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Condition and prospects of foreign trade in services from Ukraine

Abstract

The *purpose* of the paper is the economic analysis of the dynamics of export-import of services in the economy of Ukraine, the geographical structure of exports of goods of services, the selection of the main features of foreign trade in services around the world and in Ukraine. *Methodology*. The theoretical and methodological basis of the study are the dialectical method of knowledge and a systematic approach to the study of economic phenomena and processes. The following methods of scientific research were used: induction and deduction, analysis and synthesis, economic and statistical methods. For a visual presentation of the results of the study, tabular methods were used. The *results* showed that exports of services significantly exceeded imports. High service exports were in 2019 (15628.86 million USD) and 2018 (11637.95 million USD). In 2020, exports increased by almost 15%. Transportation services of various types account for about 58%. The value of exports of computer services increases annually, and in 2020 it accounted for 16.48% of total services exports. *Practical implications*. In modern conditions, the active participation of the country in world trade has significant advantages: it allows more efficient use of available resources in the country, to join the world achievements of science and technology, in a shorter time to carry out the restructuring of its economy, as well as to meet the needs of the population more fully and diverse. In this regard, of significant interest is the study of trends in exports of services in the Ukrainian economy, their geographic and commodity structure, identifying the main problems of development of exports of services from Ukraine. These problems are particularly important for Ukraine and other countries that have embarked on the path of creating a developed market economy, focused on active participation in world trade. *Value/originality*. The economic analysis of the dynamics and geographical structure of the export-import of services will identify the problems that hinder the development of the services market in Ukraine, the diversification and expansion of exports of services.

Keywords

Global services market, services exports, the geographical exports structure, export commodity structure

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1 Introduction

The services market accounts for more than two-thirds of the world economy, so services are distributed both domestically and abroad, facilitating technological progress and increasing the mobility of the population. The essence of the world market, the importance of services for the world and domestic economy, the main characteristics of services as an object of economic relations are analyzed. The

economic analysis of the dynamics of export-import of services in the economy of Ukraine, the geographical and commodity structure of exports of services is carried out. The main features of foreign trade in services in the world and in Ukraine were defined. On the basis of the analysis the main problems that hinder the development of the services market of Ukraine, the diversification and expansion of exports of services were identified. The ways of solving these problems are proposed.

2 The role of services in international activities

Globalization, diversification of international markets makes manufacturers come to a better understanding of the processes of international cooperation and integration, implementation of export-import operations, and attracting foreign investment. In this context, the importance of services in the global economy is increasing. The world trade market is an international system of exchange, in which the main commodity object is various types of services and which exists on the basis of the international division of labour (Dynamics of export-import services of Ukraine by country).

The emergence and formation of the market is associated with the development of the social division of labour and commodity production. With the growth of commodity production, the market develops, which is a way of exchanging products that are intended for sale rather than for consumption by the producers themselves (Malska, 2011).

The role of the service sector is as follows:

- is an important sector of the national and global economy;
- play a big part in the development of human capital;
- affects the functioning and development of material production;
- helps to increase free time;
- creates opportunities to better meet and develop the needs of the individual and society;
- is an essential element in shaping the modern quality of life;
- ensures the quality of economic growth and increases the country's competitiveness (Fediv R., Fediv I., 2020, 2021; Rumyantsev A., Kovalenko Yu., 2006).

3 Analysis of the state of foreign economic activity in the field of services

Foreign commerce has a huge impact on the country's economy. Consider and analyze the real state of foreign economic activity of Ukraine in the sphere of services. To perform this analysis, it is necessary to consider the following aspects: the dynamics of development of export operations

from the provision of services; the geographical structure of international operations on the provision of services; the state of the structure of foreign trade in services. In order to analyze the foreign economic activity of Ukraine, it is proposed to consider the dynamics of export-import operations on the provision of services in 2016–2020 (Table 1). A more detailed state of international operations in the specified period is reflected in Table 1.

This table shows that exports of services significantly exceed imports. Service exports were high in 2019 (15628.86 million USD) and 2018 (11637.95 million USD). In 2020, exports increased by almost 15%.

As a rule, the structure of world trade is considered from two points of view: in terms of geographical distribution (geographical structure) and in terms of commodity filling (commodity structure). The TOP-10 countries in the structure of services exports from Ukraine in 2020 are presented in Table 2.

In 2020, European countries had the largest share in the geographical structure of exports, with the CIS countries in second place. A significant proportion were countries with uncertain status: two states recognized by the UN, but occupied by other states (Western Sahara, Palestine); nine states that are de facto independent, but (almost) not recognized either (Abkhazia, Nagorno-Karabakh, Transnistria, Northern Cyprus (only Turkey recognizes it), Somaliland, and South Ossetia). According to an analysis of Table 3, the value of exports has increased by 15.4% in recent years.

The percentage structure of services exports is shown in Table 4.

The analysis confirms the importance of pipeline transport in the Ukrainian economy, confirming Ukraine's status as a "transit country." Overall, transportation services of various types account for about 58%. The value of exports of computer services increases every year, and in 2020 it accounted for 16.48% of total services exports.

4 Signs and problems of foreign trade in services

Foreign trade in services in the world practice is characterized by such features:

- 1) mature economies:

TABLE 1 Volumes of export-import transactions in 2016–2020, million USD

	Year					2020/2016, %
	2016	2017	2018	2019	2020	
Export of services	9868.00	10714.37	11637.95	15628.86	11387.56	115.40
Imports of services	5326.51	5476.15	6308.81	6942.15	5712.54	107.25
Balance	4541.49	5238.22	5329.14	8686.71	5675.02	124.96

Source: (Dynamics of export-import services of Ukraine by country; State Statistics Service of Ukraine)

TABLE 2 TOP-10 countries in the structure of services exports from Ukraine in 2020

Country	The volume of export, million USD	% in total exports
Total	11387.56	100
Russian Federation	2619.13	23.0
USA	1389.17	12.2
Switzerland	732.00	6.4
Germany	613.25	5.4
United Kingdom of Great Britain and Northern Ireland	580.75	5.1
Poland	417.90	3.7
Cyprus	387.04	3.4
United Arab Emirates	324.52	2.8
Netherlands	234.79	2.1
Israel	207.13	1.8
Estonia	195.82	1.7

Source: (Dynamics of export-import services of Ukraine by country; State Statistics Service of Ukraine)

TABLE 3 Dynamics of services exports from Ukraine for 2016–2020

Name of service in accordance with the classification of foreign trade services	2016	2017	2018	2019	2020	2020/2016, %
Services for the processing of material resources	1125.71	1419.72	1699.30	1640.18	1219.22	108.31
Repair and maintenance services not included in other categories	231.86	243.97	242.65	270.07	236.62	102.05
Transport services	5300.55	5861.41	5851.42	9109.92	4988.43	94.11
Travel related services	205.24	242.75	298.86	334.95	263.45	128.36
Services in the field of construction	389.26	102.26	150.34	125.74	75.39	19.37
Insurance services	53.75	39.80	45.02	75.52	58.24	108.37
Financial services	83.14	74.21	107.55	133.59	103.60	124.60
Royalties and other services the use of intellectual property	29.37	29.08	42.81	55.44	94.93	323.18
Services in the field of telecommunications, computer and information services	1644.09	1760.79	2114.96	2575.95	3051.45	185.60
Business services	790.62	921.84	1060.70	1278.17	1256.66	158.95
Services provided to individuals, cultural and recreational services	10.83	14.74	19.13	21.60	32.14	296.70
State and government services	3.58	3.81	5.22	7.71	7.44	207.76
Total	9868.00	10714.37	11637.95	15628.86	11387.56	115.40

Source: (Dynamics of export-import services of Ukraine by country; State Statistics Service of Ukraine)

- a moderate openness of trade and an effective mechanism of state support for the development of services;
- innovativeness of exports and imports of services (financial, information and business);
- 2) developing economies:
 - the main types of service exports are transport, tourism, and financial (offshore);
 - the presence of a negative balance in foreign trade in services;
 - the growing dependence of foreign trade in services on external determinants (Olefir, Typanov, 2008; Palchuk, 2011).

Ukraine's foreign trade in services is characterized by all these features, except for the negative balance. Unlike developing countries, Ukraine's balance of foreign trade in services is positive. However, the problem is that the share of services in the overall structure of foreign trade is insignificant compared to goods (less by a total turnover of 6-8 times compared to the foreign trade turnover of Ukraine). In addition, Ukraine's foreign trade in services has shown much greater resilience to crisis phenomena in the global economy. Thus, the experience of successful export of services is important for the country and can

TABLE 4 Structure of services exports from Ukraine in 2016–2020

Name of service in accordance with the classification of foreign trade services	2016	2017	2018	2019	2020
Services for the processing of material resources	11.41	13.25	14.60	10.49	10.71
Repair and maintenance services not included in other categories	2.35	2.28	2.08	1.73	2.08
Transport services	53.71	54.71	50.28	58.29	43.81
Travel related services	2.08	2.27	2.57	2.14	2.31
Services in the field of construction	3.94	0.95	1.29	0.80	0.66
Insurance services	0.54	0.37	0.39	0.48	0.51
Financial services	0.84	0.69	0.92	0.85	0.91
Royalties and other services the use of intellectual property	0.30	0.27	0.37	0.35	0.83
Services in the field of telecommunications, computer and information services	16.66	16.43	18.17	16.48	26.80
Business services	8.01	8.60	9.11	8.18	11.04
Services provided to individuals, cultural and recreational services	0.11	0.14	0.16	0.14	0.28
State and government services	0.04	0.04	0.04	0.05	0.07

Source: (Dynamics of export-import services of Ukraine by country; State Statistics Service of Ukraine)

become a way of its development (Iksarova, 2010; Morhulec, 2012).

The main problems that hinder the development of the services market in Ukraine, the expansion and diversification of Ukrainian exports of services:

- lack of an adequate legal framework, effective taxation systems, and legislative restrictions;
- low concentration of capital and lack of funds for re-equipment of technical base and creation of new fixed assets, insufficient development of small and medium-sized enterprises;
- unfavorable investment and innovation climate, lack of transparency in business and corruption;
- insufficient development of knowledge-intensive sectors, especially the information and communication services sector.

5 Conclusions

There are positive trends in the export of services from Ukraine, but the share of exports of services in the overall structure of foreign trade is insignificant compared to goods.

To increase the level of Ukrainian exports of services, the following measures should be used:

- improving the competitiveness of Ukrainian enterprises;
- increase the level of development of national certification and quality control systems;
- training of personnel engaged in the provision of services that can be exported;
- reduction of the tax burden;
- bringing into conformity certain provisions of Ukrainian and international law.

In general, the problems affecting the slowdown in services exports can be divided into the following main blocks:

- problems at the enterprise level (product competitiveness, qualified personnel);
- problems related to economic and administrative control (currency fluctuations, tax burden);
- the problem of inconsistency of the legal framework with international standards.

Therefore, it is important to create favorable economic, organizational, legal and other conditions in Ukraine for the development and effective use of its export potential and the creation of mechanisms of state financial, tax, information and consulting, marketing, diplomatic and other types of assistance to domestic exporters.

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