

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

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## EXPORTS FROM UKRAINE DURING THE WAR AND THE CHALLENGES FACED BY THE STATE

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**Key words:**

import, export, market factors, hostilities, competitiveness, export dependence, partner countries, grain conflict, grain initiative.

The article is devoted to the changes in the structure of Ukrainian exports during the hostilities. Changes in Ukraine's imports and exports are analyzed, and the goods that account for the largest share of the country's imports and exports are analyzed. The changes in the structure and geography of Ukraine's partner countries are identified. The impact of market factors on the economy of Ukraine and on the economies of some partner countries is studied. The processes that directly affect the volume of exports of Ukrainian products abroad and their components are considered, as well as the main export goods shipped abroad during hostilities. The processes in the foreign trade policy management system of some of Ukraine's partner countries, which are caused by extreme circumstances, are considered. The author analyzes the motives that guide the subjects (in our case, the partner states). It is determined what measures should be taken by Ukrainian enterprises to maintain the competitiveness of their products in European markets, taking into account possible changes in EU policy on facilitating imports from Ukraine during hostilities. The author also analyzes the impact of the countries importing Ukrainian products on the possible escalation or de-escalation of hostilities to protect their economic interests related to Ukrainian products.

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## ЕКСПОРТ З УКРАЇНИ ПІД ЧАС БОЙОВИХ ДІЙ ТА ПРОБЛЕМИ, З ЯКИМИ СТИКАЄТЬСЯ ДЕРЖАВА

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**Ключові слова:**

імпорт, експорт, ринкові чинники, бойові дії, конкурентноспроможність, експортна залежність, країни-партнери, зерновий конфлікт, зернова ініціатива.

Статтю присвячено розгляду змін у структурі українського експорту продукції під час бойових дій. Проаналізовано зміни в імпорті та експорті України, та проаналізовано товари, на які припадає найбільша частка імпорту та експорт держави. Визначено, які зміни були проведені у структурі та географії країн-партнерів України. Вивчено вплив ринкових чинників на економіку України та на економіку деяких держав-партнерів. Розглянуто процеси, які прямо впливають на обсяги експорту української продукції за кордон та їхні складові, також розглянуто основні експортні товари, які відвантажуються за кордон під час бойових дій. Розглянуто процеси в системі управління зовнішньоторговельної політики деяких країн-партнерів України, які зумовлені екстремальними обставинами. Здійснений аналіз мотивів, якими керуються суб'єкти (в нашому випадку держави-партнери). Встановлено, яких заходів необхідно вжити на українських підприємствах, щоб підтримати конкурентноспроможність продукції на європейських ринках збування, з огляду на можливі зміни в політиці ЄС стосовно сприяння імпорту продукції з України під час бойових дій. Також проаналізовано вплив країн-імпортерів української продукції на можливу моменту ескалації чи деескалації бойових дій для захисту своїх економічних інтересів, пов'язаних з українською продукцією.

### Statement of the problem

In 2023, Ukraine's export-dependent economy continued to struggle with the consequences of the reduction in the supply of Ukrainian goods abroad due to the hostilities.

In 2023, Ukraine exported almost \$36 billion worth of goods, of which the budget received more than UAH 550 million as a result of export duties. Exporters received 15% less revenue compared to the same period in 2022 (\$28.9 billion) and 41% less compared to \$41.8 billion in 2021. In total, exports of goods in 2022 amounted to \$44.2 billion, which is 35% less than in 2021.

However, Ukraine's exports in physical terms increased and amounted to almost 100 million tons of goods. This is 112 thousand tons more than in 2022. B

However, in value terms, the figure fell by 18.7% or \$35.8 billion. In 2023, the Ukrainian economy lost revenue in most export items.

For example, corn, the largest export commodity by volume, while growing by 5% in physical terms, brought in 16.8% less in money than a year earlier. Last year, Ukraine exported 26.2 million tons of this grain crop. Unlike exports, imports in monetary terms increased last year and amounted to \$62.2 billion dollars. Most of all, Ukraine imported fuel worth \$7.8 billion, "miscellaneous" (what is not advertised, most likely equipment for the military) worth \$3.7 billion, medicines worth \$1.7 billion, and UAVs worth \$681 million. Other dominant imports include cars, fertilizers, and plant protection products."[4]

### Analysis of recent articles and publications

Yulia Svyrydenko, First Vice Prime Minister of Ukraine and Minister of Economy, said: "Last year's export revenues reached one of the lowest levels in the last decade. This is an expected and objective result, which was the result of problems in logistics. We are now slowly solving them. We have launched an alternative corridor in the Black Sea, are developing river transportation on the Danube, and are negotiating with the Polish side to unblock the border. Thanks to this, in December, for the first time in the second half of the year, we exported products worth more than \$3 billion. In December, we also exported more than 10 million tons for the first time since March." In addition, Yulia Svyrydenko noted that last year Ukraine had a significant trade deficit in goods worth \$26.4 billion. It was caused by two key factors – problems in logistics and defense needs in 2023. Therefore, in 2024, the government will work to strengthen export logistics with air defense systems and find new ways to export goods and services."[4]

### Formulating the objectives of the article

The purpose of the article is to consider the main problems, opportunities and consequences of reorientation of Ukraine's economy to export its products to the EU during the hostilities, and to provide recommendations for businesses to maintain the competitiveness of their products in the event of a change in EU policy, under internal pressure, regarding the import of Ukrainian products.

### Presentation of the main material

The new composition of the main buyers of Ukrainian goods, in which Russia and Belarus lost their leading positions in 2022 – fifth and fourteenth in 2023, respectively – continues to be formed against the backdrop of geopolitical rebalancing and sanitation policy.

The top three countries to which Ukraine exported the most goods in 2023:

1. Poland: \$3.4 billion (-25.2%).
2. Romania: \$2.6 billion (+20.6%).
3. China: \$1.8 billion (+8.4%).

However, relations with our largest partner, namely Poland, were damaged by the so-called "grain issue". The Law and Justice government of Poland needed only a few weeks of the election campaign to bring friendly relations with Ukraine to a state best illustrated by the events of the 78th session of the UN General Assembly, as well as by loud statements by politicians in Warsaw and Kyiv.

In response to an offense at Ukrainian President Volodymyr Zelenskyy's emotional statement from the rostrum of the UN General Assembly about Poland's unilateral grain embargo (which, incidentally, did not explicitly name the country), Polish Prime Minister Mateusz Morawiecki not only confirms his intention to extend and expand the grain embargo, but also announces the end of arms supplies and military aid. The government representative promises to stop social support for Ukrainians, including the youngest, who have been granted asylum in Poland.

The harbingers of a possible future grain conflict became apparent almost immediately after the outbreak of hostilities and grew as the blockade of Ukrainian Black Sea ports continued. In July 2022, thanks to UN mediation and the Black Sea Grain Initiative agreement, Ukrainian ports partially reopened and "solidarity corridors" appeared on the territory of European states. The European Commission gave the green light to Ukrainian goods by canceling all duties and quotas. [2]According to the European Union, they allowed the export of almost 33 million tons of grain and food to 45 countries, which, with the closure of a huge number of enterprises and a lack of budget revenues, was a salvation for Ukraine's economy. Poland became one of the land transit corridors for Ukrainian grain. However, it turned out that Poland was not able to effectively receive and export Ukrainian agricultural products, as its transit and port infrastructure was not designed for such volumes.

The prices at which Ukrainian grain was sold were not dumping prices, but market prices. However, they differed significantly from the expectations of Polish farmers, who believed Deputy Prime Minister and Agriculture Minister Kowalczyk and his promises to raise prices for their products, for which he paid with his seat. Despite this, Ukrainian activity on the Polish market was called "unfair competition" and an embargo was imposed due to protests and border blockades by farmers.

The decline in export revenues is partially offset by an increase in supplies to Romania. The southwestern neighbor has helped Ukraine open up logistics opportunities through its ports and land transportation corridors. In the full year of 2022, Ukraine exported \$638 million worth of

grain crops to Poland, and almost twice as much to Romania – \$1.3 billion. In 2023, it exported just over \$200 million to Poland and \$950 million to Romania.”[3]

China is in third place among buyers of Ukrainian exports, only \$11 million ahead of Turkey, whose shipments to Ukraine decreased by 4.2% year-on-year to \$1.8 billion, despite the sanctions pressure from the West, these countries show a large presence of business from Russia, so trade relations between us are going through hard times.

Turkey’s and China’s large influence on the structure of Ukrainian exports has ambiguous consequences. On the one hand, it may become the basis for potential threats in the event of an escalation. On the other hand, China’s and Turkey’s close trade ties with certain types of Ukrainian products could play a stabilizing role during hostilities. Countries will protect their own interests, which may suffer from disruptions in logistics routes. In 2021, China ranked first among the countries of destination for Ukrainian exports, exporting various ores, grains, and oilseeds. Poland and Turkey are also among the top three.

The next seven countries in terms of purchases of Ukrainian exports are the so-called “locomotives of the European economy”: Germany, Spain, Italy, the Netherlands, and neighboring Hungary, Slovakia, and the Czech Republic. However, even these countries are currently experiencing large-scale protests involving farmers and transporters, so the prospects are rather dim.

The commodity structure of exports was as follows (the most popular categories of exported goods from Ukraine during the hostilities in 2023):

Food (agricultural products, etc.): \$14.6 billion.

1. Metals and metal products: \$2.7 billion.

2. Machinery, equipment and transport: \$2.1 billion.

Exports of agricultural products are five times higher than exports of metallurgical goods, although for decades they were quite equivalent channels of foreign exchange earnings for Ukraine. However, this can be explained by the significant use of metallurgical products for the country’s defense and the damage to the industrial base caused by missile and kamikaze attacks.

In January-August 2023, Ukrainian exporters received the most revenue from the sale of grain crops (corn, wheat, barley, buckwheat, sorghum, rye), which accounted for a quarter of all exports in the study period in the amount of \$6.1 billion.

The second place in the export ranking is occupied by the product group “fats and oils” (15.4% of total exports), which includes primarily sunflower, soybean, and rapeseed oils. Also, margarine, fats and waxes are exported in much smaller volumes. The total amount sold is \$3.8 billion.

The third largest group of exports is ferrous metals (7.4% of total exports): semi-finished products made of unalloyed steel, cast iron, flat products, and ferroalloys.

It should be noted that the Ukrainian economy has become overly export-dependent since the hostilities began, with grain becoming the main export commodity. Due to the blockade of the Black Sea ports (shipping by sea is the only way to deliver grain to African countries), farmers have to spend a lot of money to deliver their products to other countries by road or rail. The above facts show

that the price of the final product becomes much higher and can become and is already becoming uncompetitive on international markets. This leads to the closure of farms and causes the loss of jobs and, most importantly, reduces tax revenues to the budget. It should be noted that farmers work not only for foreign consumers but also for domestic ones. Closing farms leads to higher prices on the domestic market. This will negatively affect the prices of the final product and lead to instability within the state, as more and more insolvent citizens appear due to falling incomes.

### Conclusions

The analysis covers exports for 2023. Trends in changes in the leading countries with which Ukraine has been implementing trade and economic relations are already evident. The hostilities and blocked Black Sea ports of Ukraine have changed the geography of sales of Ukrainian goods in favor of the European market, which, however, is currently experiencing instability due to the civil unrest, which could lead to significant changes in the policies of the EU countries. Another problem facing the state is its heavy dependence on exports amid a decline in tax revenues from domestic businesses due to the closure of enterprises and the loss of some assets due to the hostilities, which has led to export revenues becoming almost the only way to raise money, not including support from partner countries, which is currently facing some problems. In view of the above, we can say that the main task of the state is to work out and conclude agreements with partner countries to unblock the borders and open access to the markets of countries that have imposed an embargo on the supply of Ukrainian agricultural products, which became the most important export structure during the hostilities.

However, the fighting has also produced unexpected positive results: medium-sized Ukrainian businesses have begun to conquer international markets. Manufacturers of food products, clothing, furniture, building materials, and industrial equipment-hundreds of Ukrainian entrepreneurs-have decided to try their hand at EU markets, but the main advantage now is the price due to the abolition of duties by the European Union, although not on a permanent basis. At the moment, it is incorrect to talk about government support, as there is a budget deficit and all available funds are being used, and should be used, for the country’s defense. Given the above, Ukrainian producers need to identify other competitive advantages to stay in this market. At the moment, this may include improving the quality of products and obtaining European-standard quality certificates, which can now be obtained under a simplified procedure. Exports can also become a lifeline for many companies, as the main problem of recovery and development is the lack of solvent customers in the domestic market.

Currently, according to surveys, about 40% of companies consider exports to be a crucial area of business development. Thanks to the sanctions, many businesses can find new niches for their exports. Companies that are just entering foreign markets have many support tools, from foreign market analytics to grants from partner countries and donor companies.

Another important aspect of export profit growth is the sale of finished goods abroad. For many years, Ukraine has

been selling components for the manufacture of finished products and then importing them back to Ukraine (for example, rolled metal products, which are needed to make a wide range of products, from kitchen knives to cars and manufacturing machines). Some companies are already implementing this strategy, and some furniture manufacturers have started exporting their products, which, by the way, sell quite well abroad due to their good quality and lower prices than those of European competitors.

Given the above, we conclude that exports are currently a very important aspect of the economic stability of the state during hostilities, and its sustainable development is therefore of paramount importance to the state. The state must work constantly to preserve the benefits and support from partner countries for exports in transit or directly to them. Our enterprises need to develop their product range and switch to exporting finished products rather than components for their manufacture, which will help increase export revenues.

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