THE DEVELOPMENT OF UKRAINIAN FOREIGN TRADE RELATIONS

Nowadays, the necessity of studying of Ukrainian foreign trade activities is due to the fact that the formation of its developed market economic system requires its integration into the world economy. This can be possible only with the help of creation of a highly effective mechanism for functioning of subjects of foreign trade in goods and services, as well as proper training of specialists in this field.

Ukraine’s intention for participation in the economic and political life of Europe is due to the geopolitical location and history of the state. For Ukraine European integration and membership in the European Union (EU) are the best means of realizing national interests, strengthening positions of Ukraine in the world system of international relations. Due to these factors, the development of foreign economic relations of Ukraine and the assessment of the possibilities of the state’s economy regarding its adaptation to globalization and European integration processes are of particular importance nowadays.

Prospects of Ukrainian foreign trade depend on the optimization of the structure of export-import flows, improving foreign trade policy and the development of import substitution. Consequently, studying the fundamentals of international trade activities and its export-import indicators of the country is a modern problem in the context of the global economy.

Problems concerning foreign economic activities of economic entities are extremely diverse. There are lots of aspects of these issues. One of these factors is globalization. Today globalization becomes an objective reality for development of modern world. The globalization of world goods markets and economies, the growing importance of foreign economic and trade connections and the development of international cooperation determine interdependence of foreign trade and domestic economy.

However, the critical dependence of Ukraine on foreign markets is one of the main constraints affecting the economic development of the state. Therefore, a large-scale crisis in the international economy limits the possibilities of increasing and geographical diversification of our exports, which negatively affects the economy of Ukraine. Anyway, globalizations impact on financial economical processes on different levels of development is uncertain.

Taking into account wide use of global contradictions and other factors of negative impact, challenges of globalization, trends of development of economical processes determine mostly negative impact on foreign economic activities.

To emphasize the strategic development paths of Ukraine’s foreign trade, firstly, it is necessary to pay attention to negative factors that directly or indirectly affect its development. They are:

1. The relatively low level of competitiveness of domestic goods and services. Products of domestic manufacturers of energy products due to wear and tear of fixed assets and obsolete technology. For 1 dollar, Ukrainian GDP spends 5.5 times more energy than the countries of Central Europe. As a result, Ukrainian compensation products have a high cost. Therefore, it is not surprising that the prices of some types of Ukrainian products are 30-70% higher than prices on international markets [1].

2. Lack of development of basic institutions of a market economy. It is not easy for exporters from Ukraine to compete in foreign markets in the face of uncertainty about property rights and business rules.

3. Inadequate development of the market infrastructure for export support - the lack of reliable and effective financing and insurance systems for exports, effective mechanisms for promoting goods to international markets.

According to the statistical data of the State Statistics Service of Ukraine the European Union kept its position as the key trading partner of Ukraine in 2018 with a share of 41.1% of the total trade volume of Ukraine.

During 2018, the total volume of trade in goods and services between Ukraine and the EU amounted to 49 317.1 mln. USD. Ukrainian exports to the EU countries amounted to 23,032 mln. USD, exceeding the previous year volumes by 14.3%. Imports from the EU countries in 2018 amounted to 26 285.1 mln.USD, which is 12.7% more than during the previous year. In bilateral trade, a negative balance of $ 3,253.1 mln.USD remained (Table 1) [2].

Table 1

Ukraine – EU trade in goods and services in 2018

<table>
<thead>
<tr>
<th>Turnover</th>
<th>2017 (mln.USD)</th>
<th>2018 (mln.USD)</th>
<th>2018/2017 (mln.USD)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to the EU</td>
<td>20 157.6</td>
<td>23 032.0</td>
<td>2 874.4</td>
<td>114.3</td>
</tr>
<tr>
<td>Imports from the EU</td>
<td>23 330.2</td>
<td>26 285.1</td>
<td>2 954.9</td>
<td>112.7</td>
</tr>
<tr>
<td>Trade balance</td>
<td>-3 172.6</td>
<td>-3 253.1</td>
<td>-80.5</td>
<td>102.5</td>
</tr>
</tbody>
</table>
The largest trade partners of Ukraine among the EU countries in 2018 were: Germany (18.1%), Poland (14.7%), Italy (9.8%), Hungary (6.1%), the Netherlands (5.5%), Great Britain (5.1%) and France (4.6%).

The main importers of Ukrainian products during this period were: Poland (14.9%), Italy (11.9%), Germany (11.3%), the Netherlands (7.8%), Hungary (7.4%), Spain (6.2%) and Great Britain (4.9%).

In terms of exports from the EU to Ukraine, the leaders were Germany (24.2%), Poland (14.5%), Italy (7.9%), France (6.1%), Great Britain (5.3%), Hungary (5.0%), the Czech Republic (4.1%) and the Netherlands (3.5%) [2].

Key product categories of Ukrainian exports to the EU were:
- ferrous metals (18.4% in exports to the EU);
- electric machines and equipment (11.8%);
- cereals (11.0%);
- ores, slags and ash (9.0%);
- seeds and fruits of oilseeds (5.8%);
- fats and oils of animal or vegetable origin (5.7%);
- wood and wood products (5.2%).

Key product categories of imports from the EU to Ukraine were:
- boilers, machines and mechanical devices (13.9%);
- fuels, oil and products of its distillation (13.7%);
- means of land transport (9.6%);
- electric machines and equipment (8.2%);
- pharmaceutical products (6.1%);
- plastics, polymer materials (6.0%).

Furthermore, based on the principles of a state foreign economic policy, the main ways of its development are:

1) Asian direction. This regional market is the most massive. More than half of the world’s population (60.0%) lives there. All rich resources of natural resources are located and about 50% of the GNP of the world is produced.

In the economic sphere, the national interests of Ukraine are reflected in the strengthening of cooperation with the leading Asian countries: Japan, the People's Republic of China, the Republic of Korea, Singapore, Indonesia, Thailand, Malaysia, Turkey, etc.

In order to consolidate the role in the Asian market, Ukraine should constantly stimulate trade in high-quality products of machine building, shipbuilding and electronics.

2) American direction. Strategic partnership relations between Ukraine and the United States of America is an important issue nowadays. America’s status is determined by the economic and military potential, the influence on international financial organizations, leadership in the development and implementation of new technologies and many other factors despite the fierce competition from Japan and Germany.

Consequently, it is clear to understand that under such conditions any country and Ukraine is not an exception is interested in establishing a partnership with America. Friendly relations between Ukraine and the United States that have recently formed encourage close cooperation, give the ability of the goods to meet the needs of buyers in the Ukrainian and American markets. But, due to the imperfect legal basis of our country, American investments in the domestic economy is not significantly increased.

3) The European direction. This direction is the most important priority of modern geopolitics. Among the determinants of the expected effectiveness of trade and economic relations with the European countries: the geographical proximity of countries; the proximity of language, religion, traditions, etc.

For instance, among the objectives of trade and economic relations there is the cooperation of the Black Sea states in various sectors of the economy, first of all in industry, agriculture, transport, trade, tourism development etc.

Ukraine has chosen a strategic direction for the development of integration into the European economic, political and legal space. The accession to the European Union (EU) has been identified as the key foreign policy priority and strategic goal of Ukraine at the highest state level.

It is extremely important to study the experience of the European countries in order to adapt the economic policy of Ukraine to the institutional features of the European economy.

So, Ukraine's European choice implies the opening of new prospects for cooperation with developed countries of the continent, creation of strong opportunities for economic development, strengthening of Ukraine's position in the world system of international relations. This is the best way to realize its national interests.

European integration allows Ukraine to modernize the whole economy, attract foreign investments and use new technologies, create new working places, increase the competitiveness of the domestic producer, access to EU market.

Consequently, after transformation the Ukrainian economy can be deeply integrated into the global system of international division of labor.

References


