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## **THEORETICAL FOUNDATIONS OF ENVIRONMENTAL INTERNATIONAL TRADE: SECTORAL ASPECT**

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The international economy globalization has a significant impact on the agricultural market functioning. The aim of this paper is the theoretical and practical study of globalization determinants of the greening of economic development and trade policy. The article reveals the economic and social prerequisites of global transformations and market changes in international markets for organic agricultural food. The conclusions regarding the importance of creating conditions for operation of agricultural markets integrated into international ones in Ukraine were drawn.

**Keywords:** global transformation, trade, market conditions, greening of development economics, organic agricultural production, organic agri-food product market, the greening of the Ukrainian economy.

**Introduction.** The transformation of contemporary economic relations is accompanied with a tendency to a significant growth of population and, consequently, of the demand for goods and services, exacerbating the problems of non-renewable resource overuse and ecosystem destruction. At the same time, the existing ecological problems mainly have a supernational nature. Such circumstances form a necessity of reaching the balanced development and positive synergism between commercial activity and ecology at the international level, which would enable to satisfy existing growing needs for goods and services and ensure ecologically friendly attitude to the environment at the same time. Considering the abovementioned, solution of the described contradictions requires coordinated actions at

the international level. At present, the international trade is developing, taking into account postulates of sustainable development ideology. Implementation of the mentioned concept in the commercial activity is reached by means of rationalization of resource distribution and use, implementation of the latest scientific and technical achievements, etc. In particular, the importance of the mentioned problems have been long acknowledged by the WTO member countries; that fact was represented in stimulation of the sustainable development and green economics by means of ratification of the number of provisions as for formation of the protection mechanism and control on the field of environmental protection. The mentioned norms are aimed at maintenance of balance as for promotion of ecological purposes, on the one hand, and on the other hand, at avoidance of measures of commercial activity protectionism, and, as a result, of the negative impact on the rights of other WTO member countries. As an exception, for the purpose of achieving ecological benefits, it is allowed to violate such rules of international trade as non-discrimination of obligations and prohibition of quantitative restrictions. At the same time, it is distinguished that it is important to facilitate strengthening of the potential in the field of trade and environmental protection for developing countries.

The central task in the conditions of the economics globalization is an integrated, functionally and institutionally structured multi-level system. The central task is now an adaptation to the global economy with the saving of national interests and minimization of financial and economic, social and demographic, political and environmental risks. The leading integrating link of the global economical system is the world market and its structural branch elements.

One of the components of the SMART economy is implementation of the principles of 'green economy'<sup>1</sup>. We agree that one accepts a broader 'greening of the economy' definitional approach, several trends become apparent about the relationship between the environment and the economy (2013, Craig Alexander, ): 1. Environmental considerations are increasingly embedded into corporate decision making; 2. Improving environmental efficiency frequently results in cost advantages; 3. Incentives to reduce environmental impact can be a strong driver of innovation; and 4. Corporate responsibility is a driver for improving environmental performance.

<sup>1</sup> We thinking in terms of the 'greening' of the economy

Globalization of agrofood markets and impact of external competitive environment become determinant for national business entities, and global interdependency and complementarity of all sectors of national economics transforms social and political, organizational and economical, information and technological, ecological and resource conditions of countries development. The main success determinants in the conditions of global development are represented by structural reorganization of external economic potential with strategic orientation at competitive products export. An important potential item of the national agricultural sector export potential is represented by organic agro food products of crop production and animal husbandry. Moreover, the organic is "green" economic sectors.

**Principle Themes of the Global Economic Development and Greening of the Economy Literature.** If sustainable development is to become a reality, then transnational corporations must take their environmental responsibilities seriously. In the industrialized countries, some positive steps have been taken P. Utting (2015). The works of such scientists as U. Bek (2001), O. Bilorus (2001), V. Vlasov (2004), D. Lukianenko (2010), S. Maistro (2009), I. Pakhomov (1997), P. Sabluk (2008), S. Sokolenko (2002, 2004), D. Held (1993) et al. are dedicated to the issues of establishing of the global development model, impact of economics globalization on structuring and transformation of market relations, determination, perspectives and ways for adapting Ukraine to these processes. The widespread adoption of more eco-friendly approaches to economic production and consumption is changing the nature of work, and thus the skills required of many workers. While the greening of economies presents challenges, it also offers considerable potential for job creation, a matter of urgency in countries struggling to recover from the global economic crisis and to address longer-term employment concerns (2015, Greening the global economy). "Green jobs" are jobs that reduce the environmental impact of enterprises and economic sectors, ultimately to levels that are sustainable. This definition covers work in agriculture, industry, services and administration that contributes to preserving or restoring the quality of the environment (2008, UNEP/ILO/IOE/ITUC). The issues of the greening of development economics are described in systematic works of A. Blackman, M. Mathis, and P. Nelson (2001), Hess, David J. (2015), Mark L. Clifford (2015), C. Piovani (2015), P. Utting (2015) et al. The

works of such scientists as S. Antonets (2010) and A. Podolynskyi (1994) are dedicated to many-sided research of the issue of organic agricultural production method spreading. The issues of economical efficiency of economical activities in the sphere of organic farming are reported in scientific works of O. Dudar (2012), O. Khodakovska (2011), B. Shuvar (2012) et al. The aspects of organic agrofood market formation were considered by E. Boyko (2011), O. Kozlova (2011), A. Mazurova (2009), O. Rudnytska (2007) et al. The literature summarized above is diverse and voluminous to draw conclusions from greening of development economics. However, we argue that two overarching, closely related concerns underpin the literature: the appropriate role of government in environmental policy and the existence of significant trade-offs between economic and environmental policy objectives (2001, A. Blackman, M. Mathis, and P. Nelson).

*The goal of study* is the theoretical and practical study of globalization determinants of the greening of economic development, global and Ukrainian organic agrofood market development. *The object of study* is the process of functioning of global and domestic organic agrofood market entities and adaptation of

practice unity and the system and synergetic approach. It considers the development of the agricultural sector branches development from the perspective of the holistic paradigm and within the concept of its multi-functional development while taking into account the close interconnection of economic and organizational, social and political, ecological and natural factors and priorities. Due to this approach, the main branch issues considered from the perspective of integrity and continuity of the object, the subject and the environment, objectives, methods and controlling means, were identified. The systematic approach methodology allowed identifying the problematic aspects of the branch functioning and the agrofood market forming components at all levels: functional, empirical, methodological and institutional at the certain abstraction level. The comparison method was applied in determining the peculiarities of activities of countries – organic food manufacturers.

**Findings.** During the third millennium agrofood markets have global trend of constant growing demand and supply for ecologically safe products with the proper labeling and quality certificates. Organic food market is comparatively new and immature - the emergence of the idea of organic production has

Table 1.

### The spread of organic agriculture worldwide

Indicator	Year					2014 / 2010, %
	2010	2011	2012	2013	2014	
Organic market size, billion US dollars	54,9	59,1	63,8	72,0	80,0	146
The number of organic producers in the world, million	1,6	1,8	1,9	2	2,3	144
Agricultural land amount involved at organic production in the world, million hectares	37,04	37,3	37,5	43,1	43,7	118
including:	-	-	-	-	-	-
Africa	1,08	1,1	1,1	1,2	1,3	120
Asia	2,78	3,7	3,2	3,4	3,54	127
Europe	10	10,6	11,2	11,5	11,6	116
South America	8,39	6,9	6,8	6,6	6,9	82
North America	2,65	2,8	3	3	3,1	117
Australia and Oceania	12,14	12,2	12,2	17,3	17,3	143

Source: (2015, World of Organic Agriculture)

national agricultural goods manufacturers to the conditions of globalized world economics. *The subject of study* is the totality of theoretical, methodological and practical aspects of forming and development of the organic agrofood market and development of business entities' mechanisms of adaptation to global economy conditions.

**Research Methodology.** Methodological support for the research is based on the principle of theory and

occurred only in the forties of the nineteenth century. It should be noted, that the formation and development of this market was contributed by a number of factors such as increased level of conscious attitude to food, technological and medical progresses, the growing role of "environmental issues" in sectoral and trade policies. Consumer motivation and preferences have global trend and are the same for different regions. Consumers select organic products, focusing on

product quality, careful attitude to nature and animals.

The origin of the global organic food market is the American and European regions that became now major global markets. In 2014 the global market was estimated to be \$ 80 billion (table). United States of America are the market leader with a capacity of 24.3 billion EUR, the following places were taken by Germany - 7.6 billion EUR and France - 4.4 bn. Euro. It is also necessarily to highlight China Republic as a fast-growing organic products market with a volume of 2.9 billion USD. The highest purchasing power of organic food for one person is observed in Switzerland – 210 EUR and Denmark – 163 euros.

Organic production occurs almost in each country. Currently, the global market has more than 2 million of producers, most of which are registered in India (650 thousand), Uganda (189.5 thousand) and Mexico (170 thousand). The largest exporters of organic products are Italy, Netherlands, Spain, the US and France. World organic production occupied 43,1 million of hectares of land, that is four million more than in 2012 (39,04 million of hectares) or 0,9% of agricultural land.

According to the experts prediction in 2015 the global market of organic food products is estimated to be 93 billion EUR, and by 2020 the market will reach 188 billion EUR. (2015, World of Organic Agriculture). Is necessary to notice that the global forecasted volume of the world organic food market in 2014 increased in comparison with 2011 by more than 22 %, and the number of organic food manufacturers in the world increased for the same period by more than 37 % (2012, Helga Willer). The main volume of organic food production in 2014 is provided by the countries of North America (33%), Europe (27%) and South America (23%). At this, organic agricultural production spreads the most fast in European countries which is confirmed by the growth of area of agricultural lands involved in this sphere, almost twice for the period under consideration (2011, The Organic Market in Europe..., 2011, Developing the organic...). The organic food manufacture is carried out almost in all countries of the world. The most widely spread agricultural organic cultures are coffee (0,54 mln ha), olives (0,49 mln ha), cocoa (0,26 mln ha), nuts (0,2 mln ha) and grapes (0,19 mln ha) (2012, Organic farming..., 2012, The World Of Organic Agriculture: Key Indicators...). The leading manufacturers are Australia, Argentina, the USA, Italy, and Spain.

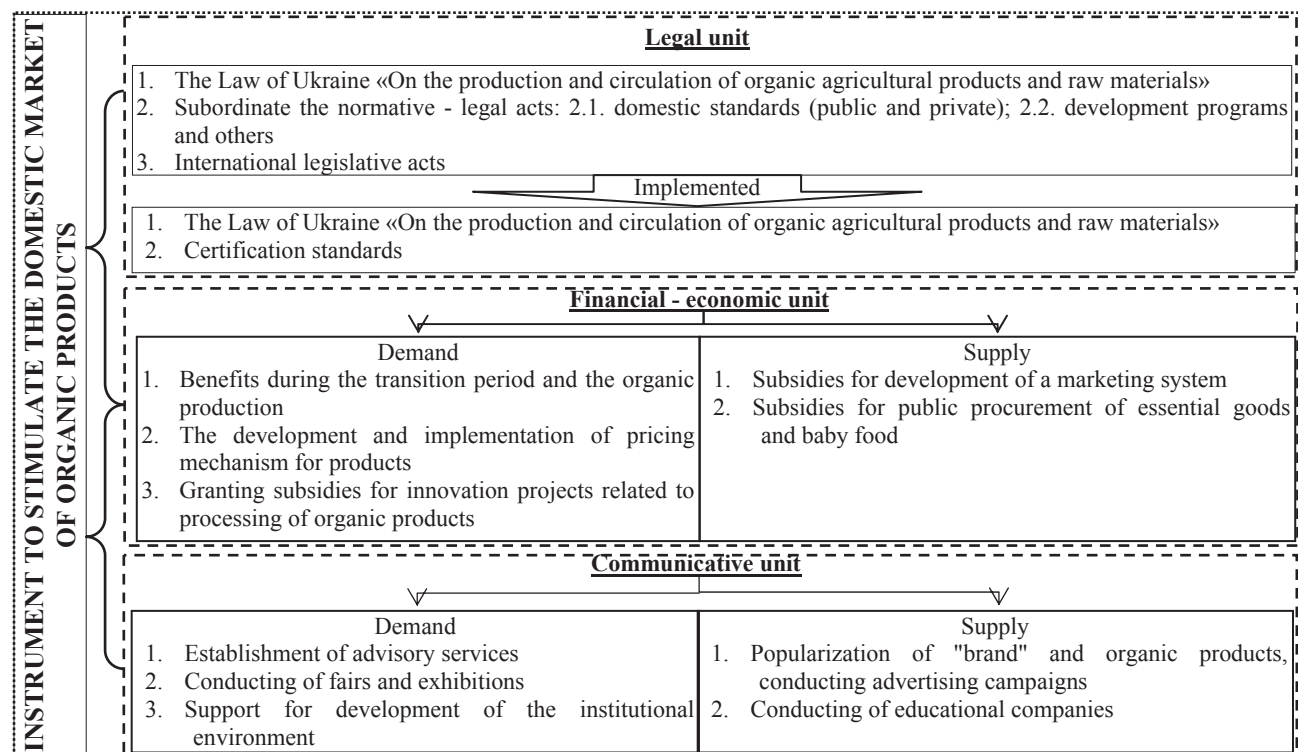
It can be indicated that the global market of organic agri-food products will grow and develop rapidly. The determining factors of market growth are consumers'

interest and awareness of organic products usefulness is increasing; further formation of institutional basis in developed and developing countries while improving legislation; producers' awareness that greening the economy is profitable for their business and the increasing environmental corporate social responsibility; public support programs for organic and agri-food production activation both in developing and developed countries; increased interest of large retailers and supermarket chains in traditional and e-retail-wholesale organic agricultural products development.

In Ukraine, the organic food market is at the initial development stage but availability of fertile soils, location in favourable climactic zones and advantageous geo-economic location are the evidence of a large potential for its further development. Ukraine has a considerable potential to increase the organic land areas. This market is rather attractive for manufacturers because demand to organic products increases gradually. Organic agri-food products can become an important item of the national agricultural sector export potential. In the domestic organic food production structure, crop production prevails, in which the largest unit weight belongs to cereals production. The value of crop capacity received by the enterprises under consideration - organic food manufacturers – approaches to average indices throughout Ukraine, and in some cases even exceeds them. During last time production of animal husbandry organic food, economic efficiency of which production is lower, in distinction from crop production, recovered (2010, Yatsenko, O; 2014, Tsyhankova, T). The pricing policy adjustment mechanism in the sphere of organic agricultural production is not set up in Ukraine. The price difference between organic and common products, on the level of wholesale trade, is negligible. The highest profit at the organic food market is received by distribution networks or food manufacturers who sell their products independently.

In fact, Ukrainians have not a high level of environmental awareness. Now many agribusinesses recognize that more environmentally sustainable policies and practices are not just good for their brand and reputation, but they can also lead to cost savings, and new revenue generation opportunities. In addition, green initiatives are increasingly complementing economic growth. With the purpose to determine features of demand forming, two expert sociological polls (2010, Yatsenko O. M.) were carried out. In 2012: poll of managers and specialists of factory-





**Fig. System of instruments to stimulate the development of the market organic agri-food products in Ukraine**

farm enterprises – organic food manufacturers and poll of managers and specialists of factory-farm enterprises. According to the study results, 34% of respondents are fully satisfied and 63 % are partially satisfied with the results of their business activities in the sphere of organic farming. Such a considerable percentage of experts having the certain doubts concerning justification of expectations from organic entrepreneurship is, in the first turn, conditioned by primitive institutional environment and the line of different factors. On the other part, it is an obvious fact that this sphere is attractive and the majority of manufacturers who began their activities in it will keep trying to hold their positions.

In Ukraine there is a number of destructive economic and political issues affecting the economy in general and organic agribusiness in particular. Complex stimulating instruments of Ukrainian organic agro-food product market development (fig.) may help resolving mentioned issues.

Formation of organic agri-food production market is constrained by the lack of effective legislation, however adopting the law “On the organic agricultural products and raw materials production and circulation” from 03.09.2013 №425-VII should be noted as a positive fact. One of the positive moments is that

according to paragraph 7 (Article 29) it is prohibited to use the designation with the words “organic”, “biodynamic”, “biological”, “ecological”, words with the prefix “bio” and so on in labeling of the products which do not meet the requirements of this law. Ukraine needs to implement the following types of markings, as in the European Union:

1) associated with the territory:

1.1) protected name of origin (PDO-Protected Designation of Origin.);

1.2) protected geographical indication (PGI - Protected Geographical Indication);

2) related to the method of production:

2.1) guaranteeing traditional features (TSG-Traditional Speciality Guaranteed);

2.2) organic farming (OF-Organic Farming).

**Conclusion.** Thus, summarizing all above-mentioned information, the following conclusion can be made:

The organic agricultural method can be considered as way the greening of economic development of the rural economy, it is environmentally responsible, it meets the established requirements, which leads to its popularity growth and, as the result, to increase of volume of both global and Ukrainian organic food market. Global and domestic demand for organic food increases from year to year. In order to overcome

barriers of the further organic farming implementation into the economic practice in Ukraine, it is, without any doubt, necessary to provide state assistance to organic entrepreneurship.

Organic farming plays the important role in providing food security and agricultural development due to distribution of ecologically safe farming systems. The importance and topicality of the stated production is confirmed by the considerable attention given to it by governments of the numerous countries around the world. In particular, the EU countries within the general agricultural policy stress the importance of the organic agriculture development.

Consequently, a general framework for assessing greening are relationship between the environment and the economy should be understood as, firstly, government environmental policy; secondly, economic and environmental efficiency; thirdly, corporate social responsibility (CSR). The greening process in the agricultural sector include: observance of the principles of organic production; regulatory compliance; managing economic efficiency; greening all industrial and logistics supply chain; new agroservices.

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**Яценко О.М., Завадська Ю.С., Яценко О.М. Теоретичні засади екологізації міжнародної торгівлі: секторальний аспект / Київський національний економічний університет імені Вадима Гетьмана, Дипломатична академія України при МЗС України**

Глобалізація міжнародної економіки здійснює значний вплив на діяльність аграрного ринку. У статті розкриті економічні, екологічні та соціальні передумови глобальних трансформацій торговельної політики і кон'юнктурні зміни міжнародного ринку органічної агропродовольчої продукції. Зроблено висновки щодо важливості створення умов для функціонування в Україні аграрних ринків, інтегрованих в міжнародні.

**Ключові слова:** глобальні трансформації, торгівля, кон'юнктура, органічне агровиробництво, пропозиція і попит, ринок органічної агропродовольчої продукції.

**Яценко О.Н., Завадская Ю.С., Яценко О.Н. Теоретические основы экологизации международной торговли: секторальный аспект / Киевский национальный экономический университет имени Вадима Гетьмана, Дипломатическая академия Украины при МИД Украины;**

Глобализация международной экономики оказывает значительное влияние на деятельность аграрного рынка. В статье раскрыты экономические, экологические и социальные предпосылки глобальных трансформаций торговой политики и конъюнктурные изменения международного рынка органической агропродовольственной продукции. Сделаны выводы относительно важности создания условий для функционирования в Украине аграрных рынков, интегрированных в международные.

**Ключевые слова:** глобальные трансформации, торговля, конъюнктура, органическое агропроизводство, предложение и спрос, рынок органической агропродовольственной продукции.

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