

**International Economics**

Ganna DUGINETS

**FORMATION OF CREATIVE
ORGANIZATION IN THE GLOBAL
INFORMATION ENVIRONMENT****Abstract**

The conditions of changes in foreign trade flows of Ukraine in the context of implementing the Association Agreement with the EU are analyzed. The commodity and geographic structures of export and import are investigated; conclusions regarding the degree of concentration and diversification of domestic exports and imports are drawn. The main system-related problems are identified, and general recommendations on their overcoming and creation of favorable conditions for pursuing national interests in the field of foreign trade are given.

It is proved that the the deformation of the commodity structure of imports and exports and their imbalances indicate the need for urgent steps aimed at stimulating foreign economic activity in order to overcome the accumulated socio-economic problems.

One of the ways to change the raw material orientation of our country's exports is to integrate into global value chains. The experience of recently joined EU member states will be of use in developing tools and mechanisms for integration. It is this direction that further research of the author will be dedicated to.

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Duginets Ganna, Associate Professor, PhD, Doctorate student of the International Economic Relations Department, Kyiv National University of Trade and Economics.

Key words:

Association, diversification, EU, export, foreign trade flows, import.

JEL: F15, F14, O24, P51.

Introduction. Foreign trade is an important component of Ukraine's economy. In addition, in the context of strengthening integration processes, the development of foreign trade sphere is one of the main factors of the competitiveness of national economy. It should be noted that exports play a significant role in the economy: its share in Ukraine's GDP oscillates in different years around 50%. Importantly, in Ukrainian exports there is a significant share of import components. Imports also play a significant role in the activities of numerous enterprises. In recent years, significant changes have occurred in foreign trade activities, the consequences of which have a multi-vector impact on the economy of our country. So with the start of the free trade zone with the European Union, Ukrainian exporters and importers were able to further integrate into world trade flows and European production networks. The European Union is the world's largest economy. It is the most important trading partner for 80 countries (for comparison, the United States is the first trading partner for about 20 countries). In particular, the European Union is actively trading with developing countries, importing more from there than the USA, Canada, Japan and China, taken together (European Commission, 2017). In this capacity, the EU is interested in maintaining a stable and harmonious environment conducive to its prosperity. The active growth of the market share of the EU countries with the commencement of the implementation of the Agreement is an important trend in the development of Ukraine's foreign trade relations. But the existing existential crisis of the EU can impose significant restrictions on the possibility of Ukraine's cooperation with the EU. In these conditions, the study of the peculiarities of changes in foreign trade flows of Ukraine during the first years of the Association's implementation becomes actual.

Analysis of recent research and publications. Analysis of recent research shows that this topic is the object of attention of a wide range of Ukrainian scientists. Moreover, the relevance of the issue is confirmed by numerous attempts at holding public discussions and meetings in order to determine further joint efforts of government and business towards implementing the requirements of the EU. Works of I. Burakovsky (Burakovsky I. et al, 2004), A. Mazaraki (2016), V. Movchan (Movchan V. Giucci R., 2011), A. Shnyrkov (2014), as well as works of scientific and public research organizations (eg the International Institute of Advanced Studies and SI «Institute of Economics and Forecasting of the NAS of Ukraine») (Heyets V. Ostashko T., 2016) are dedicated to determining the consequences of free trade and its impact on Ukrainian society.

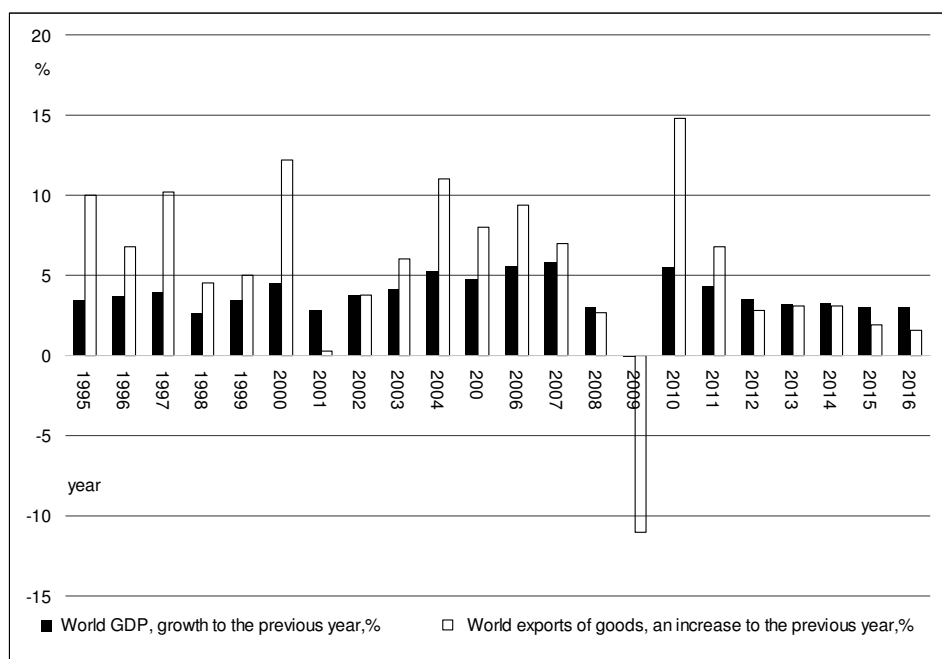
Highly appreciating the contribution of the abovementioned scientists and the results of their research, it should be noted that the level of elaboration of the issues of determining the peculiarities of changes in foreign trade flows as a result of the implementation of the agreement on a deep and comprehensive free trade area (FTA +) between Ukraine and the EU remain not fully resolved. The main obstacle, in the author's opinion, is a structural transformation of the Ukrainian economy and an increase in certain imbalances in the development of the European Union itself. Understanding the challenges and threats that currently exist in the association will help one to understand what is needed to make adjustments to the European integration strategy and thus attain the maximum possible results. It also must not be neglected that crisis phenomena, which have considerably influenced the change in country's positions at the time of signing the association agreement with the EU, continue to develop in Ukraine's economy.

The purpose of the research is to examine the real conditions and consequences of the transformation of Ukraine's foreign trade flows in the context of the implementation of the Association Agreement with the EU. The findings will allow to determine what should be done in order to consolidate and further protect existing achievements, as well as to develop bilateral and regional cooperation mechanisms.

Presentation of the main research material. The dynamics of international trade are an important background for development, especially in the current economic downturn and in connection with the situation on the world oil market. In the course of the 2008–2009 crisis, the world's GDP dropped for the first time in the post-war decades (albeit only 0.1%), and the first decline in world trade turnover since 1982 (immediately by 11%) took place. And after the crisis, the very nature of the development of international trade has changed – since 2012 it began to grow at a slower pace than world GDP (Figure 1). Trade statistics for 2015 have been at odds not only with previous trends but also with respect to the overall economic environment. While the global economy continued to grow in 2015 and 2016, world trade declined, showing substantial volatility in many countries during this period. Although world trade volumes increased, trade volumes decreased for many countries.

Figure 1

Dynamics of GDP and commodity exports of the world, growth in constant prices compared to the previous year, %, 1995–2016



Source: compiled by author for (UNCTAD, 2017).

As for the European Union (EU), the dynamics of foreign trade relations of the association in the first decade and a half of the XXI century were characterized, first of all, by rather considerable trends towards the growth of its unevenness and the gradual weakening of the European Union's positions in the system of modern international commodity trade. Since the implementation of the plans for the fifth enlargement of the EU membership in 2004, there has been a clear trend towards a decrease in the group's share in the value of global exports of goods – from 40.6% to 36.7% in the crisis year 2009 and to 32.7% in 2015. Similarly, there was a reduction in the EU's share in the cumulative value of world purchases of imports: from 39.8% to 36.9% and 31.4%, respectively (United Nations, 2017). While ongoing efforts to increase the number of EU member states in 2007 and 2013 had a temporary positive impact on the dynamics of external trade contacts of the European Union as the largest collective partner in the sphere of international commodity exchange, the overall downward trend remained quite tangible. Such a sharp decline in the share of the European Union in global merchandise trade is due to a fall in relative indicators of exports (imports) of goods of the flagship of the European economy – Germany, as well as the leading EU exporters (importers) – France, the Netherlands, Britain, Italy, Belgium and Spain. In the aggregate, the losses in the contribution of the EU countries to world exports amounted to 6.8 percentage points (and in imports – 6.3). The situation wasn't remedied by the significant increase in export activity (after joining the EU) of such states as Poland and the Czech Republic, which complete the group of leaders in the EU's foreign trade. By the way, in general, the downward dynamics of the corresponding indicators are more typical for the «old» Europeans, while for the «new» Europeans it is, on the contrary, upward.

Equally noticeable was the trend in the geographical distribution of export-import commodity flows of the European Union, especially in the period after the global financial and economic crisis of 2008-2009. As seen in the calculated data of Table. 1, in the post-crisis years, the EU foreign trade structure noted a noticeable tendency to a gradual decrease in both absolute and relative indices of commodity export and import carried out within the grouping. After some fluctuations, the share of trade «inside» the group decreased in its total value by more than 2 percentage points – to 61.2%, which is significant, given the shortness of the time period under review.

Meanwhile, it should be noted that the global downward trend in 2015-2016 was more than a decline in the EU's international trade – it made it possible to increase the share of the EU in world trade during this period (see Table 1.)

Accordingly, the trend towards an increase in the EU merchandise exports to third countries was demonstrated, i.e. to countries not in the group, which is most likely due to the desire of the EU members to expand and diversify external markets for their products. It is clear that in the conditions of instability of world prices for energy carriers and finished products of a country, members of the European Union will look for new promising opportunities for selling their goods outside the borders of the bloc.

Table 1

Dynamics of foreign trade of the European Union, 2011-2016

Indicators	2011	2012	2013	2014	2015	2016
Export, world, total, billion USD	18081,1	18367,9	18868,9	18877,8	16345,4	15767,9
EU exports, total billion USD	5942,5	5691,2	5999,5	6027,2	5349,9	5278,8
% of the world	32,87	30,98	31,80	31,93	32,73	33,47
EU exports, total %, including:	100,00	100,00	100,00	100,00	100,00	100,00
Export of EU, within grouping % to total	63,25	61,51	61,05	62,20	61,21	60,11
Export of EU, to other countries % to total	36,75	38,49	38,95	37,80	38,79	39,89
Import, world, total, billion USD	18321,9	18511,4	18892,4	18933,3	16548,1	15830,2
EU imports, total, billion USD	6146,1	5741,6	5838,7	5916,8	5193,2	5083,1
% of the world	33,55	31,01	30,91	31,25	31,38	32,10
EU imports, total %, including:	100,00	100,00	100,00	100,00	100,00	100,00
Import of the EU, within the grouping, % to the total	58,10	57,13	58,93	59,48	58,50	57,30
EU imports, from other countries, % to total	41,90	42,87	41,07	40,52	41,50	42,70

Source: Compiled and calculated by the author on the basis of (United Nations, 2017).

In the sphere of import purchases of commercial products in 2011–2015, in general, there was a decrease in absolute value indicators, with some fluctuations, against the backdrop of a relatively stable state of share distribution of commodity flow both within and outside the European Union (see Table 1). However, while one can note fluctuations in the dynamics of cost parameters in trade contacts between the EU member countries, the imports from third countries show a steady decrease in the cost of commodity imports. At the same time, it should be borne in mind that a decrease in the volume of exports in 2015 was noted at the global, regional and country levels. At the heart of this laid a significant drop in prices for major commodity groups.

Also, the events that have occurred in the last few years on the European continent, such as «Brexit», the growing influence of populist anti-European political forces in member states, the spread of euroscepticism, and the migration crisis that has sharpened the issue of solidarity and of European countries' common values have had a significant impact on the development of integration processes. The growth of imbalances within the EU, in turn, will have a certain impact on the development of effective relations between Ukraine and the EU in the context of implementing the Deep and Comprehensive Free Trade Area.

At the current stage, the EU Association Agreement with Ukraine is a new model of association based on two elements:

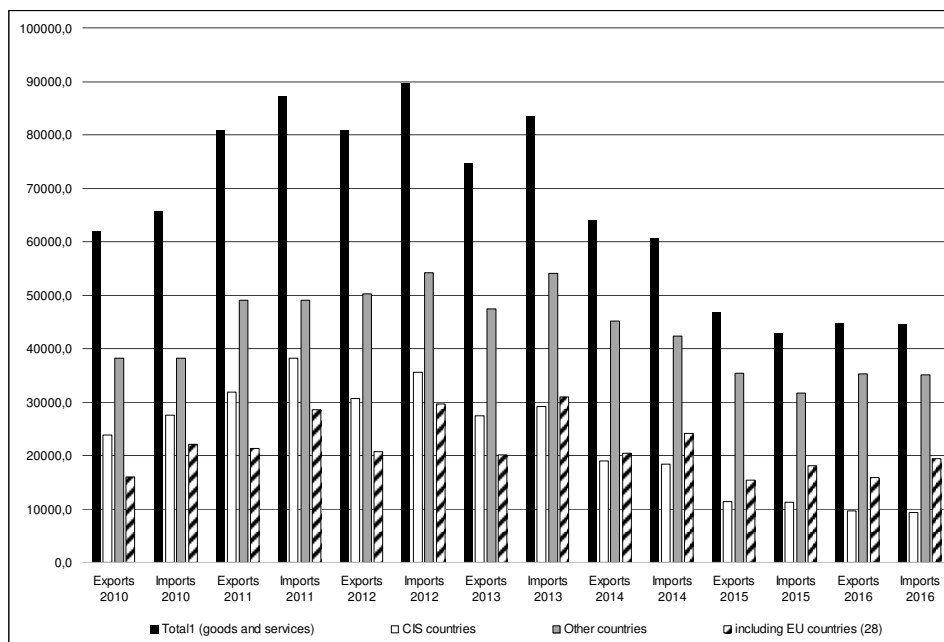
- 1) advanced political association (political dialogue, cooperation in foreign policy and security policy, as well as in the area of internal affairs and justice);
- 2) far-reaching economic integration (an agreement on free trade, which provides Ukraine with access to the common EU internal market and extends European legislation to Ukraine).

The trade flows between Ukraine and the EU have always occupied a significant share in the international trade of the country. By the data for 2010–2012, the export of the EU was slightly more than a quarter of Ukraine's total trade volume, and imports almost a third. As of 2016, EU exports constitute more than 30%, and imports – more than 40% of the total volume of international trade in Ukraine (Figure 2).

It should be noted that the reorientation of foreign trade flows of our country in 2014–2016 was not only due to the intensification of integration interactions with the EU. The main determinants were restrictions for Ukrainian exports on the markets of the Customs Union countries, first of all, by the Russian Federation. This led to a decrease in the volumes of Ukrainian export of products to CIS countries by 29.5% compared to the same period last year. Also, the antiterrorist operation in the Donetsk and Luhansk regions led to suspension of production at the majority of enterprises whose products were aimed at export. The total contribution of these regions to the overall rate of decline in exports was 46.1% (State Statistics Service of Ukraine, 2017).

The positive dynamics of the increase of the volume of foreign trade between Ukraine and the EU indicate an increase of the level of cooperation and the availability of potential for further cooperation. At the same time, qualitative and structural characteristics of Ukraine's foreign trade with the EU indicate the existence of serious problems in this area that require an urgent solution, primarily the existing disparity in foreign trade between Ukraine and the EU. In the studied period (2010–2016), there is a positive trade balance in favor of the EU alone (see Figure 2). At that time, Ukraine's overall trade surplus since 2014 is positive. However, this happened in the context of a significant drop in trade volumes and a reduction in imports at a higher pace than exports (export volumes declined by 14% in 2014, and imports by 27%).

Figure 2

Geographical structure of Ukraine's exports and imports in 2010–2016, million USD

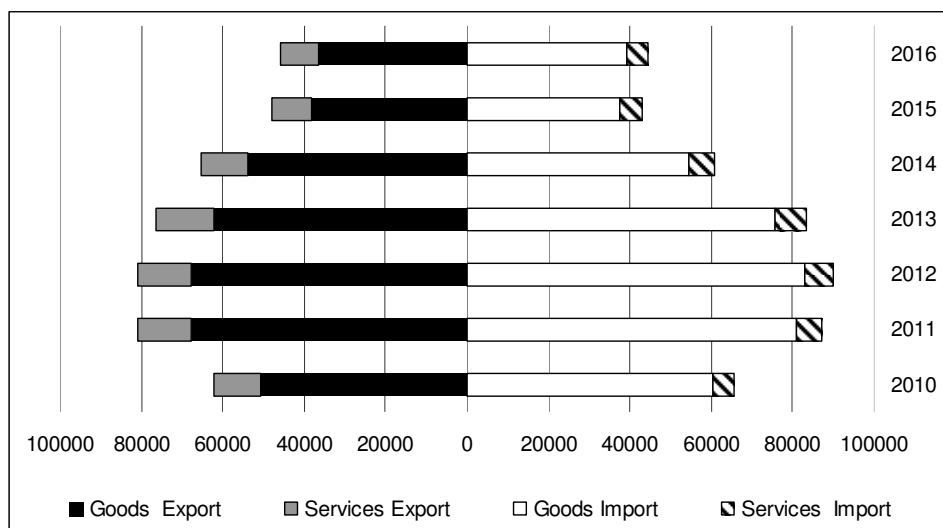
Sources: Compiled by the author according to the data (State Statistics Service of Ukraine, 2017).

In the total volume of export-import operations of Ukraine, the greatest share belongs to trade in goods. In particular, the share of goods in total exports exceeds 80%, and almost 90% in imports. The export of goods developed most dynamically in 2011–2012, of services – in 2012–2013. Over the entire period under study, the share of services in total exports increased from 18.3% in 2010 to 21.4% in 2016 (Fig. 3).

In the overall imports, the share of services increased from 8.2% in 2010 to 12% in 2016. The pace of change in the actual volume of goods and services has somewhat different dynamics: the share of services in export decreased by 15 percent, and in the import it remained almost unchanged. This indicates that foreign trade in services in Ukraine was directed during the period under study to European and other countries, and not to the CIS countries as the external trade in goods (Table 2).

Figure 3

Dynamics of Ukraine's foreign trade in goods and services in 2010–2016, million USD



Sources: Compiled by the author according to the data in (State Statistics Service of Ukraine, 2017).

Table 2

Geographical structure of Ukraine's foreign trade in goods and services in 2010–2016, million USD

Countries/ year	2010	2011	2012	2013	2014	2015	2016
Export							
Total Goods	50744,3	67594,1	67779,8	62305,9	53901,7	38127,1	36362,8
CIS countries	18482,9	25835,8	24911,3	21672,1	14882,3	7806,1	6030,5
Other countries	19345	23895,4	25930,6	24060,3	22016,5	17305,8	16834,6
EU (28)	12916,4	17862,9	16937,9	16573,5	17002,9	13015,2	13497,7
Total Services	11381,4	13347,7	13116	14233,2	11520,8	9736,6	9631,4
CIS countries	5442,4	6041,1	5811,1	5814,9	4034,3	3544,8	3642,1
EU (28)	3123,1	3532,9	3750,2	4195,7	3991,6	2927,9	2950,9
Other countries	2815,9	3773,7	3554,7	4222,6	3494,9	3263,9	3038,4

Countries/ year	2010	2011	2012	2013	2014	2015	2016
Import							
Total Goods	60352	81040,5	83135,4	75834,6	54428,7	37516,4	39248,6
CIS countries	26607,2	37080,1	34317,9	27741,5	17276,9	10485,5	8563,8
EU (28)	19004,2	25270,3	26033,9	26766,9	21069,1	15330,2	17138,2
Other countries	14740,6	18690,1	22783,6	21326,2	16082,7	11700,7	13546,6
Total Services	5402,1	6191,9	6639,2	7523	6373,1	5523	5304,7
CIS countries	933,6	1166,3	1238,2	1466,5	1204	839,6	824,5
EU (28)	3000,3	3372,1	3641,2	4212	3148,8	2750,1	2336,7
Other countries	1468,2	1653,5	1759,8	1844,5	2020,3	1933,3	2143,5

Sources: Compiled by the author according to data (State Statistics Service of Ukraine, 2017).

In the total volume of foreign trade operations, the share of EU countries increased by 37.1% in exports and by 43.7% in imports, compared to 2015. In 2015, 34.1% and 40.9% respectively, and in 2014 – 31.5% and 38.7% (see table 2).

According to the State Statistics Committee, agricultural products (grain crops and oilseeds) took up the largest share in the volume of exports to the EU countries in the last three years; most imported are high-tech products and complex chemical compounds (Table 3). It should be noted that such a commodity structure of export-import operations with the EU is an indicator of the dependence of the foreign trade sphere of Ukraine on changes in the external environment. It is the complex socio-political conditions that have led to deformation in the characteristics of concentration and diversification of Ukrainian exports over the last 4 years. In general, imports from EU countries remain much more high-tech and of a wider range than Ukraine's exports to these countries.

Consequently, by changing the geographic structure of exports from the CIS countries to the EU, Ukraine loses the markets for high value-added products and expands the supplying of raw materials and low-grade products. This leads to the conclusion that the issue of diversifying export destinations is a task of strategic importance for Ukraine. This is also confirmed by the findings of a number of researchers in the foreign trade sector of Ukraine. See, for example, (Goryanska, T. (2012). Significance of this direction of foreign trade policy of the state is amplified by the peculiarities of the modern development of the industrial sector of the economy. The growth of export diversification is possible only by means of expanding the product range of enterprises and production in general. It is also quite clear that diversification of domestic exports should be carried out via expanding exports of goods with a high level of value added.

Table 3

**Main commodity groups of Ukrainian exports to the EU
and of European exports to Ukraine in 2014–2016**

The name of the group of goods as in UKTZED	Amount (million USD)		
	2014 year	2015 year	2016 year
Total goods exported	17002,9	13015,2	13497,7
Non-precious metals and products from them (groups 72–83)	3890,2	3064,1	3092,4
Products of plant origin (groups 6–14)	1805,4	2444,7	2038,7
Machines, equipment and mechanisms; Electrical equipment (groups 84–85)	1649,5	1797,3	1978,8
Mineral products (groups 25–27)	1582,1	1477,4	1453,4
Fats and oils of animal or vegetable origin (group 15)	793,0	678,4	1204,3
Total goods imported	21069,1	15330,2	17138,2
Machines, equipment and mechanisms; Electrical equipment (groups 84–85)	2277,9	2663,0	3624,3
Production of chemical and related indus- tries (Groups 28–38)	3416,6	2641,6	3047,2
Mineral products (groups 25–27)	3793,0	3480,6	2603,6
Land, sea and air vehicles (groups 86–89)	1198,8	867,3	1520,6
Polymer materials, plastics (groups 39–40)	1470,4	1283,7	1365,9

Source: compiled by the author according to (State Statistics Service of Ukraine, 2017).

Conclusions. Summarizing the research carried out on the transformation of Ukraine's foreign trade flows in the context of implementing the Association Agreement with the EU, it can be noted that over the past 4 years, there have been significant changes in the starting conditions of signing and implementing the Agreement. The growing imbalances in the European Union in 2016–2017 will most likely lead to the EU's forming a balanced regional policy, which will take into account the socio-economic characteristics of the member countries, in the near future.

The main emphasis will be placed on preserving the positive results of integration and jointly solving the problems of defense, security, ecology, fighting terrorism, and managing the common market. The further path of integration will depend on the correctness or inaccuracy of decision-making and the quality of regional and state governance. In any case, the European Union is entering a new, rapidly transforming level of development of relations between countries,

where understanding and accepting the euroscepticism that exists in the member countries becomes a priority, as well as the need to adapt the ruling political forces to new social expectations and, as a result, to transform the policy of further integration.

Ukrainian economy, in turn, has also seen significant changes, which have influenced foreign trade flows as much as the acceleration of the European integration processes. The main problems include the annexion of a part of Ukraine's territory and the prolonged anti-terrorist operation in the East of the country, which result in, firstly, the inhibition of the processes of structural adjustment of the domestic economy and the high level of import dependence of the economy, and secondly, the deformation of the commodity structure of imports and exports and their imbalances, indicating the need for urgent steps aimed at stimulating foreign economic activity in order to overcome the accumulated socio-economic problems.

Therefore, according to the author's opinion, one of the ways to change the raw material orientation of our country's exports is to integrate into global value chains. The experience of other recently added EU member states will be useful in developing tools and mechanisms. It is in this direction that further research by the author will take place.

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