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## **JOINING UKRAINE THE WORLD TRADE ORGANIZATION AND ITS CONSEQUENCES FOR THE CHEMICAL INDUSTRY OF THE COUNTRY**

Today the problem of joining Ukraine the World Trade Organization (WTO) is the most important thing for our country. This will have the most significant consequences for Ukraine. In fact it means the cardinal turn from practicing free establishment and using the rules of economic conduct by the state till gradual introduction of the rules recognized on multilateral international basis. This step may be decisive for establishing national civilized market economy, realizing more radical administrative and structural reforms, accelerating the integration of Ukraine to the world and European economic and political structures.

Nevertheless, preparation of Ukraine for collaboration in this international organization is a complex process, which provides adaptation of businesses to work under conditions of trade liberalization. At the same time, both the central Government and local state authority must be responsible for the preparation of the economy to work under open market conditions which are directly close to producers and consumers.

After a long-term depression economic growth is of great necessity for Ukraine as an independent country. To achieve this Ukraine has to overcome great difficulties connected with strategic mistakes which took place in the period of economic reforms, shortage of finance recourses, lack of skilled specialists, structural disbalance in economy, dominance of some groups' interests over the national ones, lack of the national idea of economic revival and removal of the state from active economic processes management.

So, joining the WTO has both advantages and disadvantages for every field of industry of our country beginning from light industry, agriculture and metallurgy to financial and credit market and legislative base.

How will joining the WTO affect the Ukrainian chemical industry?

Ministry of Economy and European Integration forecast changes for import volume considering the liabilities undertaken by Ukraine during the negotiations on some commodity groups including products of chemical industry. The part of chemical industry in Ukrainian export amounts to 12-15 % that evidences the importance of this branch.

As to Ukraine's tariff proposition customs rates on chemical industry production should be decreased from 6.39 to 5.73 % (as to liability within the bounds of the "Chemical harmonization" initiative). Import volume is expected to increase from \$1686 mln to \$1882 million (or 11,5 %) for this period. Comparing active normal import tariff of Ukraine and similar tariffs of some member-states of the WTO and Russia we can see rather high level of tariff market safety in Ukraine today.

It is necessary to note that the normal rate of active customs tariff is 7,02 % and the rate of current tariff is 5,66 %.

Main positive consequences from joining Ukraine the WTO for the chemical industry will be:

- increase of foreign investments volume necessary for technical re-equipment of enterprises and switch to goods production with a larger part of value added;
- enlargement of Ukrainian goods access to foreign markets;
- enlargement of assortment and quality of goods and price-cutting;
- acceleration of production in export-oriented branches of industry, as a result of regime liberalization of access to foreign markets;
- membership in the WTO is prerequisite for conducting consultations between Ukraine and the EU on making free trade agreement. The free trade regime will encourage chemical production access to the EU markets.

Possible risks for chemical enterprises after joining Ukraine the WTO may be:

- aggravation of competition between national and foreign chemical producers;
- some narrowing of internal market for national producers.

Unfortunately the advantages of free access to international markets concern greatly the markets with “price competition” that is raw material markets. So if Ukraine relies only on trade liberalization effects, it will stay for a long time in the sphere of low technology export with low profits.

Besides according to the valuation of the Ministry of industrial policy experts, after joining Ukraine the WTO we may expect aggravation of competition in the branches of small tonnage products, lacquers, paints, finishing materials, which will negatively influence the Ukrainian enterprises activity, taking into account low capacity of these enterprises.

It is necessary to note that:

- export of chemical production over the last 2 – 3 years has stabilized at the level of \$1.5 billion after considerable reducing in 1999 that shows competitiveness of the branch;
- the process of globalization has greatly accelerated lately and Ukrainian enterprises have to work under conditions of great competition in foreign markets. That is why the chemical industry will hardly experience some destructive changes, such as considerable inflow of import products to the internal market;
- Ukraine undertook obligations to liberalize chemical industry only in 2004.