

TRADE DIVERSIFICATION AND IMPORT-EXPORT TRANSFORMATIONS IN UKRAINE

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***Abstract.** The study examines changes in the geographical and commodity structure of Ukraine's trade in the political and economic context. The main causes and consequences of diversification of the commodity and geographical trade structure of Ukraine are identified. The strategic direction for Ukrainian enterprises has been established.*

***Keywords:** geographical structure, product structure, trade liberalization, product diversification, business strategy.*

Problem definition. Changes in Ukraine's geographic and commodity trade structure in recent years reflect a challenging political and economic context, including the conflict with Russia, as well as other global factors. Ukraine is forced to look for new markets for its goods. All this has led to a decrease in exports to the CIS countries and an increase in trade with other countries, in particular the European Union, Asia and North America and Africa. This situation forces Ukraine to actively work on diversifying its export portfolio, including increasing production and exports of high-tech goods, agricultural products, services, and other industries, which will help reduce dependence on limited sectors.

Analysis of recent research and publications. The importance of differentiation in the commodity and geographical structure of trade for the country's economy is addressed by such researchers as O. Tkachuk, E. Ivanov, O. Makarenko, M. Kurchenko, S. Kovalchuk, and I. Obukhov [1-5]. The authors note that studies of changes in the commodity and geographical structure of trade are important for the successful economic development of Ukraine, as they adjust their focus on different markets, determine the priority areas of production in the country, and shape public policy and economic planning of businesses.

Identification of unresolved aspects of the problem. Modern changes in the geographical and commodity trade structure indicate the need to adapt Ukraine's economy to new conditions and to find new opportunities for development, to identify the main directions of changes, their causes and consequences.

The aim of the study is to examine the dynamics of trade diversification and import-export transformations in Ukraine to identify the main directions of changes, their causes and consequences.

Summary of the main research findings. Changes in the geographical and commodity trade structure of Ukraine in recent years reflect the complex political and economic context, including the conflict with Russia, as well as other global factors that affect the country's export and import balance, and create new opportunities and challenges for Ukrainian business and the economy as a whole. As the commodity structure of exports changes, the range of exported goods and the structure of imports change. The consequences of this are diversification of trade portfolios (both import and export), change of suppliers and markets.

The first step in the study is to identify the reasons that influenced the changes in the trade structure, which will provide an understanding of the consequences and possible responses. The main reasons that have influenced the differentiation of structures in recent years include the following: reduced dependence on the Russian market; increased trade with the European Union; development of trade with Asia and Africa; and the impact of global trends. Each reason from the above list has led to the diversification of the country's commodity structure in general. The influence of factors on the diversification of the export portfolio is shown in Figure 1.

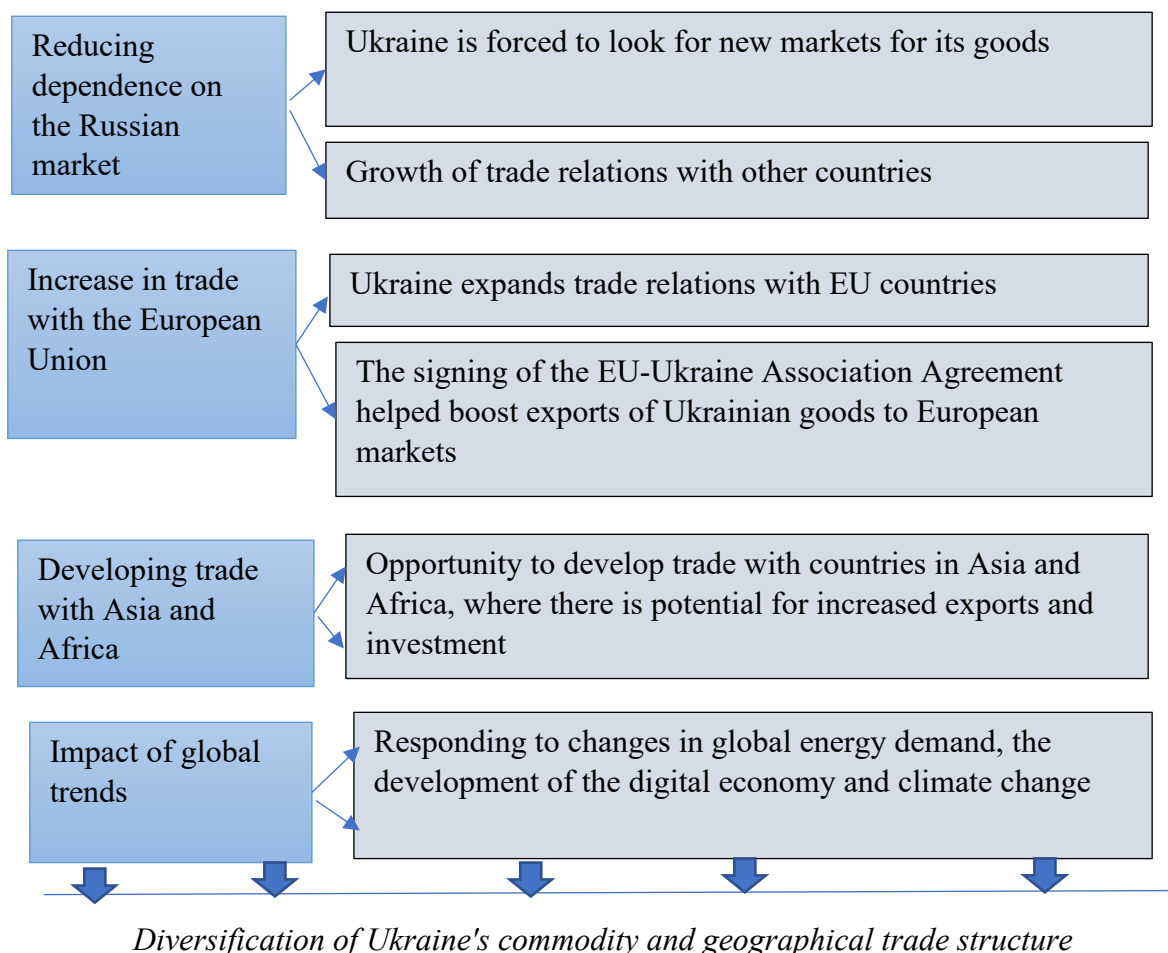


Fig. 1. Main reasons and consequences of diversification of Ukraine's commodity and geographical trade structure

The next step is to study statistical changes in the commodity and geographic structure of Ukraine. In the geographical structure, the main changes occurred due to a significant decrease in trade with Russia and Belarus and a reorientation to the EU market. According to the State Customs Service: "Trade with Russia and Belarus, which were among Ukraine's main trading partners before the war, has significantly decreased. In 2023, exports to Russia amounted to \$4.5 billion and imports to \$2.7 billion, which is significantly lower than in 2021. There was an increase in trade with the EU. Ukraine has reoriented its trade to the EU. In 2023, exports to the EU amounted to \$23.5 billion, and imports from the EU amounted to \$34.8 billion" [6].

In the commodity structure, there was a decline in exports of metallurgical products due to the destruction of metallurgical plants and the blockade of Ukrainian ports. There was an increase in agricultural exports, which is explained by the fact that Ukraine managed to partially unblock grain exports through the Black Sea. Imports of essential goods such as food, medicine, and clothing have also increased due to the damage to infrastructure and reduced production in Ukraine. Ukraine has also started to trade more with other countries such as Turkey, China, India, and the United States.

The third and important step in the study is to analyze the results of trade liberalization. It should be noted separately that: "On June 4, 2022, Regulation (EU) No. 2022/870 of the European Parliament and of the Council on temporary measures for trade liberalization came into force. Now, the tariffs stipulated in the Agreement will be temporarily suspended. These include: duties on industrial products; suspension of the system of input prices for fruits and vegetables; suspension of all tariff quotas for agricultural products; suspension of anti-dumping duties on imports of goods originating in Ukraine; suspension of global safeguard measures against Ukrainian goods" [6]. The liberalization of trade conditions has been a favorable factor for the development of entrepreneurship in Ukraine, but the success of this process has been slowed down by a number of factors, such as unfavorable domestic policies, economic and political instability, complex business registration procedures, excessive bureaucracy, and restrictions on free access to markets. These reasons significantly delay the development of entrepreneurship. It should be emphasized that there is also a change in business strategies among small and medium-sized enterprises, with 43% planning to develop exports. In terms of regional distribution, 48.2% of enterprises in the West, 47.8% in the North, 33% in the Center, 36.2% in the East and 30% in the South are export-oriented" [8]. Fig. 2 shows the results of a survey conducted by Diia Business to determine the strategic orientation of Ukrainian enterprises as of 2023. This positive result should be considered alongside statistics on the number of businesses that have ceased operations, relocated their business abroad, or reduced production. Statistical analysis shows that 46.8% of businesses have stopped their operations, with about \$85 billion in total direct business losses over the three months of the war [8].

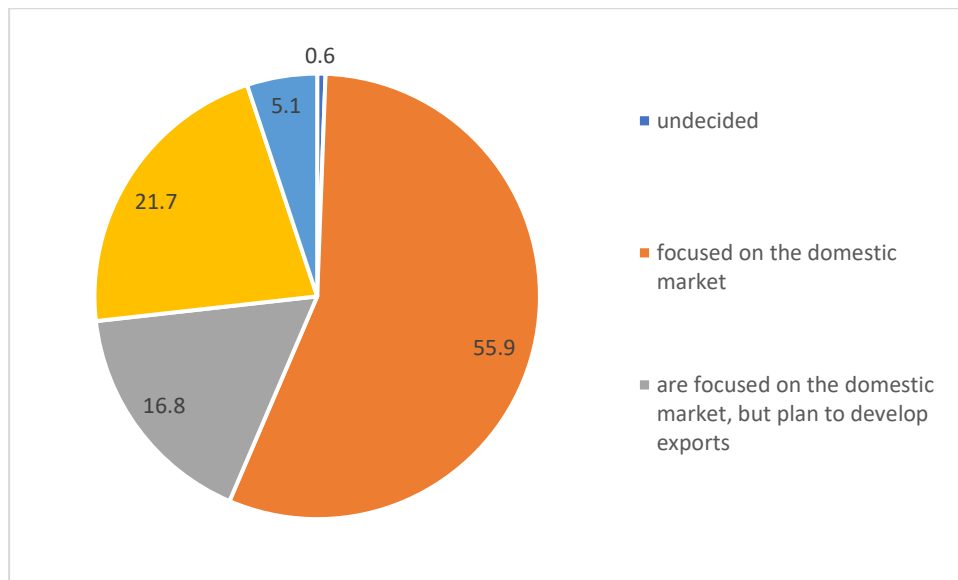


Fig. 2. Strategic orientation of Ukrainian enterprises as of 2023 [8]

The results presented in Fig. 2 show that changes in the trade structure stimulate changes in business strategies among enterprises, in particular, an increase in export orientation and the development of new markets for Ukrainian businesses. However, it is necessary to pay attention to the factors that hinder business development in the country. The main factors are the unpredictability of the economic and political situation in Ukraine, unpredictable government actions that could worsen the state of business, lack of a sufficient number of solvent customers, broken supply chains, inefficient, long and expensive logistics, lack of orders in foreign markets, and lack of export expertise. Businesses should carefully study the opportunities in international and domestic markets and develop their strategies taking into account these differences to maximize success. When entering international markets, it is particularly important for an enterprise to pay attention to some key components of competitiveness for successful adaptation and development in new markets, namely: market and competition analysis, product quality and innovation, creation of an effective marketing strategy, logistics and supply, risk management and finance, localization and adaptation of its products to the needs of local customers, and recruitment of qualified and interculturally competent employees.

Conclusions and suggestions. In summary, the trade structure has seen a decline in exports of metallurgical products and an increase in exports of agricultural products, due to the destruction of metallurgical plants and the blockade of Ukrainian ports. Important changes in the geographical structure of Ukraine's trade occurred due to a decrease in trade with Russia and Belarus, as well as an increase in trade with the European Union. So, these changes in trade and geographical structure reflect the challenging political and economic context in which Ukraine finds itself, as well as the need to adapt the country's economy to new conditions and seek new opportunities for development.

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