

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

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## THE STATE OF FOREIGN TRADE OF UKRAINE IN THE CONSTITUTION OF INSTABILITY

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### Key words:

foreign economic activity, exports, imports, commodity structure, trade balance

The foreign economic activity of the country is determined to be a prior component of the national economy in the context of the functioning of the crisis phenomena caused by the war. The nature of foreign trade operations is investigated. The authors considered the structure of Ukrainian exports in the context of commodity groups. Examples of commodity groups are given, whose share in the structure of Ukrainian exports is one of the largest. The dynamics of the implementation of export and import operations over the past decade is analyzed. The factors of formation of a positive trade balance, namely the methods of tariff and non-tariff regulation in foreign economic policy, are substantiated. The problem of using a positive trade balance as an indicator of the good state of the state economy is identified, because some countries use this indicator as a tool to control inflation, and also have labor-intensive and non-environmental enterprises outside the country. A number of agreements that contribute to the intensification of Ukrainian activities have been studied.

## СТАН ЗОВНІШНЬОЇ ТОРГІВЛІ УКРАЇНИ В УМОВАХ НЕСТАБІЛЬНОСТІ

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### Ключові слова:

зовнішньоекономічна діяльність, експорт, імпорт, товарна структура, торговий баланс

Встановлено, що зовнішньоекономічна діяльність країни є пріоритетною складовою національної економіки у контексті функціонування кризових явищ, спричинених війною. Досліджено природу зовнішньоторговельних операцій. Авторами розглянуто структуру українського експорту у розрізі товарних груп. Наведено приклади товарних груп, чия питома вага у структурі українського експорту є однією з найбільших. Проаналізовано динаміку здійснення експортних й імпортних операцій за останнє десятиріччя. Обґрунтовано фактори формування позитивного сальдо торговельного балансу, а саме методи тарифного та нетарифного регулювання у зовнішньоекономічній політиці. Визначено проблему використання позитивного сальдо торговельного балансу у якості показника доброго стану державної економіки, адже деякі країни використовують даний показник як інструмент контролю інфляції, а також мають трудові та неекологічні підприємства за своїми межами. Досліджено ряд угод, що сприятимуть активізації української діяльності.

### Formulation of the problem

The centuries-old purpose of state power is to manage public affairs. The degree of compliance of the vector of development of society with its objective needs determines the effectiveness of the implementation of these functions

by state power. The relevance of this study is due to the need to intensify the efforts of the Ukrainian government to develop the country's foreign economic activity in order to meet such objective needs as the transition of the national economy to its competitive model.

### Analysis of recent research and publications

The current state and trends in the development of foreign trade activities have been studied by domestic scientists such as A. Mazaraki, L. Ligonenko, S. Kulitsky and others. Researchers in their works considered trends and factors in the development of Ukraine’s foreign trade, identified the main problems of trade relations and their solutions, the impact of Ukraine’s economic activity on attracting foreign investment. Rapid changes in the economy of Ukraine and the countries of the world require constant analysis, trends and problems in the development of foreign trade. The structure of trade in Ukraine is exposed to constant risks and threats to the economic development of the state, therefore, it is important to optimize and develop a modern foreign economic policy of Ukraine [4; 8; 9].

### Formulation of goals

The purpose of this article is to study the main trends in the development of Ukraine’s foreign trade in the context of the functioning of crisis phenomena in the country’s economy and, on their basis, determine the vector of development of Ukrainian foreign policy in the context of foreign trade operations, analyze the dynamics of the total volume and commodity structure of exports and imports.

### Statement of the main material of the research

Foreign trade activity plays an important role in the development of the Ukrainian economy. The country’s export and import activities contribute to stimulating economic entities to increase competitiveness. In practice, this allows exporters to conquer the newest markets in terms of offering competitive products. At the same time, the arrival of imported goods forces domestic producers to constantly monitor market trends in order to be competitive with foreign manufacturers.

According to the results of 2021, the volume of foreign trade in goods of Ukraine increased by 25.8 billion dollars

relative to last year. At the same time, imports of goods increased by 34%, and exports – by 38.4%. In 2020, the economies of many countries around the world contracted due to the Covid-19 pandemic, and a large number of macroeconomic factors showed a sharp decline. Ukraine’s exports were only moderately affected, falling 1.6%. This was a sign of strong inelastic demand for goods.

The structure of Ukrainian exports is dominated by a greater number of raw material products. According to figure 1, we see that the leading role in exports is played by the sale of products of plant origin – 22.8% in 2021. Compared to previous years, the export of these products has decreased, but not significantly. The second place in the structure of exports of goods is occupied by non-precious metals and products. In 2021, the total volume amounted to 23.5%, which is significantly more than in previous years, a deviation was observed in 2020 in relation to the period of 2019 as well – exports decreased by 16.8%. The export of goods of commercial origin, fats and oils, prepared food products, textile materials, machinery and equipment has significantly decreased.

Analyzing the commodity structure of imports figure 2, we see that in 2021 most imports fall on mineral products – 20.6%, which is much more than in the previous year. Also high is observed in the field of machinery, equipment and machinery – 19.5%, half of which is nuclear reactors and machinery, which indicates that our country depends on the fuel and energy complex. There is a decrease in imports of goods in 2021 to the same period in 2020 in such industries as textiles and products, polymeric materials, finished foods, plant products, products of commercial origin.

According to the State Statistics Service, in Ukraine in recent years in most cases imports outweigh exports figure 3. A negative foreign trade balance means that the country buys more products abroad than it sells, it contributes to the overcrowding of the domestic market with imported goods and limits the interests of domestic producers.

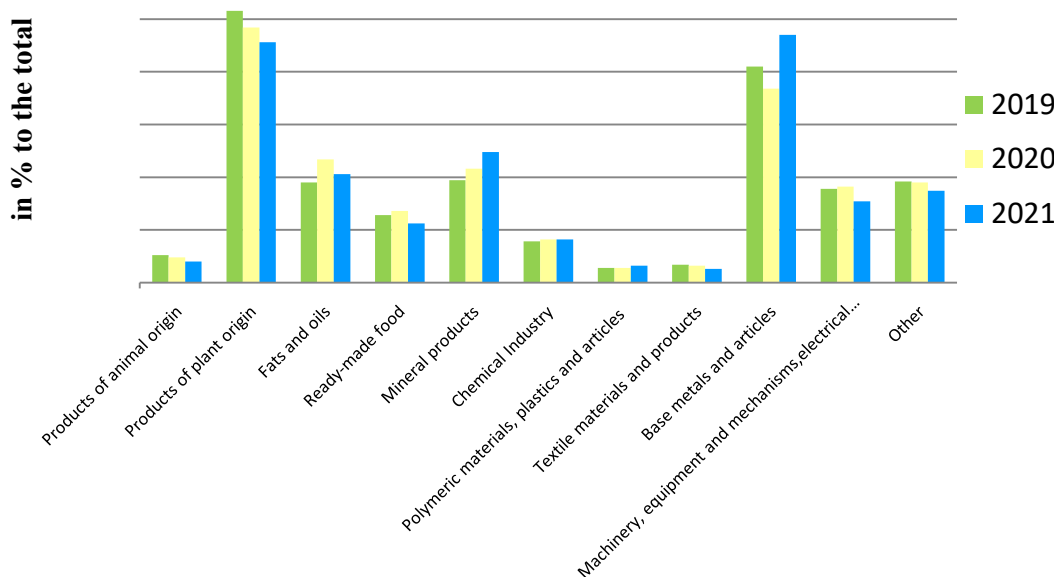


Figure 1 – Dynamics of exports of goods for 2019–2021

Source: State statistics service

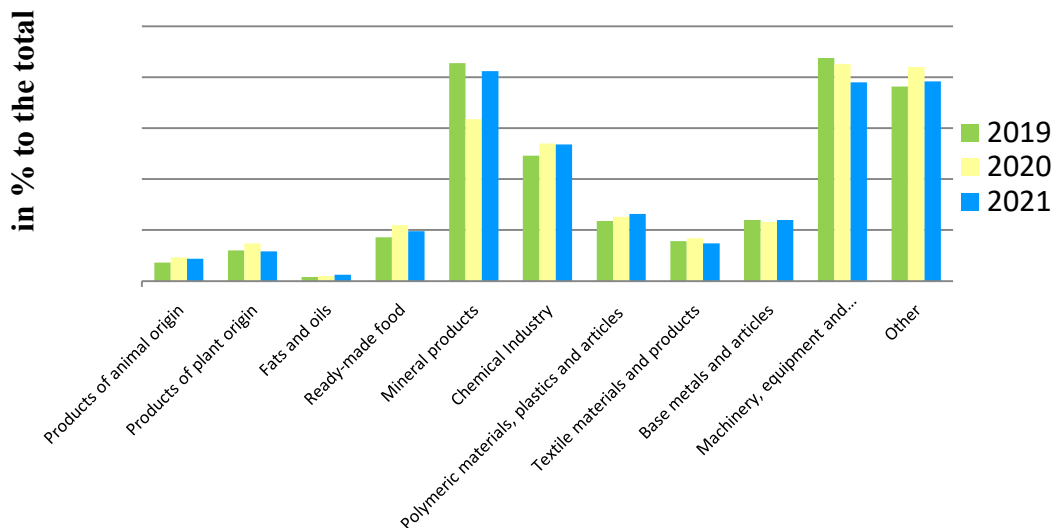


Figure 2 – Dynamics of imports of goods for 2019–2021

Source: State statistics service

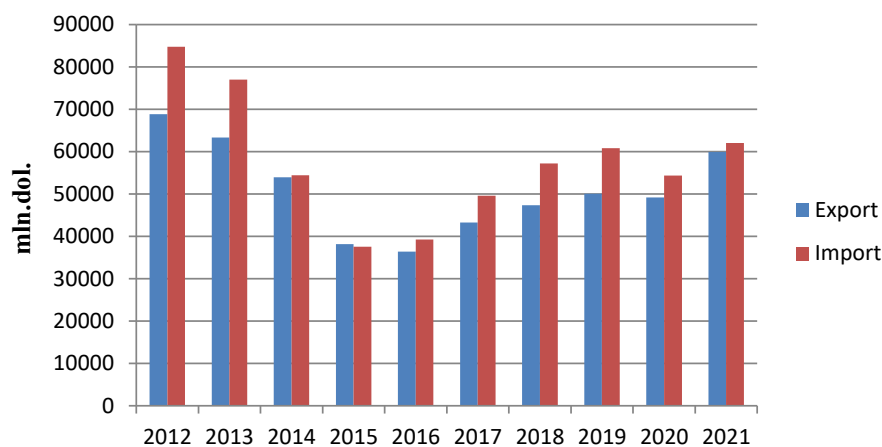


Figure 3 – Dynamics of exports and imports of Ukraine for 2012–2021

Source: State statistics service, National Bank of Ukraine

Reducing the negative balance of foreign trade can be achieved through the effective use of foreign economic policy using tariff and non-tariff methods of regulation.

At the same time, a positive trade balance does not always mean a good economy, and a negative one means a bad economy. For example, the United States and the United Kingdom have a negative trade balance, but are economically and socially developed. They use this indicator as a tool to control inflation, as well as have labor-intensive and non-environmentally friendly enterprises outside their country in less developed countries, and their production is mostly focused on high-tech industries [2].

After the first month of the war, foreign trade began to recover gradually. Due to disruptions in logistics and the destruction of production facilities, exports of goods fell sharply. Imports also declined, but due to low domestic demand as well as difficulties with logistics. In our opinion, after solving the problems with logistics, exports will gradually increase, and imports will increase due to the restoration of consumer and investment demand.

In Ukrainian exports, agricultural products have consistently taken first place for many years. The largest share in agricultural exports is occupied by sunflower oil and cereals. For several years, Ukraine has been the largest producer and exporter of sunflower oil, in 2021 its sales amounted to 6.4 billion dollars.

In 2021, world grain prices grew rapidly. Most entrepreneurs kept the harvest in storage, hoping to sell bread more expensive during sowing and paid. After the war, all ports were under siege. There is a small window left for farmers – 20 thousand tons per day, which could be exported by rail.

According to an analysis conducted by the consulting company Barva Invest, about 25 million tons of wheat and corn remain in storage. Thus, if the volume of grain crops is preserved, the opportunity to withdraw them by rail will take almost four years [5].

Currently, the oil industry is also in a difficult position. The main problem is the shelf life of sunflower, unlike grain it can not be stored for so long, and now it is impossible to

sell either raw or processed. It is also difficult to organize oil exports to the western border, as the European market does not have its own processing facilities that can handle such volumes of sunflower.

In May 2022, Ukraine and the United Kingdom signed an agreement on the abolition of import duties and tariff quotas, which will be valid during the corner with the possibility of further extension. The European Parliament also supported the abolition of customs duties on all Ukrainian exports. Such measures completely abolish import duties on the food sector, as well as anti-dumping duties on steel imports [6; 7].

Thus, the abolition of customs duties and quotas will increase exports to these countries and in the future will have the opportunity to increase exports of food products with high added value.

### Conclusions from the study

The analysis showed that in Ukraine's foreign trade, imports prevail over exports, the growth of the country's negative trade balance.

To address these issues, the state and foreign economic actors must take a number of measures to improve the system of foreign trade, which will allow to reach a new level of development.

Increasing exports in Ukraine can be achieved in the following areas: development of innovation, increasing the degree of processing of raw materials in the country with further exports, stimulating high-tech production, creating favorable conditions for producers, as well as creating products that meet European standards. Such measures lead to increased competitiveness of goods in the domestic market and the displacement of imported counterparts.

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