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Prospects of Business and Entrepreneurship of the Danube Region (Ukraine) in the Context of European Integration

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Abstract: Ukraine, its civil and business community found themselves in extremely difficult circumstances and challenges due to the military actions launched in February 2022. And those processes, transformations that took place before these sad events in the economic situation in Ukraine related to the rapprochement, integration of Ukrainian business into the European economic space have received a new development. The article considers the concept and essence of such categories as business and entrepreneurship, describes practical plane of business in Ukraine in the historical aspect of business development and geographically. Initially, business and entrepreneurship in Ukraine went autonomously from those economic processes that took place in Europe. Business itself in Ukraine also developed differently in different regions.

Keywords: Danube region; European Union (EU), Euroregion; European integration; foreign trade

1. Introduction

Currently, business and entrepreneurship of the Danube region are given great importance.

Objectives. The aim of the article is to consider the most likely prospects, directions of business and entrepreneurship development in the Danube region.

The study of business and entrepreneurship development in the Danube region is described in the works of such scientists, researchers and experts as Bykovets V., Fylypenko A., Kuleba D., Makoukh V., Savchenko A., Stasenko M., Tomashuk I. and others. Despite a number of the works in this area, there is still a need for further

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research in the context of Ukrainian business integration into the European economic space.

Initially, business and entrepreneurship in Ukraine went a bit autonomously from those economic processes that took place in Europe in connection with the formation of the European Union. But in the early 2000s, a steady course towards European integration of both civil and business communities was outlined in Ukraine. Meanwhile, the business itself in Ukraine also developed differently in different regions, and we shall trace in which regions and how it happened. It is also of interest to us to identify the development and subsequent integration into the European Economic Community such an important region of Ukraine as the Danube region in this process. We shall also consider the most likely prospects, directions of business development and entrepreneurship of the Danube region.

In any economic system, there are forces that are leading in the implementation of the main economic goal of this system. In the planning and administrative system, these are state-owned enterprises, in the market – business and entrepreneurship of all forms of ownership, divided by production volumes into small, medium and large businesses. Small business forms play a significant role because of their multiplicity and high profitability (Tomashuk, 2022).

Business and entrepreneurship are one of the main elements of a market economy, without them the state cannot develop intensively. Business and entrepreneurship affect the rate of economic growth of the state, the structure, volume and quality of the gross national product (GDP).

Recently, concepts such as “business” and “entrepreneurship” have begun to mix and lose their original meaning.

One of the most common definitions today says that a business is any activity aimed at making a profit, carried out by selling goods and services in demand. Despite the many formulations, adapted to real conditions, the common thing is that *“business is an entrepreneurial activity that is carried out by market economy entities and government agencies at the expense of their own or borrowed funds under their own responsibility and whose main goals are to make a profit and develop their own enterprise”*.

Entrepreneurship or entrepreneurial activity is an independent activity of citizens and their cooperatives associated with risk, carried out under their own responsibility, aimed at obtaining income from the use of property, the sale of goods, the

performance of works or the provision of services by persons, in accordance with the law.

It is difficult to separate these concepts, since they are equivalent, but, of course, there are differences. Business, like entrepreneurial activity, is divided by the size of its implementation into large, medium and small. They differ significantly in production volumes, in the size of fixed assets, and in labor and financial resources. Big business is one of the foundations of the modern economy, and small and medium-sized entrepreneurship is an important indicator of its state and development.

Entrepreneurship as the basis of business presupposes one's own business, which is always associated with the danger of losing it and losing the spent material and intellectual resources.

Business structure in Ukraine. Geographical aspect.

In general, despite the rather high quantitative indicators of small and medium-sized enterprises in Ukraine, they produce, according to various estimates, from 7% to 15% of GDP. According to the Federation of Employers of Ukraine, 85% of the Ukrainian economy is created by about three hundred large enterprises, and only 15% of GDP is generated by small and medium-sized businesses. At the same time, in Austria this figure reaches 45% of GDP, and in Germany – 60% (Stasenکو, 2014).

Vyacheslav Bykovets, General Director of the Union of Entrepreneurs of Small, Medium and Privatized Enterprises of Ukraine does not consider such a comparison indicative. To his mind, in terms of quantitative indicators of SMEs, we are reaching the average European level, but this is taking into account the individual entrepreneurs. He considers that individuals do not get into the statistics, but this is wrong, since they often have more employees than other small enterprises (Bykovets, 2021).

In fact, today the Tax Code allows even taxpayers to have up to 50 employees. In addition, according to V. Bykovets (Bykovets, 2021), the structure of the domestic economy has its own specifics: 60% of Ukrainian SMEs are engaged in trade and provision of services, 8-10% – in manufacturing and agriculture, even less – in construction. Thus, according to the Ministry of Economic Development, the share of SMEs in terms of sales volume is 60.5%, including small enterprises – 15.1%, medium-sized enterprises – 39.7%, individual entrepreneurs – 5.7%.

Business in the Odessa region in comparison with other regions of Ukraine.

In the regions of Ukraine, small business is developed unevenly. The capital is the leader in the number of enterprises – 75 thousand legal entities are registered here, or 20.6% of the total number in the country. Thus, there are about 26 enterprises per thousand residents of the capital. However, many companies registered in Kiev are actually located in other regions – it is easier to avoid the attention of inspection authorities in the center of business activity and it is easier to get access to resources, including financial ones.

After Kiev, the Odessa region is the most saturated in terms of the number of enterprises. There are 10 legal entities per thousand of the population. Business activity is due to a favorable geographical location. However, according to the study of the investment attractiveness of the regions conducted by the Kiev International Center of Sociology, the region is characterized by the highest rates of corruption and the lowest – protection of property rights. Experts point to the danger of raiding in the region, which hinders the realization of its investment potential.

In the Kiev region, the number of enterprises per thousand inhabitants is almost the same as in Odessa – the proximity to the capital and, as a result, a relatively well-developed infrastructure affects. The Kharkiv region has a fairly high indicator – 9 enterprises per thousand inhabitants. The high level of economic development of the region is associated both with its favorable geographical position and with significant reserves of its own raw materials – oil, gas and coal. Kharkiv region ranks first in the rating of investment attractiveness of regions.

But the Rivne and Chernivtsi regions are the weakest in terms of the total number of enterprises – 5 thousand and 4 thousand, respectively, or 4 enterprises for every thousand inhabitants. In the rating of investment attractiveness according to the favorable business climate, the Chernivtsi region is one of the worst in the country, experts call bureaucracy and pressure from tax authorities the main problems of the region. The development of small businesses in the Rivne region is hampered by a weak domestic market.

In terms of the absolute number of enterprises, the highest indicators after Kiev are in the East – in Donetsk and Dnipropetrovsk regions (28 thousand and 27 thousand enterprises, respectively) – each accounts for about 7.5% of all enterprises in Ukraine. Large industrial facilities are located in these regions. The share of large enterprises forming business activity is no more than 0.1% of the total number of legal entities. In addition, Donetsk and Dnipropetrovsk regions have the highest population density and the level of its urbanization, due to this, there are only 6

enterprises per thousand inhabitants in Donetsk region, and 8 in Dnipropetrovsk region.

At the same time, 80% of business entities registered in the country are individual entrepreneurs. The highest rate of individual entrepreneurs per thousand inhabitants is in large port centers: in the Odessa region – 32.4 individual entrepreneurs per thousand inhabitants and in Sevastopol – 35.6. In Kiev, Kharkiv and Khmelnytsky regions – 32, and in the Chernivtsi region – 31 people per thousand inhabitants.

The lowest “density” of individual entrepreneurs is in Western Ukraine, in the Ternopil, Rivne and Lviv regions – 22 entrepreneurs per thousand citizens. In total, Kiev and Donetsk region account for 16% of all individual entrepreneurs.

The historical unevenness of business between the regions of Ukraine.

Vyacheslav Bykovets explains that the unevenness has developed historically: more than half of the enterprises are registered in seven regions – this situation has existed at all times, since the advent of industrial production in Ukraine. Business is developing in Kiev and in the Eastern regions, where industry and scientific activity are concentrated, there are strong universities, which means qualified personnel (Bykovets, 2021).

In state-owned enterprises, the difference is explained by the general level of economic development of individual regions, including the financial and credit sector. In addition, the department points to the relationship between the number of SMEs and the availability of regional entrepreneurship development programs. Within the framework of these programs, local budget funds should be used to compensate interest payments on loans, concessional lending, the creation of new infrastructure facilities, replenishment of working capital of existing enterprises, etc. According to the Ministry of Economic Development, in 2012, the relevant articles were provided for in the local budgets of all regions without exception. But if such “advanced” region as Kharkiv region allocated only million hryvnas for business development, then Ternopil and Chernivtsi entrepreneurs could not receive more than 200 thousand UAH per region at all.

In general, we can say that small business is developing “in the shadow” of a large one, so its most significant concentration is observed in industrial areas and in Kiev, as well as at the intersections of trade routes. The development of small businesses is influenced by the income level of residents – in Kiev and in the East of the country, this indicator is much higher than in other regions. Much also depends on the volume

of the region's domestic market: business is developing more actively in areas with the largest population and a high level of urbanization.

Integration processes of business in Ukraine (Ukrainian Danube region) with the countries of the European Union.

The problems of integration of the border territories of the Ukrainian Danube region into the European Economic Community have received a new impetus and continuation in connection with the outbreak of hostilities between Russia and Ukraine in February 2022. First of all, such integration and cooperation concerns the states of neighboring countries, such as Poland, as well as from the Ukrainian Danube region – Romania, Moldova, Bulgaria, Czech Republic, Slovakia, etc. But since the conflict that has begun affects the interests of the countries of the entire European Union, other countries of the European Community have also been involved in such integration.

Considering that Ukraine is one of the world's largest producers and suppliers of food products to foreign markets, and primarily grain, the business of this country has taken serious steps to export grain to foreign markets. This was complicated by the fact that another major logistics center, a transport hub, the port of Mariupol, got out of control of Ukraine. And thus, the ports of the Ukrainian Danube region Izmail, Reni, as well as the ports of Chernomorsk and Yuzhny have become the main and decisive in the transportation of goods from Ukraine to the countries of the European Union. In this regard, both business and logistics routes have been rebuilt, and most importantly, the scale of such deliveries.

This became possible thanks to the so-called "grain deal". The grain deal, which is also called the grocery deal, was signed in Istanbul on July 22, 2022. The document was signed by four parties, Ukraine, Russia, Turkey and the UN. The latter two acted as guarantors of the implementation of the initiative, while Ukraine and Russia concluded agreements with Turkey and the UN separately.

The transaction consists of two parts. The part dedicated to the export of grain from Ukraine was concluded for 120 days, and in November 2022 it was extended for another 120 days. It provides for the creation of sea corridors for the export of grain from three Ukrainian ports – Odessa, Chernomorsk and Yuzhny. Russia guarantees that it will not interfere with the export of grain.

Since the beginning of the 2022/2023 marketing year (from July to June) and until January 2, Ukraine exported 22.76 million tons of grain crops. According to the Ministry of Agrarian Policy, more than half (55.5%) of the total supply volume is

corn – 12.64 million tons, another 8.41 million tons of wheat (36.9%) and 1.63 million tons of barley (7.1%).

The wheat harvest in Ukraine in 2022 amounted to 20.5 million tons, a third less than in 2021, despite losses from the war. Ukraine has become the ninth largest wheat producer in the world, the rate of grain exports since the beginning of the current year is 31.43% lower than in the same period last year (from July 1, 2021 to January 2, 2022, 33.2 million tons were delivered abroad). From the beginning of 2022/2023 Ukraine exported: 8.41 million tons of wheat, 1.63 million tons of barley, 12.5 thousand tons of rye, 12.64 million tons of corn, 69 thousand tons of flour (+15.9%).

The very fact of such a transaction means a powerful impetus for the development of business, logistics schemes, transport infrastructure of Ukraine, and in particular the Ukrainian Danube region, as well as the countries of the European Union in the process of such integration.

It should be noted that the military actions that began in 2022 changed the architecture of such integration of Ukrainian business into the European economic space, which successfully went on before the start of the war between Ukraine and Russia, and had a much larger format and range of penetration.

In particular, the scale of such economic penetration of Ukrainian business into the European Economic Community is evidenced by the fact that even before the start of military actions, Ukraine for the first time led the EU macro-regional strategy. This happened at the 10th Annual Forum of the European Union Strategy for the Danube Region, partially organized by the European Commission, and which was held on October 26-27, 2021 in Bratislava (Slovakia) in a hybrid format. Within the framework of the Forum, the ceremony of transferring the chairmanship of the Danube Strategy from Slovakia to Ukraine took place. For the first time in history, a country outside the European Union was at the head of the EU's macro-regional strategy.

During the event, hundreds of participants, representatives of the European Commission and Slovakia discussed many topics of interest, including for Ukrainian business: digitalization, biodiversity of the region, the role of youth, the issue of support for non-EU states, and more.

The Minister of Foreign Affairs of Ukraine Dmitry Kuleba said at a briefing on this event the day before that the strategy of Ukraine's foreign policy activity confirms our state as an active participant in international politics. He underlined that we no longer expected to be invited somewhere, we took the initiative, especially in our

own region, where we are implementing an ambitious foreign policy and developing the neighborhood. And here is concrete evidence – today Ukraine will officially lead the strategy of the European Union for the Danube region next year. Ukraine became the first state that, not being a member of the European Union, began to coordinate the activities of 14 countries of the Danube River basin and the implementation of EU strategic initiatives in the region. Ukraine actively participates in the formation of the regional policy of the European Union at the level of the EU member states (Kuleba, 2021). It is worth noting that nine EU members (Austria, Bulgaria, Germany, Romania, Slovakia, Slovenia, Hungary, Croatia, Czech Republic) and non-member Bosnia and Herzegovina, Moldova, Serbia, Ukraine and Montenegro are involved in the work under the Danube Strategy.

As a rule, the border territories of neighboring countries differ in terms of GDP per capita, per capita monetary income, average monthly wages and other important indicators. The use of these differences is an important feature of business and socio-economic development of border territories. The socio-economic gradient created in the border territories determines the movement of businesses, goods and people across the border, and contributes to international migration. As a result of intensive cross-border exchange, a new business situation is transformed and appears, where the structure, demographic and settlement situation: the gender and age structure, the number of settlements, the population of cities and villages are changing. In historical retrospect, characterizing the settlement and development of border territories, the toponymic landscape is formed and fixed.

General prospects and trends of business and entrepreneurship of the Ukrainian Danube region in 2023 and beyond. The role of the cluster approach.

Resuscitation, recovery from the deep crisis and further sustainable development of Ukraine and its business community after the end of the war are possible only through the revival of the real economy.

One of the possible ways to do this is to use clusters, including the cluster “real economy – business-education – science” based on a system-synergetic approach.

In addition to the Danube region, this means that business should develop not by itself in an isolated environment, but in close connection with government – education-science. The main provider here is the local executive authority, which, based on the interests of the population, and based on the specifics of the region, determines the business strategy for the near, medium-term, and long-term prospects.

And such a strategy is being developed with the help of a scientific approach based on local higher education institutions and scientific personnel. In particular, such work on cooperation with higher educational institutions of Romania, Bulgaria, Germany, Moldova, Turkey is carried out by the Izmail State Humanitarian University of Izmail, Odessa region, as well as other higher educational institutions of the region. Appropriate conferences, exchange of specialists and experience are organized. In the future, such cooperation can and should have not only applied scientific research, but also pursue the development of the business community. Currently, the most advanced in this business direction is the sphere of transport logistics, tourism. But in the future, we shall highlight other most popular areas, such as:

1. *Technologies for the agricultural sector*: Ukraine is one of the largest producers of grain and other food products in the world. The development of technologies for the agricultural sector, such as automation, artificial intelligence and drones, can increase the efficiency and competitiveness of this industry. Investing in agricultural technologies, cultivation and processing of crops, as well as in food production can be profitable.
2. *Business investment in agriculture and food industry*, as the Danube region of Ukraine has a huge potential in this area. You can invest in agricultural enterprises, food production and processing, development of new technologies, etc.
3. It is also worth paying business attention to the *further development of infrastructure and logistics*, since the Ukrainian Danube region is at the intersection of many international transport routes. This can be the production and sale of goods for logistics companies, the creation of warehouse complexes or technological solutions for managing logistics processes.
4. *The service sector*. This may include the creation of tourist facilities by the business, venture capital, real estate management, consulting and other services. It is especially worth paying attention to the development of tourism, since the Danube region has a rich cultural and natural heritage. One of the options may be the creation of travel companies, the development of routes and the provision of services for foreign tourists.
5. *E-commerce*: online commerce and online stores that have already been developed in Ukraine and will continue to grow further.
6. *Technologies for financial services*: there is an increase in electronic payments and fintech startups in Ukraine. The development of technologies for financial

services can be a promising direction for business and integration with the financial system of the European Union.

7. *Medical technologies*: the healthcare sector in Ukraine and in the Danube, region needs innovative solutions and technologies. This may include medical applications, health monitoring systems and other innovative solutions. And this is seen as a great field of development for business.

8. *Environmental technologies*: Ukraine continues to face environmental problems, and the development of environmental technologies can be a promising direction for business, since the environmental problems of the Danube region are also relevant for other countries of the European Union such as Romania, Bulgaria, Austria, Hungary, Germany. In fact, such cooperation has been going on for many years with Romania, Bulgaria within the framework of the Clean River project. And in the future, it should deepen.

9. *Online education*: Due to COVID-19, many Ukrainians have switched to online education, and this trend is likely to continue in the future. Online education can include both paid courses and free courses on various online platforms. As a business idea, this is the place to be.

10. *Realty*. Investing in real estate can be profitable in Ukraine. The cost of real estate in the Danube region is relatively low, and prices in the real estate market are gradually increasing. Investing in commercial real estate, such as office and retail space, can be promising.

11. *Restaurant business*. The Danube region is a fertile region for tourism. The Ukrainian Danube region has a rich culture of cooking and in recent years has become increasingly popular among tourists. The restaurant business can be possible, and this industry can bring high profits.

12. *Digitalization*. IT sector. Ukraine is a software development center and has many talented specialists in this field. Investing in the development of applications, software and other technologies can also be promising.

Conclusion

Thus, summing up the brief results of this work, we can identify persistent trends in the development of Ukrainian business and entrepreneurship both in general and in the Ukrainian part of the Danube region. We also identified the most likely prospects for the development of business in the Ukrainian Danube region. Of course, the outlined processes are directly related to the overall integration of Ukrainian business into the European economic space.

The hostilities that began in February 2022 left a special imprint on the nature of such integration, but did not cancel it in any way. Moreover, using the example of the so-called “grain deal”, we observe that such processes of interaction between Ukrainian business and European business are only expanding and strengthening. Accordingly, Ukrainian business responds to new challenges with new opportunities and prospects, which we have considered in this article.

We have identified the most obvious and promising business areas of the Ukrainian Danube region in the near and distant perspective. However, it must be remembered that any business has its risks, and investors should conduct a thorough market research and calculate their investments accordingly. In any case, it is recommended to conduct a thorough analysis of the market and potential customers before investing large sums in a particular line of business.

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