

ANALYSIS OF THE STRUCTURE OF THE INTERNATIONAL TRADE BETWEEN UKRAINE AND THE EU

АНАЛІЗ СТРУКТУРИ МІЖНАРОДНОЇ ТОРГІВЛІ УКРАЇНИ З ЄС

The article presents the results of the study of the dynamics, state and structure of Ukraine's foreign trade with the countries of the European Union. The foreign economic activity of Ukraine under the terms of the Association Agreement and free trade zones, the application of the trade part of which began in January 2016, is considered. It was found that a characteristic feature of recent years is the deindustrialization of exports and the consolidation of its agricultural specialization. It is demonstrated that the domestic economy continues to establish itself in international markets as a key agricultural player. The relations between Ukraine and the EU are studied. It is highlighted that Ukraine is considered an important political and trade partner of the European Union. It has been proven that the EU is striving for ever closer relations with Ukraine, going beyond just cooperation, to gradual economic integration and deepening political cooperation. The analysis of the commodity structure of Ukraine's foreign trade in 2020 and showed that the main goods focused on the international market were vegetable products, base metals and articles thereof, machinery and equipment, mineral products, fats and oils of vegetable and animal origin, chemical products, land vehicles, aircraft, floating vehicles. It is determined that the largest share in the structure of exports and imports of services was occupied by services for processing material resources, transport services, telecommunications services, computer and information services, business services, royalties and other services related to the use of intellectual property, services related to financial activities. The study singles out such European countries as Germany, Poland, Italy and the Netherlands as Ukraine's main foreign trade partners. It is proved that the situation with trade between Ukraine and the EU does not seem very clear, that the structure of exports remains mainly raw materials and low-tech. It has been proven that the reduction of EU import duties has not led to significant changes in the structure of foreign trade, that there is a negative foreign trade balance for most groups of goods and services, which negatively affects the balance of payments and economic growth. It is proved that multilateral cooperation with the European Union today fully corresponds to the natural geopolitical direction of Ukraine's integration strategy and is one of the main practical means of forming an effective open economy.

Keywords: EU countries, export, import, foreign trade, association agreement and free trade area, commodity structure, structure by types of services.

У статті представлено результати дослідження динаміки, стану та структури зовнішньої торгівлі України з країнами Європейського Союзу. Розглянуто зовнішньоекономічну діяльність України на умовах Угоди про асоціацію та зони вільної торгівлі, застосування торговельної частини якої розпочалося в січні 2016 року. Виявлено, що характерною рисою останніх років є деіндустріалізація експорту та закріплення його сільськогосподарської спеціалізації. Продемонстровано, що вітчизняна економіка продовжує утверджуватися на міжнародних ринках як ключовий аграрний гравець. Досліджено відносини між Україною та ЄС. Висвітлено, що Україну вважають важливим

політичним та торговельним партнером Європейського Союзу. Доведено, що ЄС прагне до все більш тісних відносин з Україною, виходячи за рамки просто співпраці, до поступової економічної інтеграції та поглиблення політичної співпраці. Проведено аналіз товарної структури зовнішньої торгівлі України в 2020 році та показано, що основними товарами, орієнтованими на міжнародний ринок, були продукти рослинного походження, неблагородні метали та вироби з них, машини та механізми, мінеральні продукти, жири та олії рослинного та тваринного походження, хімічна продукція, наземні транспортні засоби, літаки, плавучі транспортні засоби. Визначено, що найбільшу частку в структурі експорту та імпорту послуг займали послуги з переробки матеріальних ресурсів, транспортні послуги, послуги в галузі телекомунікацій, комп'ютерні та інформаційні послуги, ділові послуги, роялті та інші послуги, пов'язані з використання інтелектуальної власності, послуг, пов'язаних з фінансовою діяльністю. У дослідженні виділено серед основних партнерів України у зовнішній торгівлі такі європейські країни, як Німеччина, Польща, Італія та Нідерланди. Доведено, що ситуація з торгівлею між Україною та ЄС виглядає не зовсім чіткою, що структура експорту залишається в основному сировинною та низькотехнологічною. Доведено, що зменшення імпортних мит ЄС не призвело до значних змін у структурі зовнішньої торгівлі, що існує негативне сальдо зовнішньої торгівлі для більшості груп товарів і послуг, що негативно позначається на платіжному балансі та економічному зростанні. Доведено, що різностороннє співробітництво з Євросоюзом на сьогоднішній день в повній мірі відповідає природному геополітичному напрямку інтеграційної стратегії України і є одним з основних практичних засобів формування ефективної відкритої економіки.

Ключові слова: країни ЄС, експорт, імпорт, зовнішня торгівля, угода про асоціацію та зону вільної торгівлі, товарна структура, структура за видами послуг.

Introduction. According to J. Sachs, “the economic success of any country is based on foreign trade. More than one country has failed to create an efficient economy by isolating itself from the world economic system”. It is international trade as a form of international economic relations is a component of balanced economic development of the society, contributes to strengthening the competitiveness of the national economy.

International trade remains the main form of modern international economic relations in terms of value. That is why studying the trends of foreign trade of Ukraine compared with the world one is the important scientific task.

The problem of foreign trade was the subject of many scholars and analysts' studies. Some aspects of Ukraine's international trade were studied by D. S. Pokryshka [7], A. A. Mazaraki [6], M. M. Omelchenko [4], T. M. Melnyk [6], T. A. Tyschuk [7], V. P. Dalyk [1], V. H. Herasymchuk [3], K. Yu. Zaitseva [9], S. P. Kulytsky [5], O. V. Kolyada [4], M. O. Parkhomenko [9] and many others.

Setting objectives. To study the dynamics of Ukraine's foreign trade with EU countries in terms of the Association and Free Trade Agreement with the EU, as well as the structure of exports and imports of goods and services in 2020.

Methodology. To achieve the goal of the study used theoretical and computational methods. Theoretical include structural-functional, method of comparison, logical analysis, method generalization. Calculations were performed using the program Microsoft Excel using the state information database statistics service of Ukraine.

Research results. In the conditions of intensification of processes of the world economy globalization the role of foreign trade relations of the country amplifies. It is international trade is a component of balanced economic development of the society [2], enhances the competitiveness of the national economy, improves living standards and provides the fullest satisfaction of its needs. Given the high degree of influence of exogenous factors on Ukraine’s economy in modern conditions, foreign economic activity is undergoing negative changes, which highlights the need to study its condition.

The characteristic feature in recent years is the deindustrialization of exports and the consolidation of its agricultural specialization. The domestic economy continues to establish itself in international markets as a key agricultural player. In 2014–2020, food products and agricultural raw materials were finally established as the basis of Ukrainian exports.

In contrast to export trends in the structure of imports in 2020, Ukraine increased the share of engineering goods to 21,7%, reducing the share of mineral products to 7,2%. The structure of imports traditionally includes chemical products, namely 19,2% in 2020.

Given this, the structure of exports and imports between Ukraine and the EU is an important issue. Let's analyze the structure of exports and imports by groups of goods and types of services as of 2020.

The percentage distribution of groups of exported goods is shown in Fig.1. The top five exports of goods from Ukraine to the EU by volume include: plant products (18,1%), base metals and articles thereof (16,7%), machinery (14,8%), mineral products (11,1%), fats and oils of vegetable and animal origin (9,9%) [8].

Fig. 2 shows the 10 main countries-exporters of goods from Ukraine. In terms of exports in thousands of dollars. The largest of them are the USA, Poland, Germany, the Netherlands and Italy.

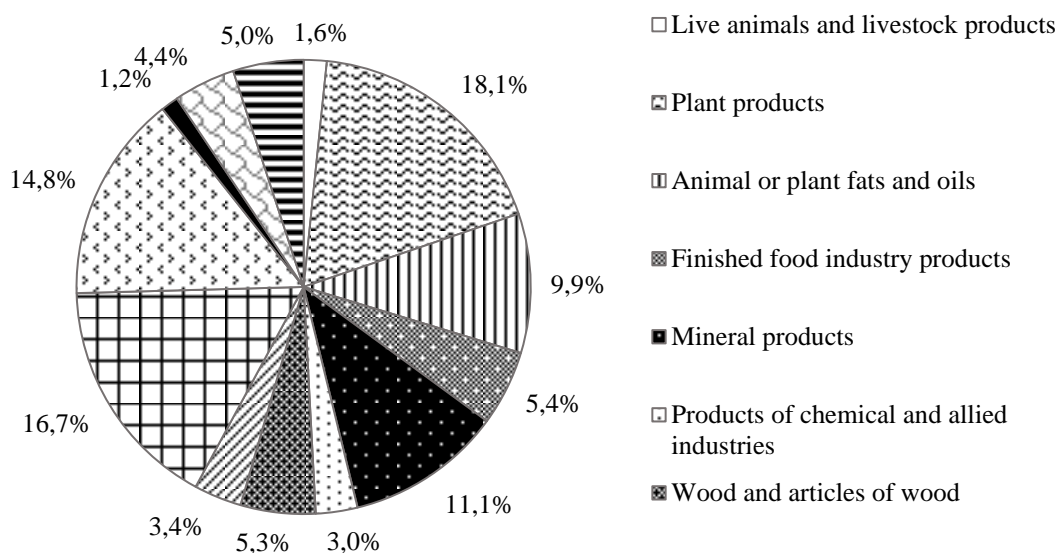


Figure1 – Commodity structure of Ukraine's exports

Source: built by the authors based on [8]

Regarding the export of services in Fig.3 you can see the structure of exports by type of service. Thus, in 2020, the main services aimed at exports were: services for processing material resources (23,1%), transport services (25,4%), services in the field of telecommunications, computer and information services (31,9%) and business services (13,2%).

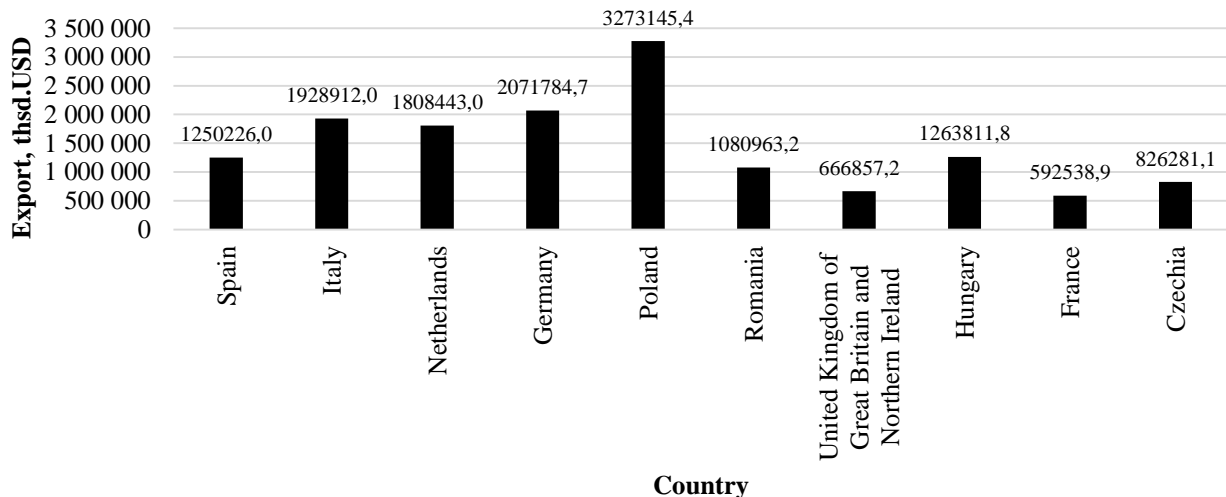


Figure 2 – The main countries-exporters of goods

Source: built by the authors based on [10]

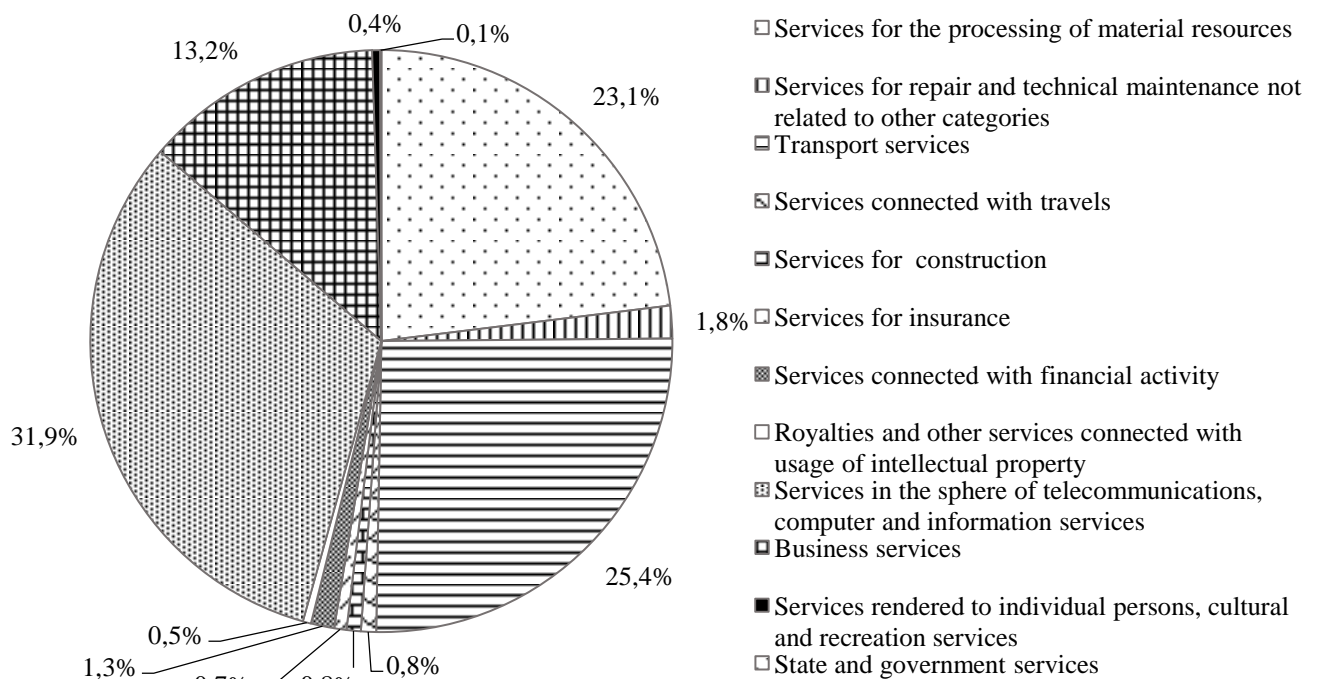


Figure 3 – The structure of exports of services from Ukraine

Source: built by the authors based on [8]

One of the challenges in Ukraine's foreign trade with the European Union is to maintain a significant negative trade balance, which presses the balance of payments and the value of the national currency. Considering this fact, it is necessary to analyze the dynamics of European imports and its structure.

The main goods we imported in 2020 were: machinery and equipment – 21,7%, chemical products – 19,2%, land transport vehicles, aircraft, floating vehicles – 12,1% (Fig. 4).

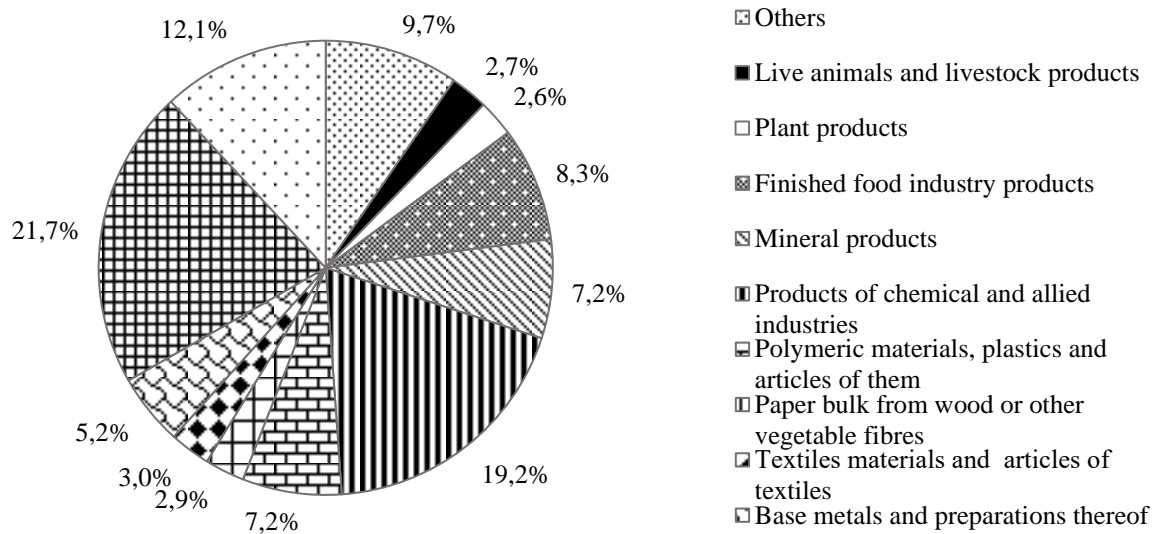


Figure 4 – Commodity structure of imports of goods to Ukraine
 Source: built by the authors based on [8]

The main importers of goods to Ukraine by the volume of imported goods in thousands of dollars are presented in Fig.5. The largest of them are the United States, Germany, Poland, and Italy.

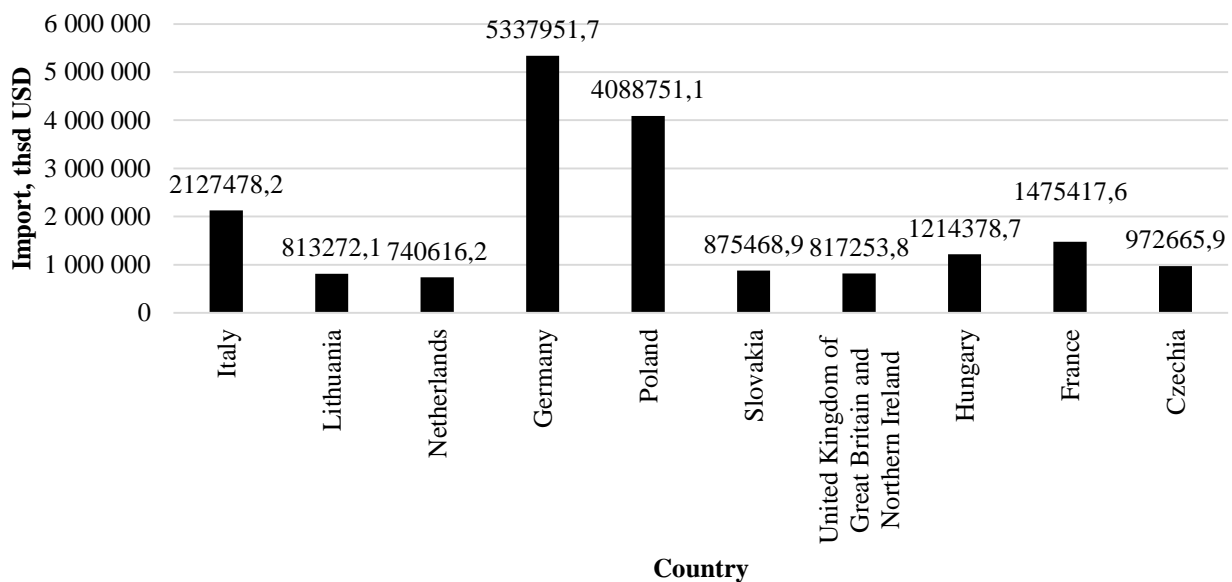


Figure 5 – The main countries-importers of goods to Ukraine
 Source: built by the authors based on [8]

Among the imports of services the main were: business services – 22,4%, transport services – 19,6%, royalties and other services related to the use of intellectual property – 15,1%, telecommunications services, computer and information services – 13,9% and services related to financial activities – 10,4% (Fig. 6).

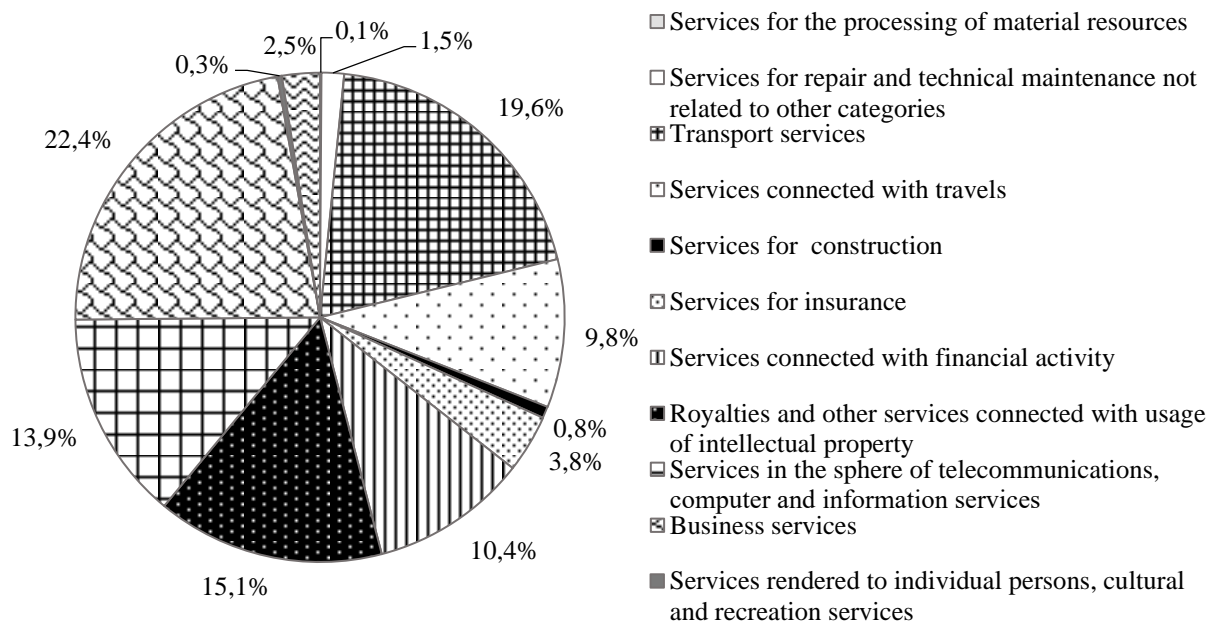


Figure 6 – The structure of imports of services to Ukraine

Source: built by the authors based on [8]

Let's present a diagram of the distribution of the balance of international trade by types of goods and services (Tab.). According to the analysis of the State Statistics Service data [8], the negative balance of trade with the European Union is made by a significant part of goods and services.

Thus, the analysis allows us to state that the situation with trade between Ukraine and the EU does not look quite clear.

First, despite the increase in supplies to the EU, the structure of exports remains mainly raw materials and low-tech, which causes risks due to price and market fluctuations.

Secondly, the reduction of EU import duties did not lead to significant changes in the structure of foreign trade: high-tech imports to Ukraine and raw material exports to the EU.

Third, there is a negative balance in foreign trade for most groups of goods and services, which adversely affects the balance of payments and economic growth.

Table – Balance of international trade by type of goods and services

Type of goods	Balance, thsd USA	Type of services	Balance, thsd USA
Live animals and livestock products	-336211,2319	Services for the processing of material resources	977933,65
Plant products	2755297,862	Services for repair and technical maintenance not related to other categories	35622,29
Animal or plant fats and oils	1774055,83	Transport services	534124,51
Finished food industry products	-945398,6429	Services connected with travels	-238184
Mineral products	388490,6787	Services for construction	12322,68
Products of chemical and allied industries	-3947538,279	Services for insurance	-78065,83
Polymeric materials, plastics and articles of them	-1486716,479	Services connected with financial activity	-235334,58
Raw leather and curry leather	2765,91281	Royalties and other services connected with usage of intellectual property	-401238,73
Wood and articles of wood	834018,9593	Services in the sphere of telecommunications, computer and information services	971199,3
Paper bulk from wood or other vegetable fibres	-537254,2334	Business services	-62819,4
Textiles materials and articles of textiles	-59581,71236	Services rendered to individual persons, cultural and recreation services	10598,39
Footwear, hats umbrellas	84343,50588	State and government services	-67149,32
Products from stone, gyps, cement	-67400,76456	Base metals and preparations thereof	1891260,741
Natural or cultured pearls, precious stones, metals and preparations thereof	-25489,04456	Machines, equipment and mechanisms, electric and technical equipment	-2344026,46
Ground, air and water transport facilities	-2617211,414	Different industrial products	341305,6726
Optical, cinematographic apparatus	-453468,3934	Art articles	-3163,5849

Source: built by the authors based on [8]

Conclusions. Due to the Free Trade Agreement, the European Union is Ukraine's leading trading partner. Currently, there is a deficit in trade of Ukrainian goods with European countries because of the high share of imports of goods with high added value. Expansion new markets by domestic exporters is constrained by a

long and capital-intensive process of bringing Ukrainian products to European standards. One of the promising solutions of the situation may be to strengthen the focus on exports not only of raw materials but also of high value-added products produced by the food and processing industries.

To increase exports of Ukrainian products to the EU, it is necessary to improve the administration of trade between Ukraine and the EU by reducing the costs of domestic exporters in supplying goods to the EU, increasing quotas, defending the interests of Ukrainian exporters in EU institutions and reducing uncritical imports.

References:

1. Dalyk, V.P. (2016), "Foreign trade of Ukraine: realities and prospects of development", *Naukovyj visnyk Uzhhorods'koho natsional'noho universytetu*, vol.7, pp. 110-113.
2. Diachek, V. V. (2012), "Foreign trade in goods of enterprises of Ukraine: a statistical review and possible ways of development", *Biznes Inform*, vol.1, pp. 11–19.
3. Herasymchuk, V. H. (2017), "Countries of the Balkan region in the structure of foreign trade of Ukraine", *Ekonomichnyj visnyk Natsional'noho tekhnichnoho universytetu Ukrainy "Kyivs'kyj politekhnichnyj instytut"*, vol.14, pp. 85-93.
4. Koliada, O.V. and Omel'chenko, M.M. (2016), "Foreign trade in goods of Ukraine: current status and prospects development", *Ekonomika i suspil'stvo*, vol. 9, available at: http://www.economyandsociety.in.ua/journal/9_ukr/10.pdf, (Accessed 01.03.2021).
5. Kulyts'kyj, S.P. (2015), "Issues of transformation of Ukrainian foreign trade at the present stage", *Ukraina: podii, fakty, komentari*, vol. 23, pp. 49-59.
6. Mazaraki, A.A. (2016), "Modern tendencies and factors of foreign trade development of Ukraine", *Derzhava ta ekonomika*, vol. 2, pp. 5-14.
7. Pokryshka, D.S. and Tyschuk, T.A. (2015), "Dynamics of foreign trade in Ukraine in terms of transformation of internal and external growth factors", *Mizhnarodna ekonomika ta menedzhment*, vol. 5-6, pp. 50-58.
8. State Statistics Service of Ukraine (2021), available at: <http://www.ukrstat.gov.ua> (Accessed 10.03.2021).
9. Zajtseva, K.Yu. and Parkhomenko, M.O. (2016), "Status and prospects of development of international trade in services of Kharkiv region", *Problezni pytannia ekonomiky Ukrainy ta ii rehioniv*, vol. 3, available at: <https://economics.opu.ua/files/archive/2016/No3/44.pdf>, (Accessed 01.03.2021).
10. Eurostat (2021), available at: <https://ec.europa.eu/eurostat/web/structural-business-statistics/data/main-tables> (Accessed 10.03.2021).