 19.8% in 2015, and the share of import of non-food goods sold through the trade network jumped from 42.4% to 85.2% (State Statistics Service of Ukraine 2017, Available from: <http://www.ukrstat.gov.ua/>).

Statistical data testify to the fact that the share of production imported from the EU in the spheres that fall under the action of harmonized EU legislation exceeds the volume of production exported from Ukraine to the EU. Overall, technological level of European production meets the needs of Ukrainian market and corresponds to the requirements established under Ukrainian technological procedures and national standards.

Poor competitive ability of Ukrainian goods, inability of Ukrainian producers to meet the consumer demand and non-compliance with international standards of quality and safety are among the major reasons of import exceeding exports.

2. Peculiarities of technical regulation

The system of technical regulation existing in Ukraine has certain shortcomings due to the «soviet» past, in particular:

- rough regulation that restricts innovations;
- mature requirements that complicate the development and access to advanced technologies;
- lack of transparency that maintains access to obligatory regulative documents (standards, etc) only for a charge;
- duplication of functions, which contributes to excessive pressure on business, especially under the conditions of contradictory duplicating requirements and uncertain authorities' responsibilities;
- inefficiency - concentration on paper control and ignoring of real conditions of consumer goods internal market.

Moreover, the conflict of interests is the consequence of combining of regulatory, supervisory (control) and commercial functions in one body and it increases the possibilities for corruption. Therefore, the consumers face the following consequences of existing system: exposure to inappropriate production on internal market of consumer goods, high price for a good, lack or considerable delay in access to advanced technological goods.

In addition to this, the shortcomings of the system of technical regulation make the development of business impossible; in particular they create unpredictable and unfavorable environment, the necessity to overcome obstacles through bribes, inability and complication of bringing the advanced production to the domestic market of consumer goods. For the state at a whole the nonconformity of Ukraine's technical regulation system to European principles contributes to the overall technological lag, constraint of economic growth, poor competitive ability of enterprises and economy in general and excessive influence of certain groups of interests and redistribution of social product in their favor (Artyuh 2015, p. 6).

Therefore, the signed Association Agreement between Ukraine and the EU (Cabinet of Ministers of Ukraine 2015, Available from: http://www.kmu.gov.ua/control/uk/publish/article?art_id=248387631) and direct proximity to the markets of EU member states make urgent the need to define major trends of European internal market and to examine its influence on internal trade space and possibilities for domestic entrepreneurs. The whole Title IV "Trade and Trade-Related Matters" of the Agreement is devoted to the trade issues. The technical barriers to trade are outlined in Chapter 3.

Chapter 3 «Technical Barriers to Trade» of the Title IV of the Agreement is aimed at reducing technical barriers for entrance of new types of domestic products to the EU internal market. In this area, cooperation between Ukraine and the EU should be aimed at reforming of the national system of technical regulation, bringing it closer to EU technical regulations and systems of standardization, metrology, accreditation, conformity assessment and market surveillance EU (Art. 53-74 of the Agreement).

Ukrainian side has made an important step towards the implementation of this Chapter by adopting of the Law of Ukraine «On Technical Regulations and Conformity Assessment», which took effect on February 10th 2016 (Supreme Council of Ukraine 2015, Available from: <http://zakon0.rada.gov.ua/laws/show/124-19>). Implementation of this law will help to create a legal framework and mechanisms for the adoption of EU Directives that will help to begin the transition to European standards and execution of all obligations of Ukraine in the industrial field. Adjustments to mandatory technical regulations will encourage unrestricted circulation of goods between Ukraine and the EU and will have positive impact both on Ukrainian producers and consumers. Also, this law complements the following laws: the Law of Ukraine «On Standardization» (Supreme Council of Ukraine 2014, Available from: <http://zakon0.rada.gov.ua/laws/show/1315-18>) and the Law of Ukraine «On metrology and metrological activity» (Supreme Council of Ukraine 2014, Available from: <http://zakon0.rada.gov.ua/laws/show/1314-18>).

Group of these laws is aimed at removing technical barriers and legal obstacles to trade and will contribute to the opening of EU market for Ukrainian goods. The EU experience shows that implementation of these laws along with reforming of the national system of technical regulation will not only remove barriers to the output of new products to the domestic market, but also will help to create a reliable institutional barriers that make it impossible to import cheap and low-quality products of foreign producers. These measures will help to eliminate unfair price advantages of foreign producers, who import low-quality but cheap commodity products, and thus destroy market competition (Popadynets 2015, p. 151).

Technical regulation is the main component of national policy in the sphere of quality directed at consumers' needs.

In terms of strengthening of international competition, Ukraine has to increase the economy efficiency and country's competitive ability, which is the major condition of living standards improvement.

Economic processes in the EU take place according to state legal regulations that manage reproduction processes. In the first place it concerns the requirements on safety of production and services, environmental protection and energy saving.

The goods allocated on EU internal market are bound to correspond to all EU requirements directed at maintenance of consumers' protection. These requirements differ considerably depending on the concrete type of goods, however in general they can be grouped by the following directions: technical requirements; ecological requirements; requirements in the sphere of sanitary and phytosanitary measures (Vitkin 2013, p. 5).

Moreover, marketing standards are applied to certain types of production at the EU level, as well as import restrictions, which can be de-

med as the mechanisms of internal market protection from imported goods with the quality and safety that do not correspond to the European Union requirements.

Ever since Ukraine joined the World Trade Organization and in the course of integration into the EU, Ukraine has pledged to harmonize the national standardization system and the system of technical regulation according to the rules and requirements of GATT/WTO system (in particular, the Agreement on Technical Barriers to Trade) and to bring it into correspondence with European practices (Supreme Council of Ukraine 1994, Available from: <http://www.portal.rada.ua>).

Domestic policy of technical regulation has been changing during 2000-2015. The reforming in 2010-2015 deserves special attention as far as it was directed at creation of legislation basis and infrastructure according to the decentralized approach. Ukraine undergoes harmonization of national standards in correspondence with international and European ones on the regular basis. It concerns primarily those standards, the application of which proves the correspondence of production to the requirements of technical regulations similar to the guidelines of New and Global Approaches.

Nowadays the national standards fund amounts to 15133 national standards, 11300 of which are harmonized with international and European ones. 3996 national regulations (standards and amendments to standards) were adopted in 2015, 2970 of them are harmonized with international and European ones. 50 technical regulations were adopted in Ukraine, 47 of them were developed on the basis of EU legislative acts, including the guidelines of New and Global Approaches, and 45 of them are already obligatory for implementation (Emerson 2016, p. 93).

Construction of technical regulation system according to European principles and bringing of rules and procedures into correspondence with international and European practices are perspective tasks for Ukraine. Signing of Agreement on conformity assessment and acceptance of industrial products between Ukraine and the EU (ACAA) will contribute to reduction of misbalances between import and export of consumer goods.

The following are the desired results of technical barriers elimination in trade between Ukraine and the EU: access of Ukrainian production to the EU market on the terms applicable to the EU member states; complete recognition of Ukrainian institutions that belong to the system of technical regulation; acquisition of Ukraine's membership in the European system of market surveillance.

Conclusion

In order to catch up with the paces of civilized economic development in the context of technical regulation Ukraine needs to develop and adopt

amendments to the national legislation on certain types of production in order to eliminate the norms that stipulate the possibility to duplicate regulatory regimens before the production is introduced for the use.

Ukraine should continue with bringing of Ukrainian technical regulations into conformity with the EU legislative acts. Preparation of conformity evaluation infrastructure to implementation according to the requirements of European legislation and re-equipment and modernization of the laboratories and authorities on conformity evaluation should be conducted with faster paces. Advanced training of employees in the sphere of conformity evaluation and of state market surveillance inspectors should be provided, producers', importers' and distributors' awareness about the new rules and requirements should be increased and producers' competitive ability should be strengthened.

Therefore, we can confirm that domestic technical regulation system promotes the growth of national production competitive ability at domestic market of consumer goods and contributes to the development of trade and investment cooperation with the EU countries and to elimination of technical barriers in trade. However, it still needs further active transformation according to European requirements, because it does not meet the export capacity in terms of trade with the EU countries.

As a result, introduction of the new technical regulation system based on European standards will cause not only improving of safety of goods and services, but will also contribute to a better institutional consumer protection in case of defective products.

Bibliography

ARTYUH, T. M. & HRYHORENKO, I.V., 2015. Strategy of reforming of technical regulation system in the context of favourable business environment creation in Ukraine. *Cherkasy University Bulletin. Series «Economic sciences»*. 33(366), pp. 3-8.

CABINET OF MINISTERS OF UKRAINE, 2015. *The Association agreement between Ukraine, on the one hand, and the European Union and its member States, on the other hand* [online]. Cabinet of Ministers of Ukraine [viewed 7 April 2017]. Available from: http://www.kmu.gov.ua/control/uk/publish/article?art_id=248387631

ECONOMIC DISCUSSION CLUB, 2016. *Ukraine's rankings among the countries in the world by Global Competitiveness Index* [online]. Economic Discussion Club [viewed 7 April 2017]. Available from: <http://edclub.com.ua/analytika/pozyciya-ukrayiny-v-reytyngu-krayin-svitu-za-indeksom-globalnoyi-konkurentospromozhnosti-1>

EMERSON, M., MOVCHAN, V., 2016. *Strengthening of EU-Ukraine relations What, why and how?* Kyiv: CEPS, IER.

LAHUTIN, V. D., UMANTSIV, YU. M., HERASYMENKO, A. H., 2015. *Internal market and trade of Ukraine: structural and institutional transformation: monograph*. Kyiv: National Trade and Economy University.

MAZARAKI, A. A., LAHUTIN, V. D., 2016. Ukraine's internal market under the conditions of misbalances between production and consumption. *Economy of Ukraine*. 4, pp. 4-18.

POPADYNETS N. M., KIT, L. Z., 2015. Prospects and risks of Ukrainian domestic commodity market development in terms of European integration processes intensification. *Global world : scientific anthology*. 1, pp. 147-153.

PUSTOVOIT, O.V., 2015 Policy of internal market development and the EU-Ukraine Association Agreement: common issues and conflict of tasks. *Economy and prognosis*. 1, pp. 49-63.

STATE STATISTICS SERVICE OF UKRAINE, 2017. [online]. State State Statistics Service of Ukraine [viewed 9 April 2017]. Available from: <http://www.ukrstat.gov.ua/>

SUPREME COUNCIL OF UKRAINE, 2015. *On technical regulations and conformity assessment*. The law of Ukraine, 15.01.2015. 124-VIII [online]. Supreme Council of Ukraine [viewed 9 April 2017]. Available from: <http://zakon0.rada.gov.ua/laws/show/124-19>

SUPREME COUNCIL OF UKRAINE, 2014. *On standardization*. The law of Ukraine, 05.06.2014. 1315-VII [online]. Supreme Council of Ukraine [viewed 9 April 2017]. Available from: <http://zakon0.rada.gov.ua/laws/show/1315-18>

SUPREME COUNCIL OF UKRAINE, 2014. *On Metrology and metrological activity*, The law of Ukraine, 05.06.2014. 1314-VII [online]. Supreme Council of Ukraine [viewed 9 April 2017]. Available from: <http://zakon0.rada.gov.ua/laws/show/1314-18>

SUPREME COUNCIL OF UKRAINE, 1994. *Agreement on Technical Barriers in Trade*, 15.04.1994 No.981_008 [online]. Supreme Council of Ukraine [viewed 8 April 2017]. Available from: <http://www.portal.rada.ua>

VITKIN, L., 2013. Global experience and strategy of technical regulation systems development. *Standardization. Certification. Quality*. 4. - pp. 3-11.