

ECONOMIC SECURITY OF THE REPUBLIC OF ARMENIA AND UKRAINE UNDER THE CONDITIONS OF GLOBALIZATION

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As a result of Soviet Union collapse fifteen new states appeared on the map of the world, which for enough short time had to find their place on the economic and political arena of Europe and Asia. From the elements of the single system every appearing state had to be transformed into the independent system with all necessary attributes. The necessity of forming the national economy got up. Economic connections, which had existed by decades, were severed; especially we had opportunity to look after the processes of economic removal and a kind of “closing the national economies” from former «brothers» in the first years of independence.

Practically all new countries ran into similar problems: first off, necessity of determination - what is the national interest and how it should be protected. In such conditions the matter of state economic security became especially actual.

In the given article we will make an effort to give description of the modern state of economic security of two states, which were formed after disintegration of USSR, - the Republic of Armenia and Ukraine.

For characterizing the economic security as an economic category we should note that in the modern conditions the economic security is the basic element of national security which besides economic, also includes military and political constituents¹.

In economic literature economic security is defined from two sides: as a degree of protecting the national economic interests and as the state of objects, which are protected by the state². In our view, these definitions can be combined. Thus, economic security can be considered as the state of economy, when realization and protection of country's economic interests are provided on national and international levels, that implies:

- high and steady economic growth;

¹ <http://abc.informbureau.com>

² Пастернак-Таранушенко Г.А. Економічна безпека держави: Методологія забезпечення // <http://econbez.narod.ru/1security/security.htm>

- effective satisfaction of economic needs;
- state control after movement and usage the national resources.

Also we should mark the role of international environments as an external factor that is directly affecting the economy and accordingly the state of country's economic security. Financial and oil crises, which have been taking place since 1970th till today, are absolute confirmation of the given fact.

In the conditions of world economy globalization, development of transnational business, increasing the role of international organizations the state must find a consensus between the necessary degree of protection the national economic interests and the commitments before world community as joining and ratification of international agreements, conventions and other levels of agreements. In our view, foremost, at forming the system of national economic security the state must take into account the national interests, and then the degree of their co-ordination with interests of international environments.

Today we can speak about four levels of interests' realization: micro (level of separate man or enterprises), macro (level of state national interests), transnational (interests of multinationals) and international or supranational (interests of world economy, which are expressed by the international organizations and integration unions of the states).

So the state at forming the strategy of economic security must take into account interests of subjects of the micro, macro levels and national multinationals, and here to co-ordinate them with interests of international environments: supranational interests, national interests of other states and interests of foreign multinationals (Illustration 1).

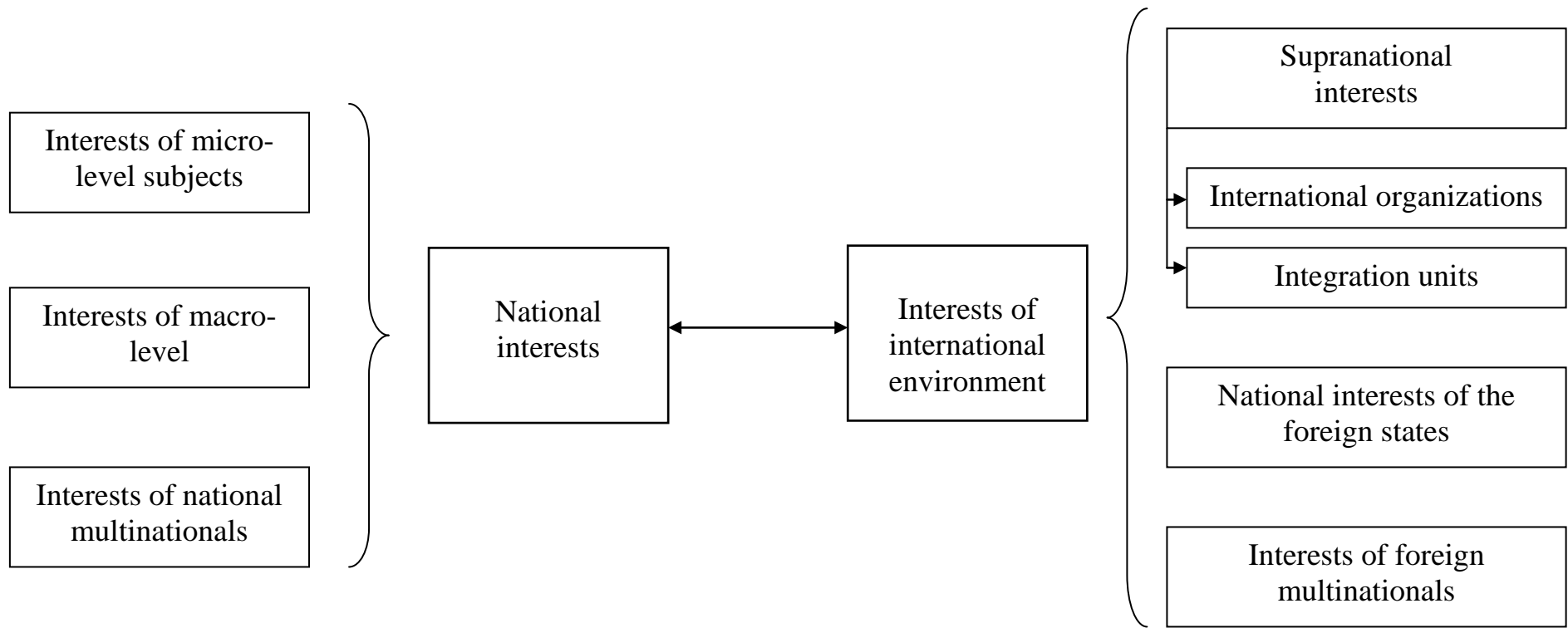


Illustration1 – Coordination of national interests with interests of international environment

Taking into account all foregoing we will analyze the state of economic security of Armenia and Ukraine accordingly to the following plan:

1. modern state of national economy and internal tendencies of its development;
2. country's participation in the international economic relations;
3. degree of international environments' influence on economic and political life of a country.

Economic-geographical position is the basic determinative element of the state economic security. Also for characterizing the state of national economy, taking into account definition of economic security, which was given before, it is possible to select such indexes as: the GDP growth, rates of inflation and unemployment, structure of economy, volumes of export and import, including the high- technology export, volume of external debt and foreign direct investments. In the Table 1 the indexes of economic security of Armenia and Ukraine are resulted. Exactly on the basis of these indexes we will draw conclusions about the level of protection of national interests of these countries.

Economic-geographical positions of Armenia and Ukraine have the obviously expressed distinctions. Armenia has comparatively advantageous position having borders with a few countries. However presence of two important neighbors, Azerbaijan and Turkey that closed their borders with Armenia for political reasons soon after Armenia's independence, and absence of naval port over brought to the considerable economic losses. Foremost it is the high transport costs: the main surface trade links are limited to low-capacity rail and road connections with Georgia and its Black Sea ports, and single road with Iran. Border closures have imposed costs on the economy.

Table 1 – Economic security indexes of Armenia and Ukraine³

Index	Year	Armenia	Ukraine
1. GDP (US\$ billions)	2004	3.5	65.1
	2003	2.8	50.1
2. Average annual growth of GDP (%)	2004	10.1	12.1
	2005		2.8
3. GNI per capita (US\$)	2004	1070	1260
4. Inflation rate (%)	2003	8,6	7.3

³ Armenia at a glance, Armenia Data Profile, Ukraine at a glance, Ukraine data profile // www.worldbank.org; Analysis of the main indexes characterizing the economic development of RA up to 2003 // Ministry of trade and economic development of RA // www.minted.am; Main indicators of the economic and social development of Ukraine (29.09.2005) // Ministry of Economy of Ukraine // www.me.gov.ua.

	2005		11.8
5. Unemployment rate (%)	2004	10.1	3.7
6. Structure of economy (% of GDP)	2003		
Agriculture		23.5	12.2
Industry		39.2	35.9
Manufacturing		21.9	21.6
Services		37.3	51.9
7. Import (US\$ millions)	2003	1279	24008
8. Export (US\$ millions)	2003	686	23739
9. High-technology export (% of export)	2000	4.5	5.1
10. Import-dependency ⁴	2003	0.46	0.47
11. Openness of economy ⁵	2003	0.70	0.95
12. External debt (US\$ millions)	2004	1125	17887
13. Foreign direct investments (US\$ millions)	2003	120.9	1400
14. Growth of foreign direct investments (%)	2000/2003	16.03	135.29

Geographical position of Ukraine is enough advantageous. Ukraine is located on crossing of trade routes, has naval port and has not problems with the neighboring states. Also we should note the presence of border with European Union that favors development and expansion of trade communications in this direction.

On the size of national income per capita Armenia and Ukraine belong to the lower-middle income group in accordance with World Bank countries classification. As the Table 1 testifies in Armenia this index makes 1070 US\$ and in Ukraine 1260 US\$, while an average index on a group makes 1580 US\$. Thus, both Armenia and Ukraine must consider this main index as stimulus to actions taking into account that in the times of the USSR these two states had considerable economic potential.

The GDP average annual growth in Armenia and Ukraine speak about positive tendencies (accordingly 10.1 % and 12.1%). However in Ukraine this index in 2005 sharply went down and made 2.8%, that is conditioned by political and, as a result, economic crisis which began since the elections of President of Ukraine in autumn 2004. In our view, the GDP growth in direct ratio relies on political stability and time when this stability would come. The considerable GDP growth in Armenia is conditioned by the fact that since independence in 1991 till 1994 in a country there was

⁴ Import-dependency = Import / GDP

⁵ Openness of economy = (Import + Export) / GDP

an economic crisis, as well as in the all countries of former USSR. Economy began to restore since 1994 practically from a zero. The average economic growth since 1994 till 2005 made 6-7%, however it does not testify the considerable development of economy. The meaning of this index is conditioned by statistical rules, but not real situation. We can say, that the economy of Armenia makes just first serious advances to stable development.

Rate of inflation in Armenia in 2003 made 8.6% that is at the possible limits. It speaks about ability of government to control position at the national currency market and economic stability. In Ukraine the inflation rate made 11.8% in the first half 2005 that is also caused by a political crisis.

An unemployment rate in Armenia in 2004 made 10.1%, in Ukraine 3.7%. In Ukraine this index is at the possible limits. In Armenia considerably deviation from a standard is conditioned by a blockade situation and inaccessibility of raw material markets for industrial enterprises. In times of the USSR Armenia had strong industry, which was based on strong economic communications between republics. Most of these communications were lost that forced the closure of enterprises and shortening of workplaces.

Examining the structure of economy of Armenia and Ukraine we should note that industry plays meaningful role in both countries (accordingly 39.2% and 35.9%). It is caused by the fact, that in the times of the USSR Armenia and Ukraine were industrial centers. On agriculture in Armenia there is 23.5%, in Ukraine - 12.2%. For comparison: in the European countries this index makes 4-6%. The services sector in Ukraine makes 51.9%, in Armenia - 37.3%. In the developed countries this index makes more 60%. These indexes speak that Ukraine is on its way from industrial to postindustrial stage of economic development. In the case of Armenia the situation is following: if the problem of resource-providing (which is called by blockade) won't be solved in the nearest future, then Armenia possibly will go from agriculture-industrial to postindustrial stage of economic development (as South-East Asian countries did).

The analysis of countries' participation in the international economic relations appears a next point of describing the economic security of Armenia and Ukraine in accordance with the given plan. The basic indexes, in our view, are the volumes of foreign trade of these countries and their participation in international movement of capital.

Characterizing foreign trade of Ukraine we should note that volumes of export/import of goods and services in 2005 considerably decrease on comparison with 2004⁶. It is caused by political and economic crisis, and, in our view, it is a temporal situation, which speaks about temporal difficulties and cannot testify the long-term negative tendencies of economic development.

⁶ Main indicators of the economic and social development of Ukraine (29.09.2005) // Ministry of Economy of Ukraine // www.me.gov.ua

During the six months of 2005 the export was increased on 9.3% (for similar period in 2004 – on 46.0%), import – on 26.5% (2004 – on 33.3%).

Considering the regional structure of export/import of Ukraine we should note that Russian Federation appears the main foreign trade partner (export – 20.8%, import 36.1%) (Table 2). On the basis of this fact it is possible to speak about economic dependence on Russia. However, such considerable shares of export/import are conditioned by the presence of long-term economic communications and geographical neighborhood. For this reason, in our view, we can speak not about economic dependence, but about development of economic collaboration with Russia, that can only positively affect the economic security of Ukraine.

Table 2 – Main trade partners of Republic of Armenia and Ukraine

Export		Import	
Country	Share of trade turnover (%)	Country	Share of trade turnover (%)
Ukraine (2004) ⁷			
Russian Federation	20.8	Russian Federation	36.1
Turkey	6.2	Germany	9.0
Italy	5.8	Turkmenistan	8.8
Germany	4.3	China	4.5
Poland	2.9	Poland	3.5
USA	2.6	Italy	2.8
Armenia (2003) ⁸			
Belgium	18.3	Russian Federation	16.4
Russian Federation	13.9	Belgium	10.2
USA	8.3	Israel	9.7
Germany	6.5	USA	8.0
United Kingdom	5.9	Iran	5.3
Switzerland	4.7	United Kingdom	4.5
Iran	3.3	Germany	3.4

Simultaneously with it we should note the question of energy dependence on Russia. About 70% of all energy resources in Ukraine have the Russian origin.

Some researchers analyzing the economic security of Ukraine give a considerable role exactly to energy security and, foremost, «security from Russia»⁹. With the purpose of avoidance of

⁷ Main indicators of the economic and social development of Ukraine (29.09.2005) // Ministry of Economy of Ukraine // www.me.gov.ua.

⁸ National Statistical Commission of Armenia // www.armstat.am

such dependence the Ukrainian government undertakes steps on diversification of energy resource suppliers. There are such steps: development of «Ukraine energy security strategy till 2030», which foresees during ten years building the additional gas pipelines to deliver Caspian gas on the basis of collaboration with Iran, Turkmenistan and Armenia; investigation of possibilities of the using the Ukrainian pipelines for transit of oil and gas from the Near-Eastern region; investigation of possibilities of the building 11 new atomic power units; preparation of project of law about providing the energy security in Ukraine. All these measures, in our point of view, will provide conditions for the decline of energy dependence on Russian oil and gas.

Characterizing international trade of Armenia, we should note that Russian Federation (commodity turnover in 2003 made a 302.321 mill. US\$, 15.5% of general volume of commodity turnover) and Belgium (commodity turnover in 2003 - 253.537 mill. US\$, 13%) are main trade partners. The substantial share of commodity turnover between Armenia and Belgium is based on the importing unpolished diamonds from Belgium and Russia and exporting polished diamonds to Belgium. A commodity turnover with Russia has more diversified character and is based on long-term economic communications between two countries.

The volume of foreign trade turnover of RA made 1947.5 mill. USD in 2003 and the growth as compared to the previous year was 30.5%. In 2002 this index was 1498.6 mill. US\$ (the growth rate was 22.9%). The export volume made 678.1 mill. US\$ (the growth rate was 134.2%). In 2002 it made 507.6 mill. US\$ (the growth rate was 148.5%). According to the countries 18.7% of export went CIS countries, 38.1% to EU countries and 43.2% to other countries¹⁰.

The import volume in 2003 made 1269.4 mill. US\$, the growth rate was 128.6% (in 2002 the index was 727.0 mill. US\$, the growth rate was 146.8%). 24.4% of the import volume goes to CIS countries, 29.3% to EU countries and 46.3% to other countries. 67.1% of import volume from CIS countries goes to the Russian Federation, 12.4% to Georgia, 14.2% to Ukraine. From EU countries 37.8% goes to Belgium, 15.3% to Great Britain, 11.8% to Germany, from other countries 8.4% to Israel, 5.3% to Iran and so on.

Analyzing the volumes of export/import it is necessary to pay attention to such index, as share of high-technology export in the general export. This index, in our view, is important for the analysis of the economic security of a country, because it testifies the level of technologies development inside a country and their competitiveness at the international market.

⁹ «Новый колониализм» Прибалтики и Украины: «экономическая безопасность» от России. For-Um. 20/09/2005 // www.for-ua.com

¹⁰ Analysis of the main indexes characterizing the economic development of RA up to 2003 // Ministry of trade and economic development of RA // www.mted.am

In Ukraine this index makes 5.1%, in Armenia – 4.5% (Table 1). For comparison in 2003 this index made in France 19.5%, in Germany 16.4%, in Great Britain 25.8%, in the USA 30.8%.¹¹ Thus, the index of high-technology export in the general export speaks that in Armenia and Ukraine the industry is at not enough high level and not competitive at the international market of hi-tech products.

On the basis of external trade volumes we are able to count such indexes as openness of economy and country's import-dependency. The analysis of these indexes provides the real picture of degree of participation and role of country in the international trade relations.

As the Table 1 shows in Armenia and Ukraine the import-dependency index approximately exceed the norm, which makes in developed countries no more then 0.25-0.3, and makes accordingly 0.46 and 0.47. It speaks about the high degree of dependence on foreign deliveries and is a stimulus to actions on reduction of import volumes. This is possible to attain, in our view, by development of import-substitution industries.

The index of openness of economy in 2003 made in Armenia 0.74, in Ukraine -0.95. Thus, we cannot consider this index as positive factor for economic security. Comparing this index in analyzed countries with United Kingdome or USA (Table 3) allow us to conclude that Armenia and especially Ukraine are in great dependence on foreign trade partners. In the case of changing in the international environments Armenia and Ukraine may loose a lot.

Table 3 – Index of openness of economy (2003)¹²

Index	Armenia	Ukraine	UK	USA
Share of export (% of GDP)	23.4	52.9	28.1	11.2
Share of import (% of GDP)	50.5	48.3	30.1	15.1
Openness of economy	0.74	0.95	0.58	0.26

A size of country external debt also is a substantial index, which describes the economic security. In world practice there are no exactly defined possible limits of this index. However obviously, than below it is toward to GDP, that is better. The size of external debt makes in Armenia 1125 mill. US\$ (32.14% of GDP), in Ukraine 17887 mill. US\$ (27.48%). In our view, such sizes of external debt are the serious threat for economic security of these countries.

The size of foreign direct investments gives a basis for determination of the degree of the investment attractiveness of country at the international market. This index shows the degree of stability of economic and political development. It is visible from data of the Table 1 that the

¹¹ France Data Profile; Germany Data Profile; United Kingdom Data Profile; United States Data Profile // www.worldbank.org

¹² Armenia Data Profile; Ukraine Data Profile; United Kingdom Data Profile; United States Data Profile // www.worldbank.org

volumes of foreign direct investments in Armenia and Ukraine are substantial. Also growth of foreign direct investments volumes is a positive fact in Armenia (16.03%) and Ukraine (135.29%) for the period of 2000-2003. However in Ukraine in the first half-year 2005 the considerable outflow of foreign capital took place in size of a 176.3 mill. US\$, it was caused by the political and economic crisis¹³.

The degree of international environments influencing on economic and political position of Armenia and Ukraine is a next point of analysis. In accordance with the scheme, which was given on Illustration 1, the international organizations, integration unions, foreign states and foreign multinationals belong to international environments. We will pay attention to international organizations and integration unions, which influence on the states.

Among international environments, which have considerable influence on the economy of separate country and, thus, affect economic security, in our view, it is necessary to select European Union, as the largest integration union, World Trade Organization, as an institute of international trade regulation, and international financial institutions such as World Bank and International Monetary Fund.

As a result of European Union enlargement in May 2004 Ukraine became the geographical neighbor of EU, Armenia also approached its borders. EU provides a European Neighborhood Policy (ENP) to Armenia and Ukraine.

The ENP's objective is to share the benefits of the EU's 2004 enlargement with neighboring countries in strengthening stability, security and well-being for all concerned¹⁴. It is designed to prevent the emergence of new dividing lines between the enlarged EU and its neighbors and to offer them the chance to participate in various EU activities, through greater political, security, economic and cultural co-operation.

The ENP is distinct from the issue of potential membership. It offers a privileged relationship with neighbors, which will build on mutual commitment to common values principally within the fields of the rule of law, good governance, the respect for human rights, including minority rights, the promotion of good neighborly relations, and the principles of market economy and sustainable development.

Basic document that regulates the relations between EU and Armenia and Ukraine is Partnership and Cooperation Agreement, which was signed between EU and Armenia in 1999, between EU and Ukraine in 1994.

¹³ Main indicators of the economic and social development of Ukraine (29.09.2005) // Ministry of Economy of Ukraine // www.me.gov.ua

¹⁴ The European Neighbourhood Policy // www.europa.eu.int

Also we should note the distinctions in the purposes for collaboration between analyzed countries and EU. Ukraine practically from the beginning of relationships with EU had declared the desire to become the member of EU, Armenia is oriented on collaboration development.

However such optimistic plans of Ukraine did not justify oneself, as it marked before, EU offered for Ukraine the European Neighborhood Policy, which does not imply potential membership.

On the whole, among directions of collaboration between EU and Ukraine in the field of economics and trade, in our view, it is possible to select the following:

- Expansion and deepening of trade relations;

EU is the serious trade partner of Ukraine. Accordingly to the data of the State Statistic Committee of Ukraine in 2004 EU made about 29-34% trade turnover¹⁵. However bigger part of the Ukrainian export to the EU countries (about 32%) are energy fabrics, oil and products of its processing, black metals. The basis of commodity import in Ukraine from the EU countries makes mechanical equipment, transport vehicles, electric machines and equipment (about 37%). These data in an aggregate with the index of high technology export share in the general volume of export speak about the low level of hi-tech industries development, and negatively influence on the economic security of Ukraine.

EU also is a large investor into Ukrainian economy; the share of foreign direct investments volume from EU countries makes 57.5%. It also confirms the high level of collaboration between EU and Ukraine.

- EU support Ukraine to grant 'market economy status';

In an assessment on the Ukrainian request to be given 'market economy status' under the EU trade defense rules; the Commission indicated that there must first be a tightening of bankruptcy rules and the elimination of state-interference in pricing in the metal and fertilizer sectors.

- EU assistance to Ukraine's joining WTO;

The EU was one of the first partners to conclude its bilateral protocol with Ukraine in March 2004, whereas negotiations with certain other key WTO members continue¹⁶.

A key focus is on negotiations for Ukraine's accession to the WTO, where agreement has already been reached on bilateral terms for market access in goods and services, and where the EU is supporting the Ukrainian government in its task of alignment to the multilateral rules of the WTO system. Recent discussion has focused on further progress on the protection of intellectual property rights, and elimination of conditions that discriminate between foreign and domestic operators in

¹⁵ Geographical Composition of Foreign Trade of Ukraine // www.ukrstat.gov.ua

¹⁶ EU-Ukraine Relations // www.europa.eu.int

the automobiles industry sector. The EU also expects Ukraine to lift other export restrictions, and to eliminate export duties such as those currently applied to ferrous scrap and to sunflower seeds.

Other important areas include the need to improve Ukraine's investment climate, to reduce VAT arrears and to tackle corruption that acts as a significant deterrent for foreign investors.

- Technical assistance in the frame Program TISIS.

The EU is the largest donor to Ukraine. Total assistance since 1991 till now amounted to more than 1 billion Euros, including through the TACIS programme, macro-financial assistance, and humanitarian assistance.

Including within the framework of the Tacis National Programme for period 1998-2004 in the economy of Ukraine was invested 353.3 mill. euro; in a 2005 - 88 mill. euro, in 2006 - 100 mill. euro (planned).

As it was noted higher the relations between EU and Armenia are built on the basis of Partnership and Cooperation Agreement and European Neighborhood Policy. Armenia has reiterated that its main target in foreign policy is "progressive integration into EU models and standards".

EU today is the important trade partner of Armenia. In 2000 the EU accounted for 36% and 34% of Armenian exports and imports respectively. This is three times more than US-Armenia trade, but it is essentially because of trade in diamonds, which are polished in Armenia and re-exported to the EU (Belgium).

Also Armenia got the considerable financial assistance from EU within the framework of the Tasis program: for period 1991-2000 it was invested 286.13 mill. euro into the Armenian economy¹⁷.

The relations between analyzed countries and World Trade Organization are on different stages. Ukraine is on the preparatory stage of joining WTO, while Armenia became the competent member in 2003.

However, in our opinion, Armenia joined WTO too early. Armenia had one of the most opened external economic policies among the CIS countries. And the joining the WTO has made a little changing. In our view, Armenia had needed time for internal market development with the purpose to strength the competitiveness of national economy at the international market. Serves as evidence to it circumstance that after the Armenian joining WTO the substantial increase of export did not happen (growth has taken place just on those points on which already there were tendencies to increase). And the import was considerably multiplied, that speaks about increasing the index of import-dependency that in same queue negatively influence on economic security. But in general, in our point of view, at present moment, when about 2 years from the moment of joining have passed,

¹⁷ The EU's relations with Armenia // www.europa.eu.int

it is early to judge about the long-term foreign trade development tendencies of Armenia as a result of joining WTO.

One of key tasks of preparation to Ukraine's joining WTO is the harmonization of national legislation accordingly to the norms of the system GATT/WTO. Acceptance of the proper laws and normative acts is the necessary condition of speed-up completion of bilateral and multilateral negotiations with countries-members WTO and advancement of negotiation process with aim to get Ukraine's membership in this organization.

Despite of an effort of participating state institutions concerning solving the question of the legislative providing of Ukraine's joining WTO, periodically in this sphere there are problems which related to absence of the proper mechanism of co-ordination of low-creative activity between all branches of authorities in Ukraine. Today between Ukrainian economist and politicians there is not single decision concerning joining WTO or not. And it is the main obstacle on the Ukraine's way to WTO.

As regards to international environments, that EU rendered support to Ukraine in its intention to join WTO. The government of Ukraine declares about the intention to join WTO in December 2005 during the Sixth Conference of the Ministers of WTO in Hong Kong. However, in our opinion, internal un-coordination, political instability and economic crisis will not allow it to be carried out.

International financial institutes also are factors, which determine economic and political stability in a country. On the whole their activity is directed on the granting the external credits (both interest and interest-free) as necessary. In the Table 4 the structure of external debt of Armenia and Ukraine is given.

On the basis of these data it is possible to do the following conclusions:

- The analyzed countries have a considerable external debt, which makes 32% of GDP in Armenia and 27.5% of GDP in Ukraine. Only the debt service takes 68 mill. US\$ in Armenia and 1970 mill. US\$ in Ukraine. It sure negatively affects the economic security of these countries on two reasons: first - economic and political dependence on countries that are main donors of international financial institutions increases; second – the amount of facilities that would go for economy's development decreases.

- The structures of external debt of Armenia and Ukraine are different. In Armenia greater part of credits goes on the World Bank line (61.42%), IMF (16.0%) and within the framework of bilateral agreements (13.16%). In Ukraine greater part of foreign credits goes from private sources (54.44%), bilateral agreements (15.17%), World Bank (12.12) and IMF (8.97). On the basis of these data it is possible to conclude, that Ukrainian economy less relies on such large financial

institutions as World Bank and International Monetary Fund. The diversification of the external debt of Ukraine favorably influence on the economic security.

Table 4 – Composition of external debt of Armenia and Ukraine (2004)¹⁸

Financial institutions		Armenia		Ukraine	
		US\$mill	%	US\$mill	%
1	World Bank	691	61.42	2168	12.12
1.1	International Bank for Reconstruction and Development	7	0.62	2168	12.12
1.2	International Development Agency	684	60.8	0	0
2	International Monetary Fund	180	16.0	1605	8.97
3	Other multilateral	70	6.22	432	2.42
4	Bilateral	148	13.16	2713	15.17
5	Private	22	1.96	9739	54.44
6	Short-term	14	1.24	1230	6.88
	Total	1125	100	17887	100
	Total debt service	68		1970	

Thus, in the given article the attempt of analysis the economic security of Armenia and Ukraine was done. On the basis of the conducted analysis of main, in our view, indexes of the economic security of Armenia and Ukraine it is possible to do the following conclusions:

1. We can deliver economic-geographical position of Ukraine to the positive factors, in Armenia this factor has an obviously negative character (blockade from the side of Turkey and Azerbaijan);

2. An index «national income per capita» also is a negative factor: in both countries this index is below then average on a group in accordance with the World Bank classification;

3. The GDP average annual growth in Armenia and Ukraine speaks simultaneously about positive and negative tendencies: Ukraine – considerable growth to 2004, then the sharp slump in 2005, that we attribute to the temporal factors, which are conditioned by the political crisis which to the real moment is have been settling; Armenia – the high value of index is conditioned by statistical calculations, because in a period, which was taken as a basis, an economy was in a deep crisis;

¹⁸ Armenia at a glance; Ukraine at a glance // www.worldbank.org

4. We can deliver the inflation rate in Armenia to the positive factors, in Ukraine till 2004 this index responded the standards, but in the first half-year 2005 this index considerably exceeded a norm;

5. Unemployment rate: Armenia – negative factor, Ukraine – positive;

6. Structure of economy in both countries is short of the world tendencies: large share of industrial sector and agriculture, which do not bring the proper profit; low share of services sector;

7. Foreign trade: in Armenia and Ukraine the last years there is growth of export and import volumes, however in Armenia we should note as a negative factor commodity structure, and in Ukraine – sharp decline of commodity turnover in the first half-year 2005;

8. Volumes of high technology export in the general volume of export – in both countries is short of to the world standards;

9. The openness of economy in both countries testifies the high level of dependence on foreign trade partners;

10. The index of import-dependency in both countries exceeds a possible standard;

11. Volume of foreign direct investments: in Armenia there are positive tendencies to growth, in Ukraine in the first half-year 2005 the outflow of capital from a country took place;

12. Relations with EU: in regard to Armenia and Ukraine EU provides a European Neighborhood Policy, which does not imply potential future membership, but it is directed on development of collaboration within the framework all existent EU activities; in both countries EU is a substantial trade partner; EU gives considerable financial assistance within the framework of the Tasis program;

13. Relations with WTO: Armenia is the WTO full member since 2003, however it did not bring till the present moment to the substantial economic profits for Armenia; Ukraine aims to join WTO, however prospects of joining and potential benefits from participation stand under a question;

14. External debt and relations with international financial institutions: size of external debt and payment on debt service are considerable that does damage to the economy and multiplies dependence on creditors.

Thus, we can conclude that the modern state of economic security of Armenia and Ukraine has more minuses, than pluses. It sure influence on position of countries on an international scene, their possibilities to develop the potential and to affect the world processes. In our view, the considerable period of time is required for to countries, because it is impossible to decide in a short-term period such questions as re-structuring of economy, diversification of export, the decline the import share. And it is a main factor that negatively influence on the economic security of Armenia and Ukraine.