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ANALYSIS OF TRENDS AND PROSPECTS FOR DEVELOPMENT OF EXPORT AND IMPORT OF GOODS AND SERVICES BY ENTERPRISES OF UKRAINE AT THE REGIONAL LEVEL

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Abstract. International economic relations at the level of export and import of goods and services have a significant impact on the development of the economy of each country. At the same time, the export of goods and services by enterprises of Ukraine at the regional level plays an important role, which is a source of significant inflow of foreign exchange funds, ensuring financial stability and investment attractiveness. *The subject* of the research is theoretical, methodological, and practical aspects of the development of foreign economic activity by enterprises of Ukraine at the regional level. *The methodological* basis of the study is the dialectical method of cognition and the basics provisions of economic science. The use of the system approach allowed considering the object and subject of research as a system and element of the general economic system. In the process of research, a number of methods are used, such as: abstract-logical, economic-statistical, monographic, and graphic. *The purpose* of the study is to analyse trends and prospects for the export and import of goods and services by enterprises of Ukraine at the regional level. The stated purpose led to the following tasks: conducting research on the volumes of export and import trade in goods and services; identification of factors influencing foreign trade; definition of geographical changes in the sphere of foreign trade and the coefficient of export coverage by import; substantiation of cooperation with foreign partners on a toll basis. *According to the results* of the research, the following conclusions are obtained: trends and prospects of the export and import of goods and services are investigated; it is found that the low competitiveness of national industrial products, the crisis financial situation of most industrial enterprises, the lack of development of national certification systems and quality control of export goods, the low world rating of Ukraine's reliability for loans and investments affects foreign trade; a significant expansion of the geography of export trade and import supplies is revealed, which positively influenced the balance of foreign trade in goods and services. Therefore, in order to build a highly efficient national economy, the foreign economic activity of Ukrainian enterprises at the regional level should be oriented towards the development of export of finished products, rather than raw materials and partial import substitution for those products that can be successfully produced in Ukraine. The process of import substitution solves a range of socio-economic tasks, such as the revival of the agro-industrial complex, the reduction of unemployment, and the strengthening of the country's economic security. At the same time, the modernization of agrarian and industrial enterprises can take place at the expense of foreign exchange earnings from export.

Key words: international economy, foreign trade, export, import, pricing policy, agriculture.

JEL Classification: F10, M21, Q13, Q17

1. Introduction

Foreign economic activity is one of the important factors in the stable development of national economies of the world. Export of goods and services are an essential source of tax revenues to the state budget. The urgency of studying the issue of the export and import of goods and services is that, using the advantages of

the combined international scientific and technological potential, the international division of labour, Ukraine will be able to solve economic tasks that will ensure the economic growth of the national economy and the well-being of the Ukrainian population.

The purpose of the study is to analyse trends and prospects for the export and import of goods and services by enterprises of Ukraine at the regional level.

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The stated purpose led to the following tasks: conducting research on the volumes of export and import trade in goods and services; identification of factors influencing foreign trade; definition of geographical changes in the sphere of foreign trade and the coefficient of export coverage by import; substantiation of cooperation with foreign partners on a toll basis.

The methodological basis of the study is the dialectical method of cognition and the basis of economic science. Using the system approach allowed to consider the object and subject of research as a system and element of the general economic system. In the process of research, a number of methods were used, such as: abstract-logical, economic-statistical, monographic, and graphic.

The information base of the study was legal and regulatory acts of Ukraine, official statistical materials of the State Statistics Committee of Ukraine, the Main Department of Statistics of Mykolaiv region, special scientific and reference literature, electronic resources of the Internet.

Problems of development of the foreign economic activity of agrarian and industrial enterprises were considered in the works of many leading economists, in particular: H. Herasymenko, I. Honcharenko, H. Duhinets, A. Zadoia, A. Kliuchnyk, M. Kozik, V. Matvieieva, I. Steblianko, N. Tiurina and other well-known scientists. However, not all aspects of the problem are sufficiently studied, especially in terms of stimulating the development of export and import of goods and services by Ukrainian enterprises at the regional level.

2. Foreign trade in goods

Foreign economic activity is one of the most important factors in the development of the national economy. No country in the world is capable of independently developing its own production processes, ensuring

economic growth without effectively taking advantage of the international division of labour and the combined international scientific and technological potential. This is especially true in today's conditions, when intensive development processes of international economic integration, transnationalization, the international division of labour, globalization of the world economy. Foreign economic activity promotes the development of perspective directions of export potential (Tiurina, Karvatska, 2013).

Improving the financial position of producers and exporters of goods and services in the region should be carried out at the expense of development of foreign economic activity by enterprises of the agricultural sector and industry. Effective development of foreign economic activity should promote the expansion of production, updating of the material and technical base, an increase of volumes of produced products both in the agrarian sector and in the processing industry. All these measures should promote the creation of additional jobs and solution of socio-economic problems of society.

Export potential represents a certain amount of goods and services that the national economy is able to produce, involving its own and imported factors of production, and realize them in external markets with maximum efficiency for economic entities, regional economic complex, and the state as a whole (Duhinets, Kucheriavenko, 2012).

Foreign trade in goods is a prominent place in the foreign trade of the Mykolaiv region. During 2010–2016, there was an increase in export volumes by the year of 2012, and then their reduction began. The dynamics of import trade has been unstable for all years. In 2016, the negative tendency of the previous year has changed to positive (Fig. 1).

According to the State Customs Service of Ukraine and company reports, in 2016, the volume of export

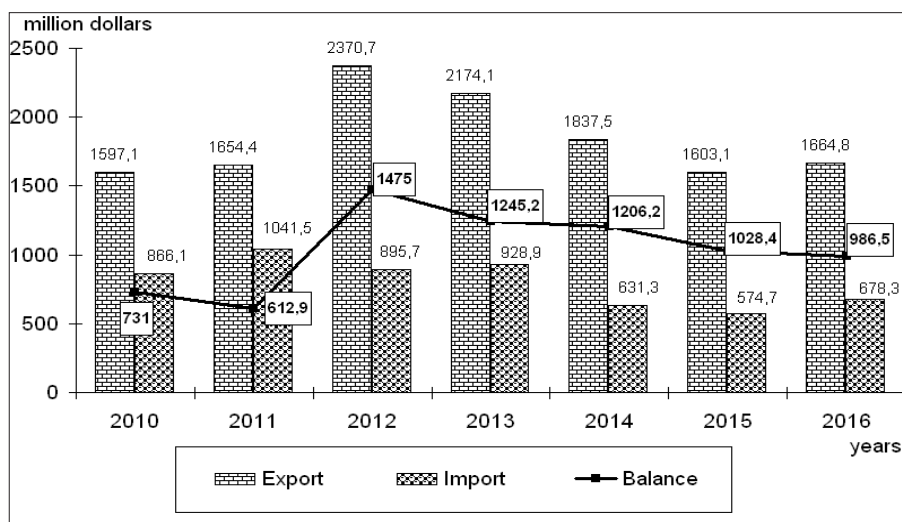


Fig. 1. Dynamics of the volume of foreign trade in goods in the Mykolaiv region

of goods in the region amounted to \$1664.8 million and increased compared with 2015 by 3.8%, import – \$678.3 million and grew by 18%. Relative to 2010 export increased by 4.2%, import – decreased by 21.7%. The growth of export of goods was ensured by an increase in supplies of vegetable products, ready-made food products, and import – an increase in import of land transport vehicles, aircraft, floating means, mechanical and electrical equipment, and ready-made food products. The positive balance of foreign trade in goods amounted to \$986.5 million (in 2015 it equalled \$1028.4 million, in 2010 it was \$731 million), with the prevalence of export over import 2.5 times (in 2015) and 2010 – respectively 2.8 and 1.8 times).

Enterprises of Mykolaiv region in 2016 provided 4.6% of Ukrainian export of goods and 1.7% of import, which corresponded to 6 and 11-12 places among the regions of the country.

In comparison with neighbouring regions (Kirovohrad, Odesa, and Kherson regions), Mykolaiv region occupied leading positions, yielding only to Odesa region in import trade.

The volume of export trade of enterprises of Mykolaiv region exceeded the same index of Kherson region by 6.8 times, Kirovohrad region by 3.9 times, and Odesa region by 9.7%, the share of which in the national export of goods was 0.7%, 1.2%, and 4.2%.

Along with this, from Mykolaiv region's enterprises from abroad, they imported goods in 4 and 3.7 times more than in Kherson and Kirovohrad region. At the same time, the volume of import of our region by almost 44.7% was inferior to the volume of Odesa's import. In the national import, Odesa, Kirovohrad, and Kherson regions occupied respectively 3.1%, 0.5%, and 0.4%.

In 2016, 327 enterprises of the region came out to the external market, which is 8 units less than in 2015 and 91 units more than in 2010. Instead, there was a significant expansion of export geography – from 113 partner countries in 2015 to 131 countries in 2016.

The main exporting partner countries were the Russian Federation, which accounted for 22.3% of

total export, India – 10.7%, Egypt – 10.5%, the Islamic Republic of Iran – 5.4%, and Spain – 5.2%.

In 2016, there was a noticeable increase in export to India (by \$95.1 million, or 2.2 times), due to an increase in the supply of mechanical equipment and grain crops; Egypt (\$53.9 million, or 44.6%), Indonesia (by \$48.5 million or 3.1 times), and the Islamic Republic of Iran (\$37.8 million or 1.7 times) due to the growth of export of grain crops, seeds and fruits of oilseeds. Instead, export supplies to the Russian Federation declined (by \$48.3 million, or by 11.5%), Saudi Arabia (by \$41.4 million, or by 41.5%), Israel (by \$39.2 million, or 80.7%), and the Republic of Korea (by \$35.7 million, or 71.1%).

Affected relations with the countries of the European Union have been markedly intensified. Export of goods to the EU countries amounted to \$307.9 million and increased compared to 2015 by 26.1% (due to increased supply of ready-made food products and products of plant origin). The share of EU countries in the regional index has increased by 3.3 pp and amounted to 18.5%. The basis for export to the EU countries was identified products of vegetable origin, ready-made food products, textiles and textile products, live animals and products of animal origin.

In the commodity structure of the region's export, there were no significant changes. As in a year ago, it was dominated by three groups of products: vegetable products, which accounted for 56.9%, products of chemical and related industries – 22.4%, mechanical and electrical equipment – 9.5%. In addition, export of ready-made food products, fats and oils of animal or vegetable origin were noticeable.

For the enterprises of Mykolaiv region, there are considerable volumes of trade in agricultural products in the foreign market (Fig. 2).

The largest export deliveries of agricultural products were observed in 2012–2013, when the volume of deliveries exceeded a billionth mark, and its share in total export of goods approached to 50%.

Last year, after a two-year hiatus, the tendency to increase export of agricultural products was restored.

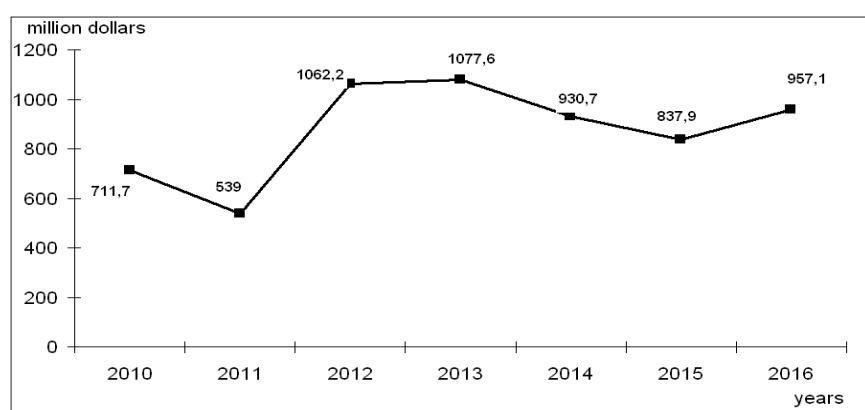


Fig. 2. Dynamics of export of agricultural products by enterprises of the Mykolaiv region

According to the State Customs Service of Ukraine, in 2016, Enterprises of the region exported a variety of agricultural products worth \$957.1 million, which is 14.2% more than in 2015 (compared with 2010 – by 34.5% more). The share of agricultural products in the total export of goods amounted to 57.5%, which is 5.2 pct. more compared to 2015 and by 12.9 pp – since 2010.

Almost all agricultural export was determined by crop production. In 2016, it accounted for 99% of supplies (in the previous year – 99.3%). The structure of crop production export remained stable. The majority of it (74.7%), as in 2015, consisted of grain crops, which were shipped abroad for the amount of \$707.6 million, 24.8% fell on seeds and fruits of oilseeds \$234.6 million, 0.5% was vegetables (\$4.9 million), barely a prominent part – edible fruits and nuts (\$0.4 million).

In 2016 along with an increase in the value of export of crop production, the growth of deliveries in real terms was observed, namely: sunflower seeds – by 5.2 times, vegetables – by 2.4 times, soybeans – by 2.3 times, wheat – by 21.5%, barley – by 9.7%, corn – by 7.4%. At the same time, deliveries of rapeseed seeds – by 31.5%, edible fruits and nuts – decreased by 5%.

At the same time, the average export prices for the main types of crop products declined, most for barley – by 16.8% (from \$166.4 to \$138.4 per ton), wheat – by 11.9% (from \$172.5 to \$152 per ton), sunflower seeds – by 10.1% (from \$406.9 to \$365.8 per tonne). Prices for corn were lower by 4.9%, soybeans – by 0.6% and amounted respectively to \$151.9 and \$355.6 per ton. Instead, the average export price for rapeseed increased by 1% to \$398.1 per tonne.

The expansion of geography of export deliveries of grain crops continued – from 57 countries in 2015 to 65 countries in 2016. The largest volumes were recorded in Egypt (14.7% of annual grain export), Indonesia (10.1%), Spain (9.3%), Saudi Arabia (8.1%), and the Islamic Republic of Iran (6.9%).

Seeds and fruits of oilseeds in 2016 exported to 44 countries, which is 10 countries more than in 2015. The main consumers of this type of agricultural products were Egypt (29.8%), the Islamic Republic of Iran (15.6%), Turkey (12.7%), Portugal (7.4%), France (7.2%), and Spain (5.3%).

The share of livestock production in export deliveries of agricultural products remains undetectable. In 2016, it fell 1% to 0.7% in the previous year, and the volume of supplies was \$9.6 million versus \$6 million.

In the structure of livestock production in 2016, the majority of export (79.9%) were dairy products (condensed milk, butter, various cheeses and yoghurts), exported to 42 countries (mainly to the US, Iraq, Georgia, and Bangladesh), 15.8% were exported live animals to Libya, Egypt, Azerbaijan, Turkey and France, 3.9% – for meat and edible offal to Kazakhstan, Panama and Liberia, the rest identified animal products to Belarus.

Recently, the region has seen an increase in the total number of enterprises involved in the import of goods. In 2016, imported goods of 300 enterprises of the region, which is 26 enterprises more than in 2015 and 53 enterprises more than in 2010. At the same time, the geography of import supplies has considerably expanded. In 2016, goods were imported from 102 partner countries, which is 10 countries more than in 2015 and 21 countries more than in 2010.

The leading partner countries were Belarus (14.1% of the total import), Guinea (14%), the USA (7.7%), the Russian Federation (7.2%), Guyana (5.9%), and Poland (5%).

In 2016, import deliveries from Belarus (land transport, aircraft, floating equipment, mechanical equipment) grew significantly – by \$38.5 million, or by 1.7 times, Belgium (mechanical equipment) – by \$4 million or 2.2 times, the United States (inorganic chemistry products, land vehicles, aircraft, floating devices, appliances and devices) – by \$13.9 million or by 36.2%. At the same time, the decrease in import was observed from Guinea – by \$19 million (or 16.7%), the Russian Federation – by \$18 million (or 26.8%) and Guyana – by \$14.9 million (or 27.1%).

The growth of import trade with EU countries continued. In 2016, from these countries imported goods worth \$200.1 million, which is 45.1% more than in 2015 (due to the increase of import of means of land transport, aircraft and floating means, mechanical and electrical equipment). At the same time, the share in regional import increased from 24% to 29.5%. Of these countries, there were mechanical and electrical equipment, ready-made food products, land transport vehicles, aircraft and floating equipment, mineral products, precious metals and their products.

The basis of the commodity structure of the region's import was determined by four groups of goods: mineral products with a specific weight of 27%, mechanical and electrical equipment – 18.4%, land transport vehicles, aircraft and floating means – 17.7%, ready-made food products – 10.8%. In addition, purchases of products of chemical and related industries, non-precious metals and products from them, products of vegetable origin, polymeric materials, plastics and articles thereof were notable.

In 2016, the share of ground vehicles, aircraft, floating means – by 6.6 percentage points, mechanical and electrical equipment increased by 2.1 pct., finished food products – by 1.1 ppt. Instead, the share of mineral products decreased by 8 percentage points, of non-precious metals and articles thereof – by 1.7 percentage points, of chemical products and related industries – by 1.6 percentage points.

Among the cities and districts of the region, enterprises of the city of Mykolaiv differed the largest volumes of import, which, during 2016, imported from

abroad goods for \$360.8 million (1.5 times more than in 2015), which was 53.2% of regional import. The share of enterprises in the Vitovskyi district was 41% in the region's import, and the volume of deliveries amounted to \$278.1 million (1.3% less than in 2015). Among other administrative-territorial units, only enterprises of the city of Voznesensk (2.4%) and Novodeisk district (2%) were prominent.

Import of agricultural products is much smaller than their export (Figure 3). During 2010–2016, the share of agricultural products in the total import of goods ranged from only 1.4% to 4%, while the largest deliveries were observed in 2013 in the amount of \$35.3 million, which is 34.7% higher than the previous year's supply.

Last year, import shipments grew significantly. In 2016, enterprises of the region imported agricultural products by \$23.6 million, which is twice as much as in 2015, while its share in the region's import increased from 2.1% to 3.5%. Compared with 2010, import purchases decreased by 0.9%, and the share increased by 0.7 percentage points.

Almost all import of agricultural products in 2016 determined the production of crop production, which accounted for 97.1% (in 2015 – 97.6%), and the volume of supplies increased twice (mainly due to increased import of edible fruits and nuts, seeds and fruits of oilseeds, vegetables) and amounted to \$22,9 million.

In the structure of import of crop production, 72.2% fell on edible fruits and nuts (citrus, grapes, dates, various nuts) from Turkey, the Islamic Republic of Iran and India, 20.4% – on seeds and fruits of oilseeds (vegetable seeds for seeds, peanuts) from India, the USA and China, 4.4% for cereals (seed maize and rice) from Romania, Hungary and India, and 3% for vegetables from Turkey, Chile, Belarus, and Georgia.

Livestock products in import last year amounted to 2.9% (in 2015 – 2.4%). At the same time, the volume of deliveries increased by 2.4 times (due to increased import of products of animal origin and live animals) and amounted to \$0.7 million.

Import of livestock products by 81.8% consisted of supplies of animal products from Brazil and Romania, 17.1% from live animals from Hungary and France, the rest were meat and edible offal products from Poland.

The enterprises of the Mykolaiv region for many years cooperate with foreign partners on a toll-free basis. Starting from 2010, in the region as a whole there was a positive dynamics of operations with tolling raw materials, in 2014 began their gradual reduction, which continued in the past year.

In 2016, the import of tolling raw materials decreased by 10.3% and amounted to \$162.4 million. At the same time, the share of tolling raw materials in regional import decreased from 31.5% in 2015 to 24% in 2016. Of the 38 types of goods that came from abroad as a tolling commodity, the vast majority (89.3% of the total import of tolling raw materials) accounted for mineral products, 5.4% – ready-made food (raw sugar), 3.6% – textile materials (knitted fabrics, synthetic yarns and synthetic staple fibres, special fabrics, wool and cotton). The main suppliers of raw materials, imported from 44 countries, were Guinea (55% of total import of tolling raw materials), Guyana (24.7%), Brazil (11.8%), and much less Sierra Leone (3.2%), and Germany (1.6%).

Export of finished products made from tolling raw materials in 2016 decreased by 3.9% and amounted to \$381 million. At the same time, its share in regional export decreased by 1.8 percentage points and equalled 22.9%. Almost all manufactured products (93.1%) were products of chemical and related industries, besides 3.5% of them were on ready-made food products, 2.4% – of textile products. Produced products came to 20 countries of the world, mainly to the Russian Federation (93.1% of finished products), Kazakhstan (2.3%), Germany (1.7%), and Turkey (1%).

The volume of export of tolling raw materials in 2016 amounted to \$1.3 thousand against \$2.6 thousand in 2015. Finished products from this raw material were not produced by foreign partners. The barter trade was not carried out.

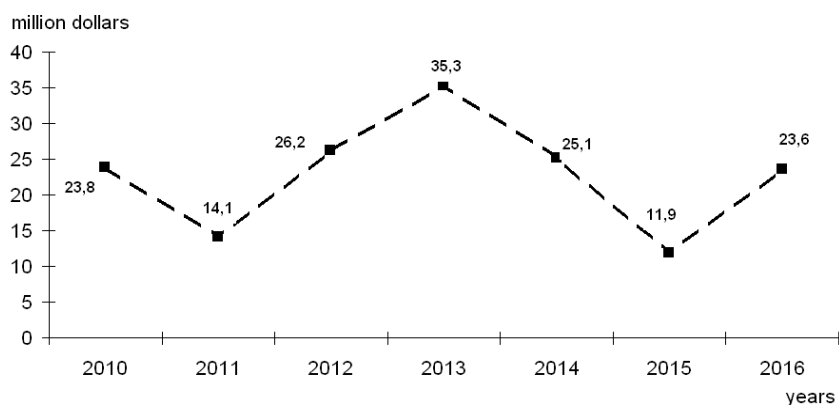


Fig. 3. Dynamics of import of agricultural products by enterprises of the Mykolaiv region

3. Foreign trade in services

During 2010–2013, in the region, the gradual activation of foreign trade in services was observed (Fig. 4). Instead, since 2014, there was a reduction in both export and import of services. Last year, with the decrease in export of services, there was an increase in their import.

In 2016, export of services amounted to \$421.4 million and decreased compared with 2015 by 5.4%, import amounted to \$57.7 million and increased by 12.2%. The decrease in export volumes resulted from the reduction of services for the processing of material resources and transport services; increase in import – due to increased transport services. The export-import coverage ratio was 7.3 at a surplus of \$363.7 million (in 2015, the respective figures were 8.7 and \$394.2 million).

During 2016, there were 143 enterprises of the region in the external market, of which 128 or 89.5% were in the regional centre. They provided 51.3% of export and 96.9% of import of services, while export decreased by 51.3%, while import grew by 16.2%. Another 48.4% of export and 3% of import fell to the enterprises of the Vitovskiyi district. In addition, the enterprises of the cities of Voznesensk, Pervomaisk, Yuzhnoukrainsk, and Ochakiv district came to the external market for services.

Over the past five years, the share of Mykolaiv region in foreign trade in services of Ukraine ranged from 1.6% to 4.6% in export and from 0.9% to 1.3% in import. In 2016 on the share of nationwide export of services, which was 4.4%, the region ranked 3rd among the regions of the country. In the import, the region took 9th place (1.1% of total Ukrainian import).

Among the neighbouring regions, Mykolaiv region is considerably inferior to Odesa region, which ranks first in export, and six in the country's import, with export almost twice as high as Mykolaiv, and import more than

doubled. At the same time, Mykolaiv region provides 15.7 times more export and 3.3 times more import than Kirovohrad region, 13.5 times more export and 11.5 times more than import of services than Kherson region, which respectively occupy 20th and 17th place in export and 16th and 24th place in the import of services.

Last year, with a noticeable reduction in the number of enterprises that rendered services to foreign partners (from 138 in 2015 to 124 enterprises in 2016), the geography of export of services remained almost unchanged (119 countries versus 120 in 2015). The vast majority of services were provided to representatives of Switzerland (in the amount of \$277.3 million or 65.8%), in much smaller volumes – Great Britain (\$19 million or 4.5%), Latvia (\$18.5 million or 4.4%), Panama (\$12.1 million or 2.9%), Estonia (\$7.4 million or 1.8%), the United Arab Emirates (\$7.2 million or 1.7%), and the Netherlands (\$7 million or 1.7%).

Compared to 2015, a significant reduction in export of services to Switzerland (by \$27.9 million, or 9.1%), Egypt (by \$4.7 million, or by 91.1%), Germany (by \$2.1 million, or 40.9%), Norway (by \$1.9 million, or 93.4%), and France (by \$1.4 million, or by 79.4%). Almost stopped export to Iraq (down from \$4.9 million to \$0.5 thousand). At the same time, the volume of services to the United Arab Emirates increased by \$4.8 million (three times), Latvia – by \$3.3 million (by 21.7%), Estonia – by \$2.7 million (1.6 times), and Belarus – by \$2.2 million (1.7 times).

Export of services to the countries of the European Union amounted to \$74.9 million, which is 5.6% more than in 2015. At the same time, the share of EU countries in the total export of services increased from 15.9% to 17.8%. These countries mainly exported transport services; repair and maintenance services not included in other categories; services for the processing of material resources; business services.

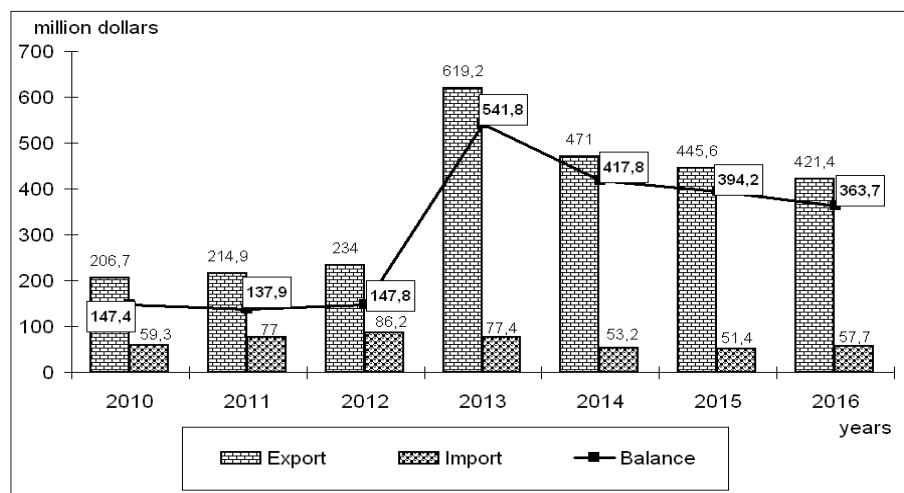


Fig. 4. Dynamics of foreign trade in services in the Mykolaiv region

In the structure of export of services in the region, there were no significant changes. As in a year ago, it was dominated by services for the processing of material resources, which in 2016 was provided to foreigners in the amount of \$206.7 million and transportation services – \$179 million. In addition, foreigners received repair and maintenance services, which are not classified in other categories – \$16.3 million, business services – \$13.7 million.

Compared to 2015, the most notable structural changes affected repair and maintenance services, which did not fall into other categories, whose share increased by 1.5 percentage points, while the reduction of transport services by 0.6 percentage points, services for the processing of material resources – by 0.5 percentage points, business services – by 0.3 percentage points.

Last year, with a decrease in the number of enterprises that imported services (from 77 in 2015 to 72 enterprises in 2016), there was a slight expansion of their geography of services – from 65 countries in 2015 to 67 in 2016.

At the same time, the main partner countries in the import of services remained Great Britain (\$23.3 million or 40.4%), Cyprus (\$17.8 million or 30.8%), Hungary (\$3.9 million or 6.8%), Estonia (\$2.3 million or 4%), Lithuania and the Russian Federation (\$1.7 million or 2.9%).

Compared to 2015, import of services from Great Britain grew the most (by \$7.6 million, or by 48.1%) and Cyprus (by \$6 million, or by 1.5 times), with its significant reduction from Hungary (by \$5.6 million, or by 58.9%).

In 2016, import of services from the EU countries amounted to \$50.9 million and 14.9% exceeded the volume of 2015 by increasing the volume of business services. At the same time, the share of these countries in the regional import increased from 86.1% to 88.2%. Business, transport and travel-related services, royalties and other services related to the use of the intellectual property were imported from partners from EU countries.

In the structure of import of services in the region dominated business services, which in 2016 was received in the amount of \$41.5 million, travel-related services – \$6.9 million, transportation services – \$6.5 million. In

addition, royalties and other services were distinguished by considerable volumes, related to the use of intellectual property (\$1.4 million), telecommunication services, computer and information services (\$0.8 million), and repair and maintenance services not included in other categories (\$0.5 million).

Compared to 2015, the structure of import is 8.3 pct. the share of business services has increased with the reduction of the share of transport services by 5.6 pct., services connected with travel – by 1.9 pct., as well as services in the field of telecommunications, computer, and information services – by 0.7 pct.

4. Conclusions

Thus, investigating the tendencies and prospects of the development of export and import of goods and services has been established, namely: low competitiveness of domestic industrial products; crisis financial condition of most industrial enterprises; insufficient development of domestic systems of certification and quality control of export goods; low world rating of Ukraine's credibility for loans and investments affecting foreign trade; a significant expansion of the geography of export trade and import supplies was revealed, which positively influenced the balance of foreign trade in goods and services. It is emphasized that in order to build a highly effective national economy, the foreign economic activity of Ukrainian enterprises at the regional level should be focused on the development of export of finished products, rather than raw materials and partial import substitution for those products that can be successfully produced in Ukraine. The process of import substitution solves a range of socio-economic tasks, such as the revival of the agro-industrial complex, the reduction of unemployment, and the strengthening of the country's economic security. At the same time, the modernization of agrarian and industrial enterprises can take place at the expense of foreign exchange earnings from export. Also in this situation, specialists in the field of foreign trade need to deepen knowledge on the assessment of foreign markets, the search for foreign partners, which will make it possible to plan new strategies for entering foreign markets.

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