

THEORETICAL AND APPLIED ASPECTS OF ECONOMIC PROCESSES IN UKRAINE AND IN THE WORLD ECONOMY

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FOREIGN TRADE AS A STRATEGY FOR THE DEVELOPMENT OF BUDGET-FORMING BRANCHES OF THE ECONOMY OF UKRAINE

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foreign trade, branch, export, structure, competitiveness.

The article is devoted to the study of the main budget-forming sectors of the Ukrainian economy and their export structure. The article reveals the essence of the concept of industry. It is determined that the largest share in the export of Ukraine is occupied by the products of the agro-industrial complex and food products, the products of the metallurgical complex, the products of mechanical engineering and mineral raw materials. The structure of exports of agro-industrial, metallurgical, machine-building and mineral-raw materials complex is analyzed. It is investigated that in the structure of exports of the agro-industrial complex the largest share is the sale of plant products, in the structure of the metallurgical complex – ferrous metals, in the structure of the machine-building complex – machines, mechanisms, equipment and electrical equipment, in the structure of mineral complex – ore, slag and ash. It is established that the structure of exports of the national economy is dominated by raw materials with a low degree of processing. Problems of competitiveness of Ukrainian enterprises are revealed. It is determined that in general, the sectors of the economy of Ukraine are characterized by high energy intensity of production, lack of investment and own financial resources to ensure efficient development of production. The directions of transformation of structure of export on each of branches are offered. It is proved that the directions of transformation of the structure of exports should be the reduction of the share of exports of raw materials and production of knowledge-intensive goods, as well as increasing the volume of goods with high added value.

ЗОВНІШНЯ ТОРГІВЛЯ ЯК СТРАТЕГІЯ РОЗВИТКУ БЮДЖЕТОУТВОРЮЮЧИХ ГАЛУЗЕЙ ЕКОНОМІКИ УКРАЇНИ

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Ключові слова:

зовнішня торгівля, галузь, експорт, структура, конкурентоспроможність.

Стаття присвячена дослідженню основних бюджетоутворюючих галузей економіки України та їх структури експорту. У статті розкрито сутність поняття галузі. Визначено, що найбільшу питому вагу у експорті України займають продукція агропромислового комплексу та продуктів харчування, продукція металургійного комплексу, продукція машинобудування і мінерально-сировинна продукція. Проаналізовано структуру експорту агропромислового, металургійного, машинобудівного та мінерально-сировинного комплексу. Досліджено, що у структурі експорту агропромислового комплексу найбільшу частку становить продаж продуктів рослинного походження, у структурі металургійного комплексу – чорні метали, у структурі машинобудівного комплексу – машини, механізми, устаткування та електротехнічне обладнання, у структурі мінерально-сировинного комплексу – руда, шлак і зола. Встановлено, що у структурі

експорту національної економіки переважає сировинна продукція з низьким ступенем обробки. Виявлено проблеми конкурентоспроможності українських підприємств. Визначено, що в цілому для галузей економіки України є характерною висока енергоємність виробництва, брак інвестицій та власних фінансових ресурсів для забезпечення ефективного розвитку виробництва. Запропоновано напрямки трансформації структури експорту по кожній з галузей. Доведено, що напрямками трансформації структури експорту має стати скорочення частки експорту сировини і виготовлення наукомістких товарів, а також нарощення темпів обсягу товарів із високою доданою вартістю.

Statement of the problem

With the intensification of the processes of globalization of the world economy, the role of foreign economic relations is growing and Ukraine's opportunities for trade operations are expanding. Exports, as one of the main components of foreign economic activity, are not only a significant source of budget revenues and improving the country's balance of payments, but also an opportunity for Ukraine to show its economic potential on the world stage.

But globalization is also leading to changes in the structure of exports of major budget-generating sectors of the economy. Therefore, there is a need to analyze the structure of exports of budget-generating sectors of the economy of Ukraine and identify goods in each of the industries that would bring more income from exports.

Analysis of recent studies and publications

The works of such domestic and foreign scientists as A.A. Mazaraki [1], Yu.V. Makogon, V.S. Mironov, M.I. Kravchenko [2], I.M. Makarchuk [3], S.P. Kulitsky [4], S.P. Kolomatska [5] and others are devoted to the definition of branch priorities and branch structure of the economy of Ukraine.

The works of these scientists cover studies of current trends and factors in the development of Ukraine's foreign trade, the impact of Ukraine's foreign economic relations on the realization of opportunities to attract foreign investment. However, the issue of the latest sectoral priorities in Ukraine remains insufficiently researched. In the context of globalization processes, the priorities of sustainable development appear, which include not only economic, but also social and environmental components.

Objectives of the article

Identify the main budget-generating sectors of the economy of Ukraine, analyze their condition and structure, identify problems of competitiveness of domestic enterprises, suggest ways to transform the structure of each of the identified industries.

The main material of the research

According to Article 260 "Branches of the economy and their classification" of the Commercial Code of Ukraine, a branch is a set of all production units that carry out mostly the same or similar types of production activities [6].

In order to identify the main budget-generating sectors of the Ukrainian economy in terms of foreign trade should refer to the statistics of the State Statistics Service of Ukraine [7] and official data of the Ministry of Economic Development, Trade and Agriculture of Ukraine [8].

Figure 1 shows the share of products of the largest sectors of Ukraine's economy in exports.

Figure 1 shows that the largest share of exports is occupied by products of the agro-industrial complex – 45.1%, products of the metallurgical complex – 18.3%, engineering products – 11% and mineral products – 10.8%.

We describe the state and trends in the development of these sectors of the economy.

As for the agro-industrial sector, its main task is to increase agricultural production, provide the country with reliable food and agricultural raw materials, unite the efforts of all sectors of the complex to achieve high economic performance and enter the world market. The agro-industrial complex consists of three interrelated areas: agriculture, which forms the raw material base of

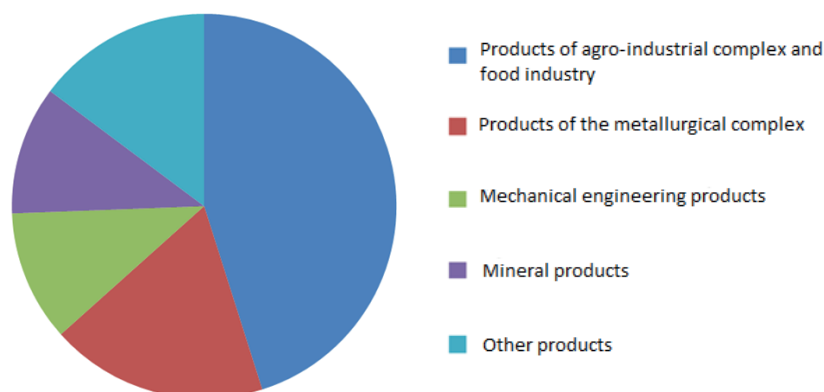


Fig. 1 The share of products in Ukrainian exports in 2020

Source: formed by the authors on the basis of [7]

the agro-industrial complex; industries that produce means of production and maintenance of agriculture; industries for storage, processing and sale of agricultural products.

In recent years, the agro-industrial complex has become a key sector of the Ukrainian economy. Today, the agricultural sector is the leader of the Ukrainian market in terms of exports. For a more detailed analysis of the state of the industry should consider the structure of exports of agro-industrial products.

Figure 2 shows that the largest share of exports is the sale of plant products. At the same time, there is a relative monoculture: the main commodity mass and money earnings provide only a few products – corn, wheat, sunflower, canola, soybeans. Fats and oils of vegetable or animal origin also account for a significant share of agricultural exports. This group of goods is dominated by the production of sunflower oil. Exports of finished food products account for only 15.1% of agricultural exports, for comparison, plant products account for 53.6% of agricultural exports. Finished food products would be more profitable to export, because it has a higher added value than plant products, and is made from the same plant products. As for the livestock sector, it is in deep crisis. The only exceptions are poultry and dairy production at agricultural enterprises, which are guaranteed to purchase products that meet European standards and which are highly profitable due to state support of the industry.

From the above, we can conclude that the positive dynamics of agricultural production is a consequence of the growth of grain and oilseeds, which allows us to expect further growth in exports and foreign exchange earnings. However, exports of Ukrainian agricultural products are mostly raw materials. Betting on growing crops is a very risky strategy, because the harvest in the fields can die, and the main cereals and oilseeds are depleting the soil. Today, the tasks of supporting the livestock sector, the development of finished food production, renewal and modernization of production and processing facilities of the agro-industrial complex are important for the industry.

The second of the leading budget-generating sectors of the Ukrainian economy, which provides a significant part of foreign exchange earnings due to the developed export potential, is the metallurgical industry of Ukraine. Exports

of metallurgical products accounted for 18.3% of Ukraine's exports in 2020.

Regarding the structure of exports of metallurgical products, the largest share of exports are ferrous metals – 85.2% and ferrous metal products – 9.7%, other products account for only 5% of exports of base metals and articles thereof.

Figure 3 shows that over the last 5 years, the share of ferrous metals exceeds the share of ferrous metal products. This indicates a tendency to consolidate the raw material orientation of Ukrainian exports of metallurgical products. In addition, in the export of ferrous metals there is a reduction in the volume of rolled metal – products with relatively high added value.

The main limitations for Ukrainian products in the metallurgical markets of developed countries are the lack of demand for Ukrainian finished metallurgical products. Developed countries prefer to purchase semi-finished products for further processing into high-quality finished products. Thus, the problem of the low level of competitiveness of Ukrainian metal products on the world metallurgical market is the low quality of products, non-compliance with standards and outdated fixed assets. Many Ukrainian enterprises have too physically and morally obsolete fixed assets that do not allow them to produce better and more modernized products. On the territory of Ukraine, only the enterprises of Interpipe Steel LLC and Zaporizhstal PJSC are able to be competitive on the world metallurgy market.

To increase Ukraine's competitiveness on the world metal market, it is necessary to establish a full production cycle in the country, improve scientific, technical and engineering bases, expand cooperation with the chemical industry to improve the properties of steel and cast iron.

The third budget-forming sector for Ukraine's economy is the machine-building industry. The state of the machine-building industry depends on the provision of other industries with fixed assets, the pace of economic and social progress of the country. The development of the machine-building industry improves the state of scientific and technical potential of the country and its place in the global competitive environment. In Ukraine, engineering products account for 11% of exports.

Figure 4 shows that the production of machinery, equipment and mechanisms significantly prevails over the

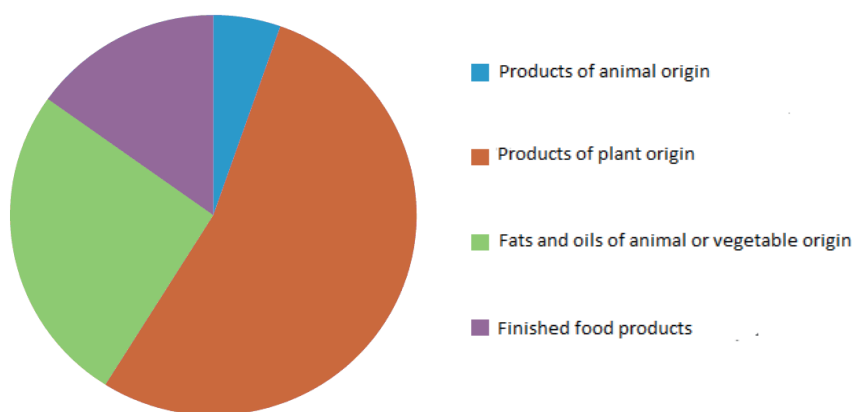


Fig. 2 The structure of exports of agro-industrial products of Ukraine in 2020

Source: formed by the authors on the basis of [7]

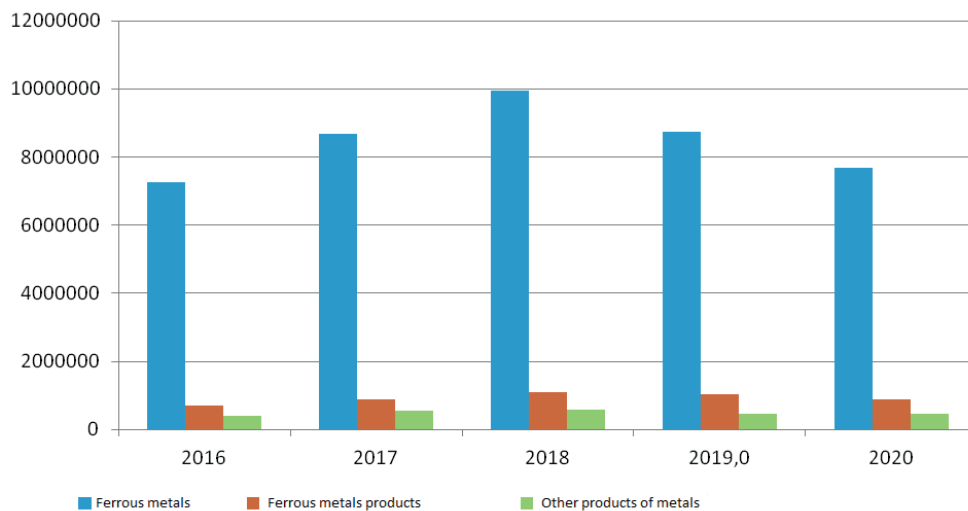


Fig. 3 Structure and dynamics of exports of metallurgical products for 2016–2020

Source: formed by the authors on the basis of [7]

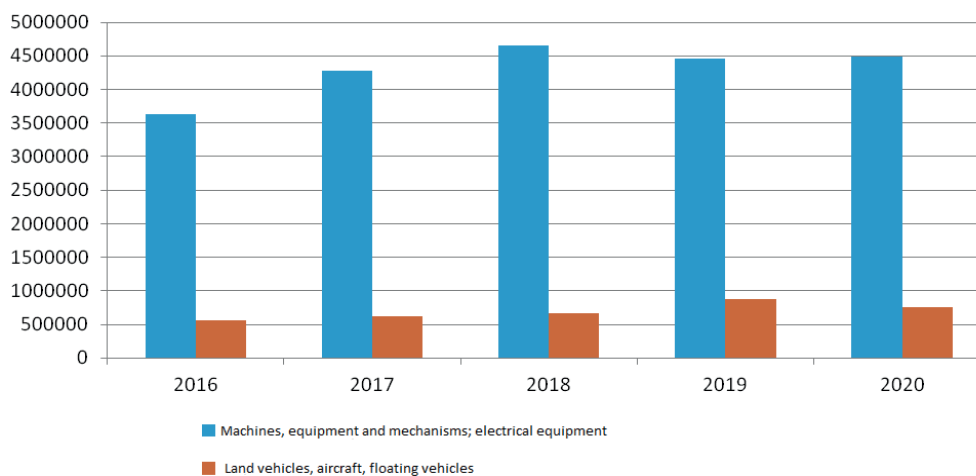


Fig. 4 Structure and dynamics of exports of machine-building products for 2016–2020

Source: formed by the authors on the basis of [7]

production of land vehicles, aircraft and floating vehicles in the structure of exports of machine-building products. This trend has not changed over the last 5 years. Of all manufactured electric motors, generators and transformers, 46.7% were exported; household appliances – 67.3%; general purpose machinery and equipment – 57.4%; motor vehicles, trailers and semi-trailers – 66.3%; components, parts and accessories for motor vehicles – 92.9% [6]. These data are evidence not so much of high competitiveness of the industry, but of low effective demand within the country and underdeveloped markets.

The complexity of the situation of machine-building enterprises is also evidenced by the statistics of financial results of their activities. Thus, in January-June 2019, the activities of 26.7% of machine-building enterprises were unprofitable [6]. The level of profitability of all activities of machine-building enterprises is insufficient to ensure their innovative development.

The main factors hindering the development of the machine-building industry include: outdated logistics,

high level of depreciation of fixed assets, significant cost of production; lack of investment and own financial resources to ensure the development of production; low level of innovative activity of machine-building enterprises; underdeveloped infrastructure and markets.

To solve the problems, first of all it is necessary to develop effective programs and strategies for the development of the industry with a clear definition of funding sources; re-equipment and modernization of the industry; stimulating innovative development of enterprises and development of new technologies; increasing the share of finished products in total exports, not just parts and components.

The fourth budget-generating branch in foreign trade is the mineral complex. According to 2020, the share of mineral products amounted to 10.8% of total exports.

Figure 5 shows that the largest share of exports of mineral products are ore, slag and ash. Significant volumes of ore production and export are explained by the fact that iron ore provides ferrous metallurgy, is the basic branch of the economy of Ukraine, the raw material.

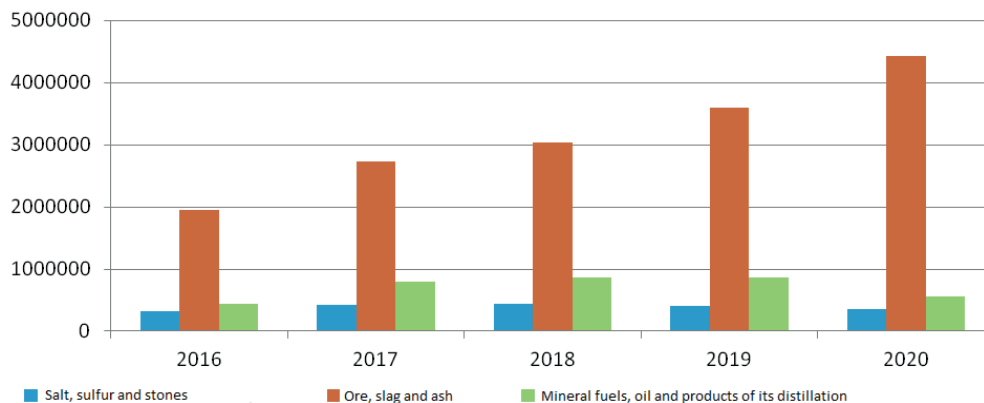


Fig. 5 Structure and dynamics of exports of mineral products of Ukraine for 2016–2020

Source: formed by the authors on the basis of [7]

However, due to insufficient production of mineral fuels and oil for Ukraine there is a problem of energy deficit. Fuel and energy raw materials play a key role in the viability of any state, as it involves almost all sectors of the economy, and to some extent political and economic independence. Ukraine has reserves of all types of fuel and energy raw materials (oil, natural gas, coal, peat, uranium, etc.), but the degree of availability of reserves, their extraction and use are different and in total they do not create the necessary level of energy security. Therefore, the sectors of Ukraine's economy are characterized by unreasonably high energy intensity of production.

The presence of energy deficit and high energy intensity are the main reasons that led to Ukraine's energy dependence. To reduce it, on the one hand, it is necessary to reduce energy consumption, and on the other – to significantly increase oil and gas production in Ukraine.

Conclusions

The structure of exports of each of the budget-generating sectors of the national economy, namely agro-

industrial, metallurgical, machine-building and mineral-raw materials complex is dominated by raw materials or low-tech. Effective development of Ukraine's economy is not possible without adjusting the structure of exports of budget-generating industries.

The main reasons for the trend of raw material orientation of Ukrainian exports of goods are: low quality of finished products; physically and morally obsolete fixed assets that do not allow to produce better and more modernized products; underdeveloped markets; insufficient level of profitability of enterprises to ensure innovative development; high energy consumption of finished products.

To increase the pace of economic development of Ukraine, the state needs to transform the structure of exports. First of all, the directions of transformation of the structure of exports should be the reduction of the share of exports of raw materials and production of knowledge-intensive goods, as well as increasing the volume of goods with high added value.

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