THE PROBLEMS AND PROSPECTS OF THE DEVELOPMENT OF INTERNATIONAL TRADE IN UKRAINE

Hatska L. P., Kharchenko T. B., Murovana T. O.

The aim of this article is determination of problems of the international trade development in Ukraine, the main obstacles hindering this process in the current realities, and elaborating practical recommendations as to overcoming the obstacles. This article presents the nature of the international trade, main problems of its development in Ukraine. Development dynamics of Ukrainian foreign trade was analyzed, as well as ratio between export-import agreements was investigated. The crucial task of the modern stage of Ukrainian economy development is increase of Ukrainian exports in the foreign markets in order to ensure economic growth. Partial or complete loss of traditional markets, which took place in recent years, intensifies the necessity to search for effective solutions for the development of exports of Ukrainian products. One of the ways of solving this problem is to develop the trade relations between Ukraine and the European Union, because in terms of export the EU markets are potentially attractive. Also the EU is a large source of investments in Ukraine, necessary for the technological modernization and economic development.

Keywords: international trade, exports, import, export-import operations, trade agreements, European integration.

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The modern stage of economic development, intensification of the process of globalization in the world market and large-scale integration of Ukraine require revision of traditional concepts of trading activities. In this context issues that concern defining problems and prospects of the international trade development gain particular urgency, as long as the mentioned trading activity is one of the most advanced forms of international economic relations.

Economic relations in the world market are based on the global division of labor and are manifested through various forms of international economic relations, one of which is international trade. Different forms of international economic relations are closely connected and influence each other, creating conditions for mutual development. For example, countries with developed international trade have access to international investment and innovation agreements, which creates an opportunity for expansion of trade relations, migration of capital, innovation activity as well as attraction of labor force. Nowadays, international trade is one of the main instruments of the global market influence on national markets by setting up requirements for quality of products, technical parameters of production, level of expenses, etc. Thus, international trade is the driving force behind the production of individual countries and regions, as well as the world economy as a whole. In recent years a feature of the economic development is the growing influence of international trade on the world production, as well as production of individual countries and regions. International trade is a form of communication between producers and consumers of different countries, which arises on the basis of development of the international division of labor. The modern Ukrainian economy is characterized by its increased integration into the world system of international division of labor as a supplier and consumer of goods and services. Under these conditions, the state and dynamics of the international trade development is extremely important for the economic development of Ukraine.

The development of international trade in Ukraine would imply increase in its budget revenues, enhancement of scientific and technological cooperation, development of the country’s innovative capacity, extension of international relations, etc. All the mentioned above would provide stable rates of economic growth, increase in social welfare and economic competitiveness of the country in foreign markets.

Therefore, under current conditions of management of the economy, the issues of international trade development and solution of its main problems, must have strategic meaning and be included in governmental programs. The possibility for establishing long-term relations among different economic entities, expanding the size of the national economy due to entering new sales markets, as well as the possibility for introducing brand new management tools in this area depend on effectiveness of solving the mentioned problems.

The theoretical and methodological basis for studying the nature of trade relations and, in particular, international trade, was formed by works of the following foreign scientists: Ph. Kotler, M. Coulter, E. Mansfield, Lee H. Radebaugh, S. Robins, J. Sachs, and others. Among the national scientists who consider research problems concerning the nature of international trade, its significance at the present stage of development of the Ukrainian economy and prospects to enhance its effectiveness, there should be mentioned B. Danylyshyn, O. Danylyshyn, I. Dakhno, A. Dunska, A. Kyrileiev, A. Lokota, V. Matvieieva, A. Portanskyi, V. Rokocha, A. Rumiantsev, and others.

Thus, Jeffrey D. Sachs states that the role of international trade is extremely important for any country in the world. According to the economic advisor, “success of every country in the world is based on international trade. No country in the world ever managed to create healthy economy by means of isolation from the world economic system” [1].

I. Dakhno focuses on factors that unite almost all countries of the world in a single international economic system. Subjects of public international law and private international law are involved in international trade. These include states, state-type formations, intergovernmental organizations, nations that are fighting for their independence, legal entities, individual entrepreneurs. International trade is an instrument that countries of the world use to develop and deepen the specialization of their economies, increase labor productivity and resource efficiency [2].

A. Dunska states that one of the key tasks concerning the economic development of Ukraine at the present stage is to define a new dimension of its integration into the world economy. One of the options for solving this task is expanding the country’s participation in the international trade in licenses, which will allow Ukraine to benefit from its high intellectual potential and will ensure the promotion of the Ukrainian economy to a highly profitable sphere. Turning innovation into the main force of economic development of the modern world economy contributes to intensification of the processes of international scientific and technological exchange [3].

At the same time, the issues of interchangeability and interdependence of national economies, search for ways of the economic integration of Ukraine into the European Community (EU), determination of prospects of such integration and the emerging role of state institutions in the field of international economic relations remained uninvestigated. The resolving of the mentioned issues would provide Ukraine an opportunity to take a rightful place in the world market, accede to international treaties and increase the role of foreign trade in the development of the national economy.

In view of this, the aim of the article is revealing the problems of the international trade development in Ukraine, investigating factors that hinder this process,
International trade is the sector of international commodity-money relations being the aggregate of foreign trade of all countries worldwide. This is the pioneer form of international economic relations, which represents an exchange of goods and services among national economies (states) [4, p. 82]. The structure of foreign trade makes it possible to determine competitive positions of a country in the world markets, to discover economic “niches”, where this country is competitive. According to a number of national researchers, Ukraine has a significant export potential, which is thought of as the ability of the national economy to produce and sell competitive goods in international markets under conditions of steady increase in the efficiency of natural resources, building of scientific and technical potential, development of currency and financial credit systems. Furthermore, Ukraine possesses unique natural resources, has an advantageous geographic location, qualified and relatively low-cost labor available, cooperates with highly-developed European countries, and is developing such industries as metallurgical, chemical, agricultural, high technology one, etc. Hence, we consider that this subject is currently topical. All these things contribute to Ukraine's integration into the European Community. The data in Table 1 are indicative of a stable negative foreign trade balance of Ukraine. According to the data of the State Statistical Service of Ukraine in 2016, the volume of foreign trade as compared with 2015 decreased by 34.5 % and amounted to USD 2888086.0 thousand (Tbl. 1).

A negative balance is observed in the trade of Ukraine with the following countries: Austria, Great Britain, Greece, Germany, France, and some others. As for the import, its volumes decreased by all commodity categories. The most affected sectors are agriculture (decrease in exports by 20 %, imports – by 30 %), the chemical industry (decrease in exports by 21 %, imports – by 35 %), the manufacturing of basic metals and metal products (decrease in exports by 40 %, imports – by 35 %) [5].

In the first quarter of 2017 negative balance of foreign trade in commodities amounted to USD 736.5 million. According to the data of the State Statistical Service of Ukraine, in the first quarter of 2017 export of commodities amounted to USD 10.372 billion, import – USD 11.109 billion. As compared with the first quarter of 2016, the export increased by 34.4 % (by USD 2.655 billion), import – by 27.3 % (by USD 2.384 billion). The negative balance amounted to USD 736.5 million, while in the first quarter of 2016 – USD 1.008 billion [5]. The increase in imports in January-October 2017 occurred due to the fact that Ukraine increased its imports of bituminous coal and anthracite 1.8 times in monetary terms, as compared to USD 2.151 billion in the similar period of the previous year. Over this period, the principal supplier of coal was Russia (55.7 %), whose deliveries amounted to USD 1.2 billion. The USA ranks second among the suppliers of coal to Ukraine (25.4 %, or USD 546.8 million), and the third place is occupied by Australia (5.4 %, or USD 116.4 million). Ukraine's import of coal from other countries totaled to USD 289.8 million.

As reported by the State Fiscal Service of Ukraine, during the 10 months the country exported bituminous coal and anthracite to Russia (USD 48.7 million), Slovakia (USD Million 33), Turkey (USD 2.6 million), and other countries (USD 3.9 million). Thereafter the country began to import the coal. In 2016 Ukraine cut its import expenditures for bituminous coal and anthracite as compared with 2015 by 10 % – up to USD 1.467 billion [6].

As regards export of services, in 2016 the share of the provided transportation services (USD 5300545.6 thousand) and services on processing of material resources (USD 1125705.2 thousand) was the highest. This trend has persisted in recent years and is associated with the economically advantageous geographic location of Ukraine, and defining prospects for the development of international trade with regard to modern realities.

### Table 1

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total EU countries</td>
<td>17002906.8</td>
<td>13015209.7</td>
<td>13496283.2</td>
<td>21069126.8</td>
<td>15330156.2</td>
<td>17140841.8</td>
</tr>
<tr>
<td>Austria</td>
<td>530898.8</td>
<td>347167.2</td>
<td>361323.9</td>
<td>606282.8</td>
<td>369653.3</td>
<td>465091.3</td>
</tr>
<tr>
<td>Great Britain</td>
<td>589211.2</td>
<td>367897.3</td>
<td>317792.1</td>
<td>692044.8</td>
<td>570127.8</td>
<td>709262.8</td>
</tr>
<tr>
<td>Greece</td>
<td>201239.4</td>
<td>153776.0</td>
<td>159123.2</td>
<td>308467.0</td>
<td>238558.9</td>
<td>233560.4</td>
</tr>
<tr>
<td>Estonia</td>
<td>82258.7</td>
<td>66205.7</td>
<td>98048.2</td>
<td>77312.6</td>
<td>77499.2</td>
<td>66632.2</td>
</tr>
<tr>
<td>Cyprus</td>
<td>283724.9</td>
<td>61526.1</td>
<td>53481.4</td>
<td>50298.8</td>
<td>16922.9</td>
<td>22816.1</td>
</tr>
<tr>
<td>Germany</td>
<td>1590590.3</td>
<td>1328677.4</td>
<td>1423735.2</td>
<td>3536120.6</td>
<td>394562.5</td>
<td>431844.9</td>
</tr>
<tr>
<td>France</td>
<td>532715.5</td>
<td>497949.4</td>
<td>453673.3</td>
<td>1269213.2</td>
<td>892786.2</td>
<td>1530515.3</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>772542.1</td>
<td>540950.6</td>
<td>560756.1</td>
<td>687861.5</td>
<td>479718.5</td>
<td>654830.9</td>
</tr>
</tbody>
</table>

Source: developed by the authors based on [5].
increase in the volume of gas transportation and cost of energy products. Services in agricultural sector, state and government services account for the least share in the export. However, a significant predominance of the import of state services over their export is observed (Tbl. 2).

According to the calculations of the Ministry of Economic Development and Trade of Ukraine based on data of the National Bank of Ukraine (NBU), the excess of the import share of goods and services over their export share in the period from January to August 2017 was 1.12 (in January-August 2016 – 1.11) [7].

Many present-day researchers state that today the economy of Ukraine faces the problem of lack of reserves to achieve foreign trade positive balance. It is considered that such reserves were used up in 2005. Today the increase in foreign trade earnest is ensured, but production possibilities of leading industries-exporters are completely exhausted. In the days of the Soviet Union trade in commodities was conducted primarily within the united area. Nowadays, Ukraine has a huge potential for selling its own products owing to advantageous geopolitical location and access to sea. However, foreign trade of Ukraine is characterized by the excess of imports over exports, with raw products prevailing. It should be noted that the export of the country mainly consists of products of iron and steel industry (about 40%), chemical industry (about 15%), food industry (about 18 %), and engineering industry (12%) [5].

As to the import, it mainly consists of products of the oil industry (in the heating season), engineering, and food industry. Starting from March 2016, the largest share in the total volume of imports of goods to Ukraine account for investment products (except for January-February 2017, when a seasonal increase in the import of mineral products, in particular, energy products during the heating season, was observed). In its turn, increase in imports of investment goods lays the basis for economic growth in the long term. The commodity group “Machines, equipment, vehicles and devices” comprises the largest share in the import of goods to Ukraine (according to the NBU, for the period from January to August 2017 the import volume of engineering products increased by 33.4 %, the share in the total volume increased up to 27.8 % as compared with 25.4 % for the period from January to August 2016) [5].

Development of international trade is one of the prerequisites for Ukraine’s European integration. The EU market is the second most important after the CIS market, and since 2014 EU has become the principal export market for Ukraine. Great Britain, Spain, Italy, the Netherlands, Germany, Poland, Hungary, and France are the biggest foreign trade partners of Ukraine among EU countries.

Consequently, the main problems of international trade in Ukraine are as follows:

- heavy orientation of Ukraine’s foreign trade towards the CIS (up to 70%);
- uneven distribution of the country’s export potential;
- prevalence of material-intensive equipment in the export of engineering products;

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**Table 2**

<table>
<thead>
<tr>
<th>Service description</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services on processing of material resources</td>
<td>1334394.1</td>
<td>1078345.1</td>
</tr>
<tr>
<td>Repair and technical maintenance services</td>
<td>298247.7</td>
<td>192224.7</td>
</tr>
<tr>
<td>Transportation services</td>
<td>6101923.5</td>
<td>5263155.3</td>
</tr>
<tr>
<td>Travelling</td>
<td>228049.1</td>
<td>200937.0</td>
</tr>
<tr>
<td>Building</td>
<td>231960.0</td>
<td>291640.9</td>
</tr>
<tr>
<td>Insurance</td>
<td>44814.0</td>
<td>46111.1</td>
</tr>
<tr>
<td>Financial activity</td>
<td>222101.1</td>
<td>190841.8</td>
</tr>
<tr>
<td>Royalty</td>
<td>97504.1</td>
<td>50963.3</td>
</tr>
<tr>
<td>Telecommunication, computer and information services</td>
<td>1675551.7</td>
<td>1585572.6</td>
</tr>
<tr>
<td>Business services</td>
<td>1250398.7</td>
<td>816706.9</td>
</tr>
<tr>
<td>Services to individuals, recreational and cultural services</td>
<td>31298.8</td>
<td>15819.9</td>
</tr>
<tr>
<td>State services</td>
<td>4608.1</td>
<td>4335.9</td>
</tr>
</tbody>
</table>

Source: developed by the authors based on [5].
significant raw material orientation of Ukrainian exports and a considerable dependence of domestic enterprises on the external sales market, which make the volume of foreign exchange incoming very vulnerable to price fluctuations; 
low competitiveness of Ukrainian products, including due to non-conformity with EU standards; 
non-conformity of Ukrainian products with quality standards of EU countries and other foreign states; 
termination of freight transportation by rail and road across the contact line in Donetsk and Luhansk regions; 
continuation of Russia’s trade aggression (the embargo effect in relation to deliveries of Ukrainian food products to its territory, application of tariffs of most favored nation treatment to the Ukrainian export (as a result of unilateral termination of the Agreement on a Free Trade Area within the CIS in relations with Ukraine), illegal prohibition of transit of goods of Ukrainian origin through the territory of Russia to third countries).

Leading Ukrainian scientists point out that 2016 can be considered the year of recovery of the Ukrainian economy. Since this year is characterized by the intensification of consumer and investment demand for goods, a significant share of which was of foreign origin, and the growth of imports of goods to Ukraine [8; 9]. It should be noted that the increase occurred without changing the technological structure of the economy and increasing its level of innovation. It is also worth noting that since 2014 the geographical structure of Ukrainian international trade, which was formed in the previous period, has been preserved. A feature of the modern stage of development is the reorientation of a certain part of international trade relations of Ukrainian enterprises from partners in Russia to business partners in the European Union and other foreign countries [9]. The EU28 share in the total exports of Ukrainian goods was 40.0 % versus 38.8 % in January-July 2016. The share of CIS countries in exports of goods from Ukraine amounted to 16.2 % in January-July 2017 (16.4 % in January-July 2016) [5].

Another threatening trend in the current development of foreign trade in Ukraine is the preservation of uneven distribution of the export potential of the country. According to the State Statistics Service for 2017, there was a reorientation in the structure of Ukrainian exports towards increasing the share of commodities produced by the agro-industrial complex compared to commodities of other categories.

Besides, according to the Ministry of Economic Development and Trade, “the Ukrainian exports are primarily raw materials (according to the results of 2016, the share of products of agriculture, metallurgical and chemical industries, and mineral raw materials in its exports was 70%) and consists of intermediate goods with a relatively low technological component — the share of high-tech exports in 2015 was only 5.5 % of the total Ukrainian exports”.

The low competitiveness of the majority of Ukrainian producers in the international market is due to the non-conformity of the quality of their products with international standards, outdated material and technical base, high unit costs, etc.

In the modern context, one of the main conditions to ensure effective functioning of the economy of Ukraine is the development of international trade by expanding the country’s export potential. Correspondingly, Ukraine’s strategic task is the large-scale increase of its presence in external markets. The partial or complete loss of traditional markets, which took place in recent years, has intensified the necessity to search for effective solutions to develop exports of Ukrainian products. Thus, it is necessary to elaborate a range of activities to enter international markets by introducing mechanisms for stimulating innovative activity at the state level. The Medium-Term Government Priority Action Plan to 2020 mentions the foundation of Hi-Tech Office, the purpose of which is to support and stimulate innovative enterprises and start-ups providing them with financing, necessary consultation services, and technical assistance at all stages of their development: from innovative idea to end product. There is also the need for studying and applying best practices of many developed countries in terms of university-business cooperation: development of joint training programs, internship programs for young entrepreneurs, as well as establishment of public private partnerships for research and innovation.

In recent years foreign trade has evolved into a very important branch of economy for every country. Its influence on the world economic development is increasing. Despite the general upward trend, international trade experiences significant fluctuations due to economic crises, exacerbation of the energy crisis, shortage of raw materials, as well as other problems. Therefore, it is necessary to improve the structure of exports of goods and services from Ukraine to the EU. This involves a gradual increase in the degree of processing of raw materials, expansion of the range of finished products, in particular, high-tech ones. It is worth noting that the problem of low-tech exports is explained by a small amount of high-tech products manufactured by Ukraine. Therefore, it is necessary, first of all, to increase the production of high-tech products with a consequent increase of its share in the export of goods. In this regard the important role is assigned to the state support, which involves not only improvement of legislation and infrastructure, provision of information and consultation services, assistance in participation of national firms in foreign exhibitions and trade fairs but also provision of financial support through granting export credits and their insurance, state guarantees, etc. Despite significant
problems in the development of trading relations between Ukraine and the European Union, it is important to note that in terms of export EU markets are potentially attractive as the largest ones among those of Ukraine’s neighboring countries [5]. Moreover, the EU is a large source of investments that are necessary for Ukraine’s technological modernization and economic development. All the above mentioned will help Ukraine significantly improve the prospects for the presence of domestic goods in foreign markets and take a rightful place in the economy of the European Community.


REFERENCES


