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DOI <https://doi.org/10.26661/2414-0287-2021-4-52-15>**DIVERSIFICATION OF INTERNATIONAL TRADE: PROBLEMS OF THEORY****Lubenets I.O.***Zaporizhzhya National University**Ukraine, 69600, Zaporizhzhya, Zhukovsky str., 66*

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Dynamic development of the modern world economy, its globalization and internationalization have stipulated for the structuring of international trade. This leads to the necessity to increase competitiveness of countries, realization of their competitive advantages. An effective method of solving this problem is the diversification of a country's foreign trade. This method allows to reduce external risks and significantly increase the country's competitiveness in the world market. However, despite the fact that researchers of theoretical foundations of diversification have performed a lot of work, the question of determining the nature of international trade and economic relations diversification has not been studied enough, and therefore requires further analysis. Three main approaches may be distinguished while analyzing the concept of "international trade diversification": diversification as risk reduction, diversification as a marketing strategy and as a process of expanding the range of goods and services to optimize the industry structure. Diversification may be accomplished at the corporate, national and interstate levels. Diversification of international trade is carried out through the diversification of exports and imports by commodity flows structure and geographical structure. Vertical diversification shifts in the country's foreign trade are used to minimize the risks of significant price fluctuations in the world market of raw materials, as well as to form the preconditions and intensify economic development based on exports of high value-added products. Horizontal diversification involves the manufacturing of new products that are not technologically related to existing ones and are intended for existing customers of the enterprise. All this is happening within one sector of the country's economy. Therefore, the state policy of diversification of foreign economic sphere is to create and implement conditions for optimizing the sectoral and geographical structure of foreign trade flows, reducing dependence on world markets and ensuring efficient trade turnover in foreign economic relations. It provides for a gradual transition from raw material exports to high-tech, changes in the structure of imports – reducing the share of household goods and increasing the share of high-tech equipment. Such diversification determines the direction of economic development towards increasing the efficiency of the economy.

ДИВЕРСИФІКАЦІЯ МІЖНАРОДНОЇ ТОРГІВЛІ: ПРОБЛЕМИ ТЕОРІЇ**Лубенець І.О.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

вертикальна диверсифікація, горизонтальна диверсифікація, диверсифікація зовнішньої торгівлі, експорт, імпорт, конкурентні переваги, міжнародна торгівля, товарна диверсифікація

Динамічний розвиток сучасної світової економіки, її глобалізація та інтернаціоналізація зумовили структурування міжнародної торгівлі. Це призводить до необхідності підвищення конкурентоспроможності країн, реалізацію їх конкурентних переваг. Ефективним методом вирішення цієї проблеми є диверсифікація зовнішньої торгівлі країни. Цей спосіб дозволяє знизити ризики зовнішнього середовища та суттєво підвищити конкурентоспроможності країни на світовому ринку. Однак, не зважаючи на те, що дослідниками теоретичних основ диверсифікації була виконана величезна робота, питання визначення сутності диверсифікації міжнародних торговельно-економічних відносин досліджено ще недостатньо, і тому потребує додаткового аналізу. Аналізуючи поняття «диверсифікації міжнародної торгівлі» можна виділити три головні підходи: диверсифікація

як зменшення ризику, диверсифікація як маркетингова стратегія та як процес розширення асортименту товарів та послуг для оптимізації галузевої структури. Диверсифікація може здійснюватись на корпоративному, національному та міждержавному рівнях. Вона здійснюється за рахунок диверсифікації експорту та диверсифікації імпорту за товарною структурою потоків та географічною структурою. Вертикальні диверсифікаційні зрушення у зовнішньоторговельній сфері країни застосовуються для мінімізації ризиків від істотних цінових коливань на світовому ринку сировини, а також для формування передумов і активізації економічного розвитку на основі експорту продукції з високою доданою вартістю. Горизонтальна диверсифікація передбачає випуск підприємством нових товарів, які технологічно не пов'язані з існуючими і призначені для існуючих клієнтів підприємства. Все це відбувається в межах одного сектору економіки країни. Тому державна політика диверсифікації зовнішньоекономічної сфери полягає у формуванні та реалізації умов для оптимізації галузево-географічної структури зовнішньоторговельних потоків, зниження залежності від кон'юнктури світових ринків та забезпечення ефективного товарообміну в системі зовнішньоекономічних відносин. Вона передбачає поступовий перехід від сировинного експорту до високотехнологічного, зміни структури імпорту – зменшення частки товарів побутового призначення і збільшення частки високотехнологічного устаткування. Така диверсифікація визначає напрямок розвитку економіки – зростання ефективності економіки.

Statement of the problem

The dynamics of modern world economy development and its globalization, increasing the level of internationalization of enterprises, accelerating the pace of scientific and technological progress have led to the structuring of international trade. This aggravates the problems of competitiveness increasing between countries, implementation of their competitive advantages. An effective method to solve these problems in the foreign economic sphere is to diversify a country's foreign trade as a way to reduce external risks and increase its competitiveness in the world market.

Analysis of recent studies and publications

Theoretical foundations of diversification have been considered in the works of such foreign scientists as Ansoff I., Akkoff R., Aronova O. M., Bowman K., Galbraith J.K., Dichtl E., Drucker P.F., Kotler F., Porter M.E., Santo B., Strickland A.J., Thompson A., Young S.

It should be noted that the diversification of foreign trade as a separate type of diversification has been studied by foreign scholars relatively recently. Problems of export diversification were considered by such foreign scientists as M. Ainal Hassan, Hirohita Toda, G. Daniele, F. Bonagli, K. Yudayev, A. Golikov, R. Mshlumyan, G. Goldstein, and others.

These concepts were further developed in the works of such domestic scientists as Borisova V.A., Butenko N.V., Grishko V.A., Demchenko G.L., Ilyashenko S.M., Koretsky M.Kh., Kudenko N.V., Melnyk L.G., Nemtsov V.D., Oborskaya S.V., Olefypenko O.M., Breaks P.G., and others.

However, despite the fact that a lot of work has been done by these scientists, the question of determining the nature of the international trade and economic relations diversification is still not completely investigated, and therefore these issues need further analysis.

Objectives of the article

The objective of the research is to determine the essence of the «diversification» category, analysis and improvement of theoretical and methodological principles of forming the conceptual foundations of foreign trade policy diversification in countries with low development level.

The main material of the research

International trade is known as one of the main drivers of economic development and a sphere of international economic relations in contemporary economic environment. It envisages free exchange of goods and services between economic entities of different states, between states and international organizations.

International trade may be considered as a special type of social relations that arise in the world economy in the process of exchange of goods and services between states.

There are the following forms of international trade:

- fuel trade;
- machinery and equipment;
- food trade;
- trade in semi-finished products;
- trade in raw materials;
- trade in services;
- trade in intellectual labor products.

Methods of implementing the relationship between partners:

- direct trade – middlemen services are not used;
- trade through middlemen.

If a country participates in international trade, such participation takes the form of foreign trade. That is, foreign trade is a country's trade with other countries based on the international division of labor. Foreign trade promotes to establish balance in the country's commodity markets. It also allows us to focus on the production of those goods

for which the country has lower costs than other countries, i. e. allows the country to use its resources more efficiently.

But foreign trade can also have negative consequences. If the value of imported goods exceeds the value of exported goods, a trade deficit is formed, which reduces the welfare of citizens.

Diversification of foreign trade becomes relevant to eliminate the balance of payments deficit and such negative phenomena as disproportional development of economic sectors, reducing the level of scientific and technological progress, retarding of economic growth, increasing of external debt level.

The term «diversification» comes from the Latin words «diversus» – different and «facere» – to do, and in the scientific literature the term has been used in the West since the mid-50s of the last century [1, p. 11].

To date, we can't give an unambiguous definition to the term «diversification».

Foreign and domestic scholars have different views on the interpretation of the term «diversification». There are three main approaches to this concept defining:

- as a way to reduce potential business threats;
- as the market behavior of a firm;
- as a process of expanding the range of goods and services to optimize the industry structure.

According to the first approach, diversification is interpreted by E. Chetyrkin, D. Stefanych [2], B. Reisberg, N. Wall. Thus, Chetyrkin defines it as «a common means of reducing any type of risk» [3, p. 169].

And Canadian economist D. Goldfarb uses the modern theory of portfolio choice to explain the reasons for the diversification of Canadian exports, according to which the diversification of a particular block of shares helps to distribute risks between countries, currencies and markets [4, p. 3].

The second approach is supported by such scientists as V. Konoplytsky, T. Ryabova, K. Bowman [5, p. 169], E. Krasnonosova [6, p. 157], A. Zub, O. Povolotska. Thus, V. Konoplytsky defines the concept of «diversification» as a marketing strategy «aimed at new activities of the firm outside the core business» [7, p. 70]. Such behavior of the enterprise occurs when it finds attractive opportunities outside its business [8].

According to the third approach, diversification is interpreted by V. Gabalis [9, p. 214], K. Pass [10, p. 108], A. Ambartsumov [11, p. 73], Z. Grushak [12, p. 6], Yu. Shakurova [13, p. 3] and others. Thus, Lozovsky defines diversification as «expanding the range, changing the type of products manufactured by the enterprise, firm, mastering new types of production to improve production efficiency, economic benefits, prevent bankruptcy» [14, p. 21].

And R. Ali and J. Alvan interpret the term «diversification» in a foreign trade context. By diversification they mean a change in the structure of the basket of export products or [list of] countries ... of export supply [15, p. 7].

J. Bertelemei and S. Chauvin considered diversification as the expansion of production and exports by sectors of the economy [16, p. 10]. M. Agozin and R. Alvarez define diversification as a change in the structure of foreign trade

flows by changing the existing export/import basket of goods and services, or through the modernization of products in existing foreign trade flows [17, p. 2]. And A. Dennis and B. Shepherd understand it as an expansion of the range of products supplied to foreign markets [18, p. 5].

Based on the above definitions of «diversification», we can define it for foreign trade as a strategy for economic development of a country, carried out by expanding the range of goods and services, expanding their quality and geographical vectors of export-import activities at the national level in order to minimize the negative impact on the internal environment.

Diversification of foreign trade can be distinguished at both micro- and macrolevels.

Trade diversification at the microlevel is carried out by individual enterprises. The company independently selects partners in both exports and imports. Diversification of exports is carried out to reduce risks and to expand the network of markets for sale of products and is also related to the assortment of products. The company is looking for the best option for selling different products in different countries.

Diversification of foreign trade of a particular country [19, p. 9] is already considered at the macroeconomic level. At this level it will depend on the functioning of open national economies and the world economy as a whole in the context of global financial markets [20, p. 39]. It is conducted by the government and involves various government programs and activities. These programs can be both general and sectoral.

At the interstate level, diversification is carried out with the consent of the governments of the partner countries. If countries join a union, they jointly diversify with the help of governing bodies. Such diversification is known as supranational.

It is necessary to distinguish the direction and the structure of trade flows in diversification of international trade.

Diversification in the direction of trade flows involves measures to improve the situation in export and import activities to avoid different types of risks.

Diversification of international trade by the structure of trade flows is divided into commodity and geographical.

The commodity structure of international trade is formed under the influence of competitive advantages that the country possesses, and they, in turn, depend on two groups of factors.

The first group includes natural factors. These include climate, the presence of minerals, soil fertility, and so on. The second group includes socio-economic factors. These factors characterize the scientific, technical and economic level of development of the country. They determine the competitive advantages that have been gained in the process of economic development [21; 22].

Commodity diversification can take the following forms:

- vertical diversification;
- horizontal diversification;
- conglomerate diversification;
- cross-diversification;
- mixed diversification.

The essence of vertical diversification is that a company begins to produce new products that are related to existing products in technological and marketing aspects. That is, it involves the transition between sectors of the economy (for example, from raw materials to industrial).

This type of diversification is associated with the creation of technological chains «extraction and processing of raw materials – production of intermediate products – manufacturing of products with high consumer properties – sale» both in full and in reduced form without links [20, p. 10].

Vertical diversification can expand market opportunities and promote growth, as processed goods in general have greater price stability than raw materials [23, p. 32–33].

Vertical diversification requires more skilled workforce, technological, managerial and marketing skills. In addition, vertical diversification may be associated with higher costs for training, which, in turn, can lead to greater external dynamic effects than horizontal diversification [24, p. 36].

Vertical diversification has the following advantages:

- combines coordination of actions with great opportunities at the enterprise level;
- guaranteed supplies of material and technical resources;
- closer contact with end users.

Disadvantages of vertical diversification:

- in case of negative external changes, the interdependence between the company's divisions may worsen the situation of the company;
- the market is limited to units of an enterprise, which destroys the positive influence of market forces and thus eliminates the need for improvement and development.

Today there is a tendency to reduce the level of vertical diversification.

Horizontal diversification involves manufacturing of new products that are not technologically related to existing ones and are intended for existing customers of the enterprise. All this is happening within one sector of the country's economy.

If we talk about the foreign economic sphere, such a restructuring of exports by expanding the production of relatively new goods, compared with the existing range of export supplies, leads to the mitigation of the negative impact of world markets. Export expansion policy is applied.

The advantages of horizontal diversification are that it allows to take into account the needs of consumers in a particular market.

When applying horizontal diversification, the risk is that the market may suddenly decrease, and the company, covering this market as a whole, will be faced with the need to change radically the direction of its activities.

Conglomerate diversification means production of new goods that are not related to the existing activities of the enterprise or its markets. And the growth of the country's economy is then carried out through the manufacturing of products that are not related to traditional products [20, p. 10]. Such diversification requires the greatest financial costs and can only be achieved by big enterprises [25].

Cross-diversification is a combination of horizontal and vertical diversification.

Mixed diversification means a combination of horizontal, vertical and conglomerate diversification [20, p. 10].

The following types of diversification are distinguished by industry affiliation [20, p. 11]:

- mono-industrial – within one industry;
- multi-industrial (related) – within several industries with traditional products;
- multi-industrial (not related) – within several industries, not related to traditional products.

Geographical diversification may be distinguished among the types of foreign trade diversification. It is defined as distribution of export and import flows between different countries of the world to balance trade between them and avoid the risks of large-scale trade with one or limited number of countries.

If we consider separately the concept of export diversification, it is an increase in the number of products and services types and names intended for export. It provides for a set of measures to improve export performance, creates conditions for overcoming negative external and internal influences on the economy, forms the optimal structure of goods, expanding its range, gradually increasing the share of high-tech products and goods with a high degree of processing. In addition, manufacturers and exporters are exploring new markets for goods, technology, capital and services. Such diversification is the most necessary for countries that depend on the raw materials sector.

Diversification of exports can have a positive impact on economic growth due to the positive effects on the manufacturing sectors. Thus, countries with diversified structure of exports gain benefits for capital formation and as a result higher rates of economic growth [26].

Diversification of imports involves a set of measures aimed at avoiding the risks of imperfect structure of goods and services supply, reducing dependence on imports of raw materials, expanding sources of supply and creating import-substituting industries based on advanced technologies.

It should be noted that imported diagonal diversification is an important mechanism for attracting foreign technologies: innovative equipment, units, machinery and equipment.

Such a development is possible if the implementation of diversification in foreign trade is accomplished according to the theory of competitive advantages by M. Porter. He emphasizes that this is possible with the formation of groups of interconnected companies (clusters), which are geographical neighbors that operate in a particular area and complement each other. M. Porter saw the role of the state in creating conditions for coordination and stimulating the activities of enterprises to form clusters [27; 20, c. 638].

Diversification of foreign trade can be traced in the theory of the U-curve, proposed by J. Imbs and R. Waszarg. According to their theory, each country passes through two stages in its development: increasing the level of export diversification in the transition from growth based on exports of raw materials to growth based on processing

industrial products, which eventually acquires the most competitive advantages in the world market [28; 19, c. 83].

The expediency of diversification transformations and gaining benefits from international specialization depend on the level of development of the country's economic potential.

In order to develop the directions of diversification policy, the country is faced with the need for such a choice, which would be the most profitable.

The general objectives for all types of diversification are:

- consolidation of investment resources;
- reduction of risks associated with the external environment;
- ensuring social and economic stability, preventing economic crises;
- efficient use of all types of resources;
- improving the business image of the country.

Conclusions

Three main approaches are distinguished in defining the concept of «diversification of international trade»: diversification as risk reduction, diversification as a marketing strategy and as a process of expanding the range of goods and services to optimize the industry structure.

Diversification may be accomplished at the corporate, national and interstate levels.

It provides for a gradual transition from raw material to high-tech exports, changes in the structure of imports reducing the share of household goods and increasing the share of high-tech equipment. Such diversification

determines the direction of economic development towards increasing the efficiency of the economy.

Diversification of international trade is carried out through the diversification of exports and imports by commodity flows structure and geographical structure.

Vertical diversification shifts in the country's foreign trade are used to minimize the risks of significant price fluctuations in the world market of raw materials, as well as to form the preconditions and intensify economic development based on exports of high value-added products.

Horizontal diversification involves the production of new products that are not technologically related to existing ones and are intended for existing customers of the enterprise. All this is happening within one sector of the country's economy. Export expansion policy is used.

The state policy of diversification of the foreign economic sphere consists in creation and implementation of conditions for optimizing the sectoral and geographical structure of foreign trade flows, reducing dependence on world markets and ensuring effective trade in the system of foreign economic relations.

Purposeful policy of foreign trade diversification is a factor that significantly promotes economic development of a country, forms its international specialization in production and export of goods and services.

Diversification of the foreign economic sphere is especially important for countries with balance of payments deficits due to the need to import means of production, consumer goods, energy for their sustainable economic development.

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