

## Modern Features of Ukraine`s International Trade: Statistical Analysis

Igor GONCHAR\*

Volodymyr BABIRAD-LAZUNIN\*\*

### Abstract

The paper statistically studies the evolution of the structure of international trade in the Ukraine. It elucidates the factors that affected the structure of international trade in the Ukraine and puts forward hypotheses about future directions of development. Special attention is paid to the geography of trading partners revealing its relationship with the country's place in the world of trade.

**Keywords:** commodity groups, export, geographical structure of trade, import, international trade, international trade statistics

Current integration of the Ukraine into the international customs unions, its expanding sales markets and manufacturing sector shifting to high-tech products require exact identification of the present country's role and place in world trade (Hummels, 2007).

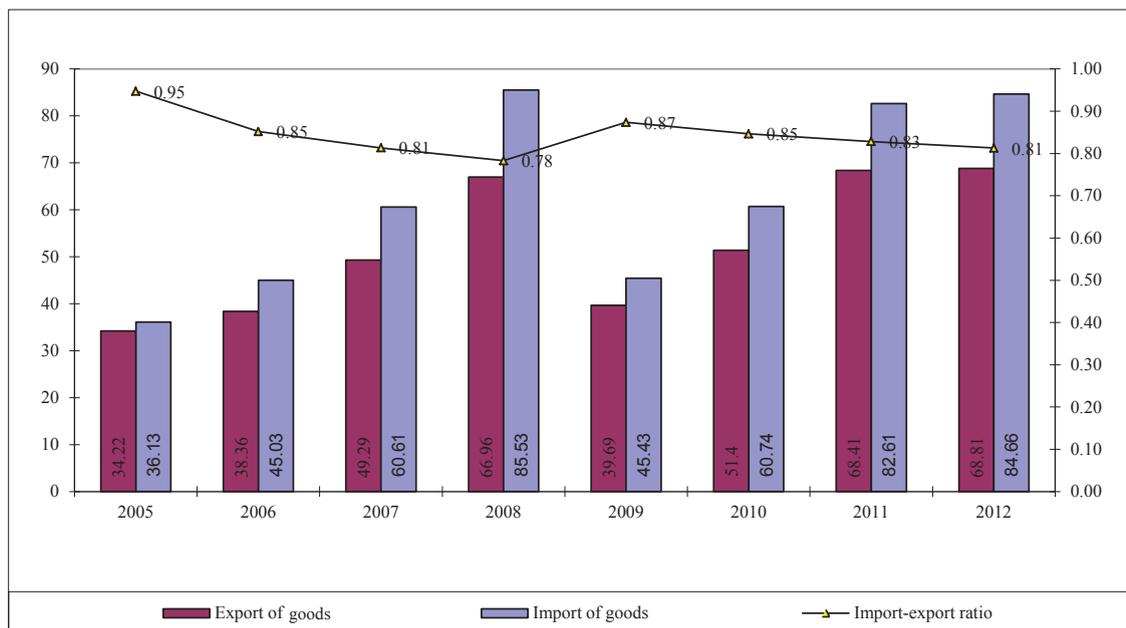
In the past two decades sizeable economic changes occurred in the Ukraine affecting its international economic activity and launching the country's position in a dramatic drift over ranking in the world trade statistics. Therefore, important questions of traversed path analysis and identification of priority areas of development have arisen.

At the beginning of its independence the Ukrainian international trade statistics paid attention to the development of new methods of generating the knowledge base, but less attention was paid to the analysis of its activity. That situation was

quite understandable, since the post-Soviet economy could not easily shift to new market mechanisms due to the slow reform progress. That's why the country was developing by inertia for a long time. That development also had a positive side, however domestic and global economic crisis finally pointed out the futility of such a path (Mayorova, 2006).

The aim of this paper is to determine the features of the modern Ukraine's international trade and to reveal its role in the international trade area. Its information is based on an official publication of the State Statistics Service of Ukraine and State Customs Service of Ukraine.

International trade has no features of a stable, stationary process because it changes quite fast, so we have to give characteristic for the years 2005-2012 (*Figure 1*).



**Figure 1: Dynamics of level of exports-imports coverage of trade operations in 2005-2012 years, billion USD.**

Source: Created by the authors on the basis of (State statistics service of Ukraine, 2013).

\* Assoc. Prof, Department of Statistics and Demography in Taras Shevchenko National University of Kiev, Ukraine.

E-mail: i-gonchar@ukr.net

\*\* Ph.D. Candidate, Department of Statistics and Demography in Taras Shevchenko National University of Kiev, Ukraine.

E-mail: v.babirad.lazunin@gmail.com

Figure 1 shows that there was a gradual build-up of international economic activity in the Ukraine before the 2008 crisis, while the increase in volume of import operations was faster than the growth of exports in the country.

The level of exports coverage gradually decreased to 78% in 2008, but the beginning of the economic crisis had caused some changes: the decline in exports was slightly less noticeable compared to the reduction in imports (45% and 47%, respectively), thus improving the level of import coverage to nearly 90%. It seemed that the crisis had significant negative effects. Nevertheless it provided an opportunity to increase the stability of international trade (Gonchar, I. & Babirad-Lazunin, V., 2013).

The decline in amount of trade was due to reduced demand and the reorientation of world trade markets. The Ukraine failed in quick adaptation of its trade to the new realities. That's why it took about 4 years to restore the lost volume of outside activities. An important step was the formation of the structure of trade in the post crisis years (Table 1).

Table 1: Change in exports and imports in 2008-2009.

Commodity groups	Absolute growth, billion USD		Growth rate, %	
	Export	Import	Export	Import
I. Live animals and animal products	-0,18	-0,43	-23,93	-25,53
II. Herbal products	-0,54	-0,20	-9,73	-13,85
III. 15 Fats and oils of animal or vegetable origin	-0,14	-0,23	-7,69	-38,93
IV. Ready foodstuffs	-0,43	-0,64	-17,08	-24,07
V. Mineral products	-3,14	-9,74	-44,65	-38,31
VI. Products of chemical and related industries	-2,53	-1,63	-50,15	-23,56
VII. Plastics and rubber	-0,43	-1,81	-43,54	-40,49
VIII. Leather and fur and products made of them	-0,18	-0,10	-50,46	-46,57
IX. Wood and wood products	-0,13	-0,264	-16,38	-48,47
X. Pulp of wood or of other fibrous cellulosic material	-0,06	-0,46	-7,71	-25,17
XI. Textiles and textile products	-0,27	-0,68	-27,59	-32,50
XII. Footwear, headgear, umbrellas	-0,03	-0,24	-18,86	-46,06
XIII. Articles of stone, plaster, cement, asbestos, glass	-0,16	-0,64	-37,29	-50,24
XIV. 71 Precious or semi-precious stones, precious metals and products thereof	-0,06	-0,87	-42,68	-84,52
XV. Base metals and products made of them	-14,77	-3,71	-53,55	-58,11
XVI. Machines, equipment and mechanisms, electric and their parts, devices for recording and playback of picture and sound	-1,32	-7,12	-20,92	-53,24
XVII. Vehicles and road equipment	-2,72	-9,92	-63,06	-82,10
XVIII. Devices and optical apparatus for photography, cinematography, measuring, medical and surgical devices, watches, musical instruments	0,03	-0,55	14,83	-45,14
XX. Miscellaneous manufactured wares	-0,12	-0,51	-29,23	-50,53
XXI. 97 Works of art	-0,000033	-0,003111	-4,67	-75,77

Source: Created by the authors on the basis of (State statistics service of Ukraine, 2013).

As can be seen from Table 1, the amount of reduction in imports far exceeds the amount of reduction in exports. So the volume of imports in 2009 compared to 2008 decreased by 40.1 billion USD and exports by 27.27 billion USD.

The largest rates of decreasing in trading volumes were groups of commodities that are typical for the country and were the main source of international currency revenues to it. That's why the Ukraine suffered from significant financial losses and was forced to change priorities in fiscal policy and budget expenditures (Shlyusarchyk, 2004).

Getting out of the crisis demanded reorientation of production and trade to other types of products and new trading partners. In recent years the majority of commercial transactions were completed in only a few countries, but the crisis of 2008 made changes in the geography of the country's trade necessary (Tables 2, 3).

**Table 2: Geographic structure of the largest exporters and importers of Ukraine in 2005.**

Countries	Export		Import	
	billion USD	Share	billion USD	Share
Europe	10,23	29,89	12,19	33,74
Russian Federation	7,47	21,83	12,78	35,37
Turkey	2,02	5,9	0,57	1,58
USA	0,95	2,78	0,69	1,91
Belarus	0,89	2,6	0,93	2,57
India	0,73	2,13	0,32	0,89
China	0,71	2,07	1,81	5,01
Turkmenistan	0,18	0,53	2,57	7,11
Others	11,22	32,79	4,59	12,7
<b>Total</b>	<b>34,22</b>	<b>100</b>	<b>36,13</b>	<b>100</b>

Source: Created by the authors on the basis of (State statistics service of Ukraine, 2013).

**Table 3: Geographic structure of major trading partners of Ukraine in 2012.**

Countries	Export		Import	
	billion USD	Share	billion USD	Share
Russian Federation	17,63	25,62	27,42	32,39
Europe	17,42	25,32	27,56	32,55
Turkey	3,69	5,36	1,95	2,31
India	2,29	3,33	1,02	1,21
Belarus	2,25	3,27	5,07	5,99
China	1,78	2,58	7,9	9,33
USA	1,01	1,47	2,91	3,43
Others	22,74	33,05	10,84	12,8
<b>Total</b>	<b>68,81</b>	<b>100</b>	<b>84,66</b>	<b>100</b>

Source: Created by the authors on the basis of (State statistics service of Ukraine, 2013).

The tables show that the redistribution of trading volumes is quite significant: in 2005 The Ukraine consumed most of the products from the Russian Federation, and the largest consumer of the Ukrainian goods was the European Union. However, in recent years, a geographic redistribution of trade flows occurred. It can be characterized in different ways: on the one hand, a replacement of lost trading markets in the post-crisis period, on the other hand, a replacement of the main consumer of Ukrainian goods from the EU to the Russian Federation. This points to the fact that Ukrainian goods fail to conquer the highly competitive markets of Europe and America. Therefore the , Ukraine remains a supplier of raw materials and semi-finished products in markets that are historically inherited from the Soviet Union (Mcpherson, M., Redfearn, M., & Tieslau, M., 2001).

To characterize the trade specialization, it is considered to be appropriate to regard the structure of Ukrainian exports and imports of goods (Figures 2, 3).

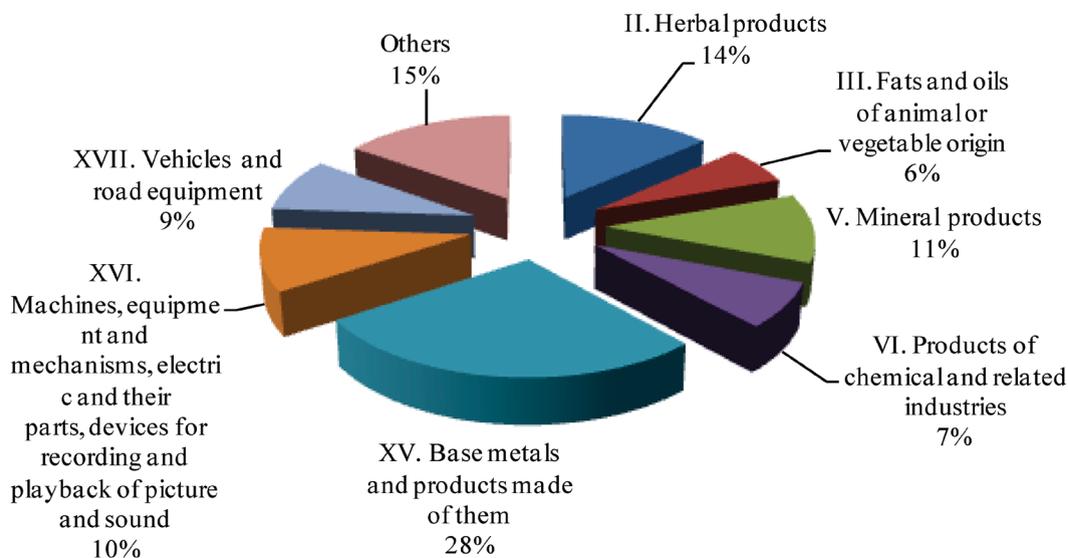


Figure 2: Structure of Exports of Ukraine in 2012, billion USD.

Source: Created by the authors on the basis of (State statistics service of Ukraine, 2013)

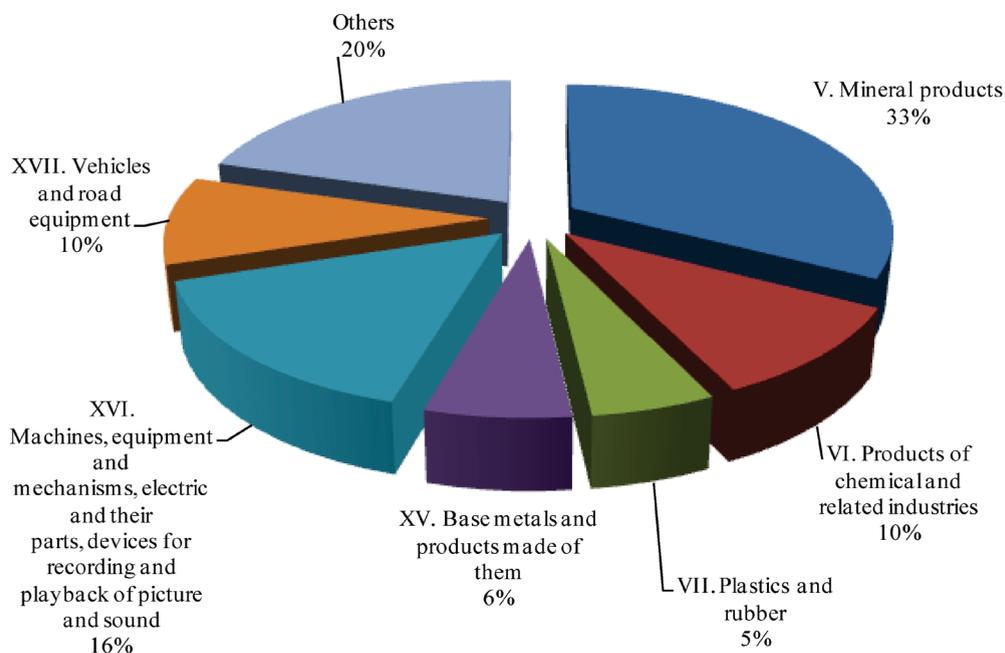


Figure 3: Structure of Imports of Ukraine in 2012, billion USD.

Source: Created by the authors on the basis of (State statistics service of Ukraine, 2013).

Describing the structure of exports it should be noted that it is based on low-tech products, among which the main groups are herbal products and extracted natural resources, as well as products with low technological processing (Frankel, J. & Romer, D., 1999). The last 20 years they formed the bulk of the revenues of the state budget of the Ukraine, and the government expenditures on internal and external programs also depended on proceeds of their sales.

## Conclusion

In general, the current export structure reflects the existing specialization of the country's economy, which has become an agrarian appendix of the European Union and the Russian Federation. Due to poor product quality and their "obsolescence", Ukrainian producers are not able to enter international markets despite even the WTO membership (Baier, S. & Bergstrand, J., 2001). This is also reflected by the changes in the geographical structure of exports: the proportion of countries which agree to buy Ukrainian products of low quality at an appropriate price is increasing (Motoryn, R. & Motoryna, T., 2008).

Thus, natural resources (mostly natural gas) and raw materials dominate the country's imports as well as the country's exports. The Ukraine does not set the stage for innovation and technological development, although the country's scientific and technological potential is quite highly valued in international surveys. Nevertheless, minor changes in recent years are observed in: increasing volumes of imports of modern production equipment that will improve the quality of products to enter new markets (Beck, 2002). However, the rate of growth of modern production is extremely low, and the weight of that production in total production in the economy is also low.

Summarizing the results of the survey it should be noted that under the current set of factors that determine the specificity of the existing economy of the Ukraine – and, consequently, its international trade in the short and medium term – the situation in the Ukraine will not change.

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