

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE  
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**QUALIFICATION PAPER**

on the topic "PLACE OF UKRAINE IN THE WORLD MARKET OF GOODS  
AND SERVICES "  
Specialty 292 "International Economic Relations"

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group ME-72a.аН

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source.

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Sumy, 2021

## ABSTRACT

on bachelor's degree qualification paper on the topic  
« PLACE OF UKRAINE IN THE WORLD MARKET OF GOODS AND  
SERVICES »

student Sofiia Poliakova

The main content of the bachelor's degree qualification paper is presented on 54 pages, including references consisted of 40 used sources, which is placed on 3 pages. The paper contains 5 tables, 13 figures, as well as 2 apps that are presented on 5 pages.

Keywords: INTERNATIONAL TRADE, FOREIGN TRADE OF UKRAINE, COMMODITY MARKET, MARKET OF SERVICES, EXPORT, IMPORT.

The purpose of the bachelor's degree qualification paper is to study and analyze the modern trends of the world market of goods and services development and the place of Ukraine in it, as well as finding ways to increase of the effectiveness of export-import operations.

To achieve this goal it is important to solve the following tasks:

- to determine the nature, functions and structure of the world market of goods and services;
- to analyze world demand, supply and prices;
- to study the formation and development of the world commodity market;
- to determine the foreign trade in goods of Ukraine, its volumes, structure and dynamics;
- to identify the features of foreign trade in services;
- to identify the problem of trade deficit and ways to solve it;
- to consider the diversification of export-import operations.

*The object* of the bachelor's degree qualification paper is the world and national market of goods and services.

*The subject* of the study is the structure, formation and development of the world market, Ukraine's foreign trade and its improvement. When writing the bachelor's degree qualification paper, the following methods of scientific research were used as general: historical, comparative, materialistic; special: method of statistical analysis, compilation and grouping; processing of literary sources, as well as the method of displaying the results of scientific research in graphical and tabular forms.

The information base of this research includes such materials as follows: monographic works and articles of domestic and foreign economists in professional economic publications, official sites: State Statistics Service of Ukraine, World Trade Organization.

Results of the current research allowed to conclude that the country's activity in the world market of goods and services is an integral part of foreign economic activity. It shows the status of the country, how developed and competitive it is. It is very important for Ukraine to participate in international trade, because it helps to solve national economic problems in the country due to the improvement of domestic economic processes, expanding the production of goods and services outside the country.

Results of approbation of the basic provisions of the qualification bachelor's paper have been presented in scientific papers as a result of taking part in the International Scientific and Practical Conferences and international monograph:

1. Poliakova S., Yarova I. Features of foreign trade in goods and services in Ukraine. Socio-Economic Challenges: Proceedings of the International Scientific and Practical Conference, Sumy, March, 27 – 28, 2021 / edited by Prof., Dr. Vasilyeva Tetyana. – Sumy: Sumy State University. 511 p.

2. Poliakova S., Yarova I. Impact of the coronavirus pandemic on the global economy: statistics and facts. The modern paradigm of international economic relations in the context of global transformations: International scientific and practical seminar (May, 14, 2021, Lutsk, Ukraine). – Lutsk, 2021.

3. Yarova I., Marekha I., Poliakova S., and Denysenko Ye. (2021) Shift in balance of the global and domestic commerce markets in the pandemic period. *Postpandemics Economics: Prospects and Challenges*: monograph. Praha: OKTAN PRINT, 2021 (submitted for printing).

The year of qualifying paper fulfillment is 2021.

The year of paper defense is 2021.

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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations " )  
student IVcourse, group ME-72a.aH

Poliakova Sofiia Serhiivna

1. The theme of the paper is “Place of Ukraine in the world market of goods and services” approved by the order of the university from « \_\_ » \_\_\_\_\_ 20 \_\_  
№\_\_\_\_\_
2. The term of completed paper submission by the student is «\_\_» \_\_\_\_\_ 20 \_\_
3. The purpose of the qualification paper is to study the world market of goods and services and the place of Ukraine in it, as well as finding ways to improve activities in international trade.
4. The object of the research is the world market of goods and services and the place of Ukraine in it.
5. The subject of research is the structure, formation and development of the world market, Ukraine's foreign trade and its improvement.
6. The qualification paper is carried out on monographic works and articles of domestic and foreign economists in professional economic publications, official sites: State Statistics Service of Ukraine, World Trade Organization.

7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

Chapter 1 General characteristics of the world market of goods and services  
–08.04.2021

Chapter 1 deals with tasks: to determine the nature, functions and structure of the world market of goods and services, to analyze world demand, supply and prices, to study the formation and development of the world commodity market, to consider the regulation of world markets of goods and services by international organizations.

Chapter 2 Positioning of Ukraine in the world market of goods and services  
– 25.04.2021

Chapter 2 deals with tasks: to study the formation and development of the world commodity market, to determine the foreign trade in goods of Ukraine, its volumes, structure and dynamics.

Chapter 3 Ways to improve the functioning foreign trade of Ukraine –  
12.05.2021

Chapter 3 deals with tasks: to identify the problem of trade deficit and ways to solve it, to consider the diversification of export-import operations.

#### 8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Yarova I. Ye.		
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9. Date of issue of the task: « \_\_\_\_ » \_\_\_\_\_ 2021

Research Advisor: Yarova I. Ye. \_\_\_\_\_  
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The tasks has been received: Poliakova S. S. \_\_\_\_\_  
(signature)

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## INTRODUCTION

The relevance of the topic of the bachelor's degree qualification paper lies in the importance of Ukraine's place in the world market of goods and services. Since this is one of the most important indicators of the country's activity in international economic relations and affects the economic condition of the state. Attention should be paid to the improvement of foreign economic relations in trade, as well as their diversification.

Modern globalization of trade processes actualizes a number of tasks facing Ukraine, related to the search for new sources of competitiveness and the creation of new economic partnerships, interaction with which our state could accelerate the modernization of the national economy. During its independence Ukraine has become a full participant in the globalization process, its foreign economic policy is based on the development of strategic relations not only with individual countries, interaction with which is important for the development of the national economy, but also organizational associations such as the European Union, the Customs Union of Belarus, Kazakhstan; at the level of global countries - USA, China, Russia; at the regional level - Turkey, Belarus and others.

The classics of theories of international trade are A. Smith, D. Ricardo, V. Leontiev, V. Olin, E. Heckscher and other scientists. It was their work that became the basis for discussion problems in Ukraine's foreign trade with other countries and finding their solutions by modern domestic ones scientists such as S. Kulitsky, L. Ligonenko, A. Mazaraki, Y. Makogon, T. Melnyk, O. Yeliseenko, E. Savelyev and others. Scientists have worked to identify current trends and factors in the development of external trade of Ukraine, substantiation of possibilities of attraction of foreign investments, study of influence foreign economic relations of Ukraine.

However, in the conditions of fast dynamism of economy of Ukraine and other countries of the world under the influence of various socio-economic and



political factors, the situation is changing significantly, which requires implementation detailed review and analysis, taking into account current data and economic indicators that characterize the state of foreign trade to identify current trends in this area.

The purpose of the bachelor's degree qualification paper is to study and analyze the modern trends of the world market of goods and services development and the place of Ukraine in it, as well as finding ways to increase of the effectiveness of export-import operations.

To achieve this goal it is important to solve the following tasks:

- to determine the nature, functions and structure of the world market of goods and services;
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- to identify the problem of trade deficit and ways to solve it;
- to consider the diversification of export-import operations.

The object of the bachelor's degree qualification paper is the world market of goods and services and the place of Ukraine in it.

The subject of the study is the structure, formation and development of the world market, Ukraine's foreign trade and its improvement. When writing the work, the following methods of scientific research have been used as general: historical, comparative, materialistic; special: method of statistical analysis, compilation and grouping; processing of literary sources, as well as the method of displaying the results of scientific research in graphical and tabular forms.

The information base of the study is monographic works and articles of domestic and foreign economists in professional economic publications, official sites: State Statistics Service of Ukraine, World Trade Organization.

The country's activity in the world market of goods and services is an integral part of foreign economic activity. It shows the status of the country, how developed and competitive it is. It is very important for Ukraine to participate in international trade, because it helps to solve national economic problems in the country due to the improvement of domestic economic processes, expanding the production of goods and services outside the country.

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# **1 GENERAL CHARACTERISTICS OF THE WORLD MARKET OF GOODS AND SERVICES**

## **1.1 The essence, functions and structure of the world market of goods and services**

International trade has existed for many years. Its formation was caused by excess production of goods or the need of countries for some goods. Countries took advantage of this and began to trade. At first it was barter, and only then began to develop the sphere of commodity-money relations. International trade is a characteristic feature of the world market, which is a sphere of commodity-money relations between countries based on the international division of labor, specialization, cooperation, integration of production and marketing of goods and services. The basis for the emergence of the world market was the international division of labor and commodity production.

There are several stages in the process of forming the world market. The peculiarity of international trade in ancient times is that trade relations were local in nature, as they took place within one continent (Asian market, European market). The main subjects of trade at the local market were the following countries: India, Ancient Egypt, Greece, Rome, the Mediterranean, Phoenicia. The world market was characterized as a craft and slave. In the domestic market, the producer of the goods was at the same time its seller, and the buyer - at the same time the end consumer of the goods, immediately took and paid for the goods.

The next period was the feudal Middle Ages, after which the local market was transformed into an intercontinental. This period is characterized by trade ties between North Africa, India, China, the Arabian Peninsula. These ties are manifested through the Levantine trade in the relationship between Western Europe and the East.

The great geographical discoveries of the late 15th and early 16th centuries gave impetus to the development of intercontinental trade. Famous sailors such as

Vasco da Gama, Columbus, Magellan made a great contribution to the development of international trade. The result of Vasco da Gama's voyage was the opening of the sea route from Western Europe to India, which united two regional markets: Western European and Eastern. The reason for the formation of trade relations between Europe and America was Columbus' first trip to America [4].

The reason for uniting all continental and local markets into a single system of economic and trade relations was the circumnavigation of Magellan.

Thus, the decisive stage in the final formation of the world market was the Great Geographical Discoveries.

In the 18th and 19th centuries, new international markets emerged: commodity markets, capital markets, and labor markets.

The international division of labor plays an important role in the formation of the world market. First, WFP determines the place of each country in the system of world economic relations. Secondly, within the international division of labor, production differs between parts of the world in certain industries.

The next period (19-20 centuries) of the world market is the internationalization of economic life. The full development of capitalist machine production testifies to the completion of the formation of the world market.

Thus, in the era of the initial accumulation of capital, local centers of interstate trade grew into a single world market. It was finally formed at the end of the XIX - beginning of the XX century, when commodity production in the leading countries reached a high level of development, became machine. The modern world market is a sphere of stable commodity-money relations between countries, based on the international division of labor and other factors of production [5].

The subjects of the world market are organizations and enterprises, individuals, international organizations, government agencies (central, regional, municipal), international associations and TNCs.

Goods and services, factors of production are considered objects of the world market.

Each state is characterized by certain types of goods and services. What a country produces depends on location, climate, availability of minerals, workers who specialize in a particular field, financial situation and other factors.

The International (Nice) Classification of Goods and Services – ICCP.

The ICCP is the abbreviated name of the International (Nice) Classification of Goods and Services for the Purposes of the Registration of Marks, approved by the Classification Agreement (Nice Agreement) for the registration of trademarks. When preparing an application for trademark registration, it is important to know that the designation is registered for certain goods and / or services. The international classification of goods and services consists of 45 classes, of which grades 1-34 are goods and classes 35-45 are services (Appendix B, Table B.1)

The goods and services that are most relevant are the most exported and imported goods and services. There are top export and import products that attracted the highest dollar value in sales during 2019. They are crude oil, cars, integrated circuits/microassemblies, processed petroleum oils, phone system devices including smartphones, automobile parts/accessories, medication mixes in dosage, computers, optical readers, gold (unwrought), petroleum gases, blood fractions (including antisera, turbo-jets, trucks, electro-medical equipment (e.g. xrays), computer parts, accessories, insulated wire/cable, iron ores, concentrates, coal, solid fuels made from coal, solar power diodes/semi-conductors, aircraft, spacecraft, jewelry.

Distribution and financial services are the most traded services globally. Distribution and financial services each account for almost one-fifth of trade in services.

In order to realize the main goal of the subjects of international economic relations, ie to obtain maximum profit, the world market performs certain functions:

- regulatory - in relation to external demand, supply and world prices regulates the inclusion in the production of services and goods of all types of economic resources of countries within the WFP;

- information - informs the participants of international economic relations about where it is more profitable to use their economic resources;

- stimulating - stimulates the effective use of factors of production, diversification of goods and services;

- integration - within the world economy helps to form a single economic environment, unites the subjects of international economic relations;

- social - helps states to achieve social justice within the national economy;

- sanitizing - removes goods that are not subject to international quality standards at competitive prices [1].

The structure of the world commodity market is divided into three types: regional (geographical), commodity-sectoral and socio-economic. Regarding the regional structure of the world market, it distinguishes the markets of individual countries or their groups:

- North American market NAFTA;
- Latin American markets (CARICOM, MERCOSUR);
- Western European common market of the EU;
- CEFTA Central and Eastern European market;
- Asian markets (ASEAN, APR);
- African markets (ZNPP, EULEAC);
- the market of Australia and New Zealand ANSERTA;
- the market of the Eurasian countries of the CIS.

Regarding the commodity-industry structure of the world market, there are separate markets for goods of the appropriate level. It is based on the UN International Classification, the Harmonized Commodity Description System, the Brussels Customs Nomenclature, the Standard International Trade Classification - ICC. Regarding this structure, there are three main product groups: finished products, services and raw materials and semi-finished products.[2]

The main components of the international market of services include:

- transport;
- tourist;
- advertising;
- insurance;
- informational;
- educational;
- financial;
- engineering.

There are markets of industrialized countries (PRC), developing countries (CD) and countries with economies in transition (CPE), socialist countries (CSR) in the socio-economic structure of the world commodity market.

There are also markets by the nature of trade agreements and the degree of monopolization:

- monopolistic (diamond market);
- oligopolistic (oil market);
- atomistic (a large number of sellers with a small supply of goods, intensification of competition (markets for textiles, garments)).[3]

## 1.2 Pricing in the world trade market

The process of setting the price in the world market is special. Demand and supply have the greatest influence on pricing. In terms of demand, it is the amount of goods that a buyer can buy, the number of consumers, solvency, tastes and preferences of buyers. The supply is affected by: the volume of goods offered by the manufacturer, production costs, taxes, external conditions.

World prices are also affected by the currency of payment and the terms of its calculation. Thus, pricing in both domestic and foreign trade is influenced by factors and the specific market situation. Factors can be classified into several groups:

- general economic - factors that do not depend on the type of product and the conditions of its manufacture and sale (inflation, aggregate supply and demand, economic cycle);

- specifically economic - important are the features of a particular type of product, conditions of manufacture and sale (taxes and fees, consumer characteristics: quality, reliability, appearance; costs, profits, demand and supply of goods or services, taking into account interchangeability);

- specific - operating costs, guarantees and conditions of service, completeness, seasonality;

- special - exchange rate, government regulation [6].

In the world market sometimes there is an imbalance of supply and demand. When there is a very high demand, there is a situation when the product is offered at a high price, although its quality requires better. If supply exceeds demand, then prices are low, although the conditions of production of the goods are the best.

Prices may vary due to the market situation, as well as the positions of the seller and buyer. The price set by the seller is usually high - the "seller's price". "Buyer's price" - the price at which the product is purchased, is low. According to the market situation, there are: "seller's market" and "buyer's market". In the "seller's market" demand prevails over supply, in the "buyer's market" supply prevails over demand.

The leading role in setting the price on the world market is played by aggregate services provided by producers and sales of a certain product to the importer or end consumer. These services are related to the promotion, sale and use of goods. This is especially true in today's world, when high technology is becoming widely used. With the development of science and technology, the price increases for almost all goods, as labor costs are reduced, production efficiency and productivity increase.



When analyzing prices, it is important to pay attention to the movement of the economic cycle, which has certain features in the field of international economic relations. In the stage of depression, prices do not rise. At the stage of growth, on the contrary, prices rise because demand exceeds supply [10].

Value - the internal basis of commodity prices, it reflects the social relations embodied in the product. Cost reflects the economic relations between economic entities, the technical and organizational level of production, the rarity of goods (services). This is a relationship about the creation (manufacture) of products for the consumer. The value is expressed in the proportions of exchanged goods (exchange). These exchange ratios of goods serve as exchange value.

In the process of historical development, exchange value has undergone a number of forms of value, up to the highest, monetary, form. The amount of money given for a particular product determines its price. Social relations that develop in the process of production of goods and their exchange in the market, characterize the qualitative side of value. The quantitative side of value is expressed by the magnitude of the abstract socially necessary labor embodied in it. Therefore, the price as a monetary form of value in quantitative terms reflects the cost of abstract socially necessary labor and its manufacture.

However, the cost can not be manifested in certain abstract quantities, for example, directly during working hours. It represents the cost of abstract socially necessary labor for the production of not any product, but a product for exchange, ie goods. Therefore, the value can be manifested only in exchange, in the exchange relation of this commodity to another, which is its exchange value [5].

So, the process of market pricing requires proper knowledge of the mechanism of effectiveness of each of the price functions, anticipation of the consequences of different options for their impact and receipt of this form, the extent of each function, their coordination, which will ensure successful business solutions.

### 1.3 Regulation of world markets of goods and services by international organizations

Trade policy and the problems of world trade are the object of activity many regional, sectoral, globally universal institutions like intergovernmental and non-governmental. They all create a system of international organizations carrying out coordination and multilateral regulation interstate trade and economic relations. The main activities in this area involves the creation of a legal basis for trade and economic relations, including the most important principles and norms; elaboration of agreements on application at the national level a set of trade and political means of influencing interstate relations; assistance in reaching agreements and resolving disputes; exchange information and experience in organizing trade and economic relations.

To groups of globally-universal organizations belong to those that are geographically and by the nature of trade activities tend to global (global) and universal (general competence) organizations.

In international trade to the global-universal include: three UN bodies - the UN Conference on Trade and Development (UNCTAD), United Nations Commission on International Trade Law (UNCITRAL), International Trade Center; intergovernmental organizations - World Customs Organization (WMO), Bureau of International Exhibitions (BIE); non-governmental organizations - International Chamber of Commerce (ICC), Union international fairs (UFI). [13]

To regional trade organizations direction belong to all regional economic groups, since a common feature of these supranational organizations is the institutional consolidation of the already existing (or desired) degree of integration development. It is known that the regional integration group is evolving obligatory stages of trade integration: preferential trade zone, zone free trade and customs union. In the following stages of economic development integration, such as the

common market and economic union, trade issues, as the EU experience shows, they not only do not disappear, but also become more complicated. [11]

Among regional organizations with the most developed trade function can be called the North American Free Trade Area (NAFTA), Central American Common Market (CACM), Latin American Integration Association (LAI), Southern Common Market (MERCOSUR), Customs and Economic Union of Central Africa (MESCA), Joint East and South Africa (SRPA) market, etc.

At the global level product standardization and certification are handled by the International Organization on Standardization (ISO) and the International Electrotechnical Commission (IEC), on regional - European Committee for Standardization (SEN), European Committee for Electrotechnical Standardization (SENELEC), Inter-Scandinavian Organization for Standardization (INSTA), International Council of standardization, metrology, certification (GDR), etc.[12]

#### International trade agreements

An international trade agreement should be an agreement between two or more states, which defines their mutual rights and obligations in the field of trade. On the basis of these agreements, the relevant international economic relations between the states in the field of trade are established, changed or terminated. International trade agreements (agreements) define not only the principles, but also create a certain legal basis for trade relations. In particular, they address legal issues related to the collection of duties, regulation of import and export of goods, merchant shipping, transport, transit, with the activities of legal entities and individuals of one country in another, the operation of legal acts, the application of the most favorable principle, regime preferences, etc.

Trade agreements are concluded both bilaterally and multilaterally. An example of a multilateral international trade agreement is the General Agreement on Tariffs and Trade (GATT) of September 30, 1947, which was originally signed by 23 states. Currently, 139 countries take part in it. The GATT plays an important role in the organization of international trade relations, because it enshrines the most important principles and conditions of international trade.

Multilateral agreements concluded between the CIS states are important for the organization of trade and economic cooperation. Thus, on February 14, 1992, these states signed the Agreement on the Regulation of Relations between the Commonwealth in the Field of Trade and Economic Cooperation in 1992.

The provisions of the UN Convention on Contracts for the International Sale of Goods (March 10-April 11, 1980, Vienna) play a significant role in the development of international trade relations. This is one of the most significant unified international legal acts, which embodies the latest achievements of research and practice in this field.

Trade agreements are different in content and name. Among them, first of all, we should highlight the following.

Agreements on trade and shipping are usually concluded on behalf of states for long periods (five years or more) and establish the basic conditions for the implementation of international trade relations.

Agreements on trade relations (trade agreements) are concluded between the governments of countries that agree on the establishment of international trade relations on the basis of an agreement on trade and shipping. They develop and specify the provisions of this agreement, defining the responsibilities of each party.

Agreements in the field of maritime shipping are signed on the basis of trade agreements. Such an agreement was signed, for example, in December 1992 between Ukraine and the United States. This is the first agreement in the history of these countries, which opens wide opportunities for the implementation and expansion of the bilateral trade agreement signed in May 1992 by the President of Ukraine and the President of the United States. This document regulates bilateral relations in the field of shipping, facilitates access of merchant ships to the ports of the partner country (except for harbors closed for security reasons), the development of business relations between maritime transport agencies of Ukraine and the United States.

Clearing agreements provide for the procedure of settlements through the offset of counterclaims. Under these agreements, payments in foreign currency are

made only for the amount of differences in goods deliveries and services rendered. Such agreements may also include payment agreements and payment and clearing agreements.

Trade conventions as agreements define the content of relations between states on narrow special issues in the field of trade (for example, the customs convention).

Protocols are agreements on a specific issue in the field of foreign trade. They are also used to clarify the terms of a contract or agreement [14].

## 2 POSITIONING OF UKRAINE IN THE WORLD MARKET OF GOODS AND SERVICES

### 2.1 Foreign trade in goods of Ukraine: volumes, structure, dynamics

Among the world's largest exporters of goods are China, the United States, Germany, Japan and the Netherlands. The leading importers are the USA, China, Germany, Japan and the Netherlands.

Table 2.1 - Leading exporters and importers in world trade in goods in 2020 [15]

Rank	Country	Exports, billion US dollars	Rank	Country	Imports, billion US dollars
A	1	2	3	4	5
	World	17 582.919		World	17 812.107
1	China	2 590.39	1	United States of America	2 336.6
2	United States of America	1 431.61	2	China	2056,6
3	Germany	1 373.92	3	Germany	1164.9
4	Netherlands	673	4	Japan	631.7
5	Japan	639	5	Netherlands	593
6	Korea, Republic of	511,07	6	France	581,4
7	Italy	494,8	7	United Kingdom	538.5
8	France	488	8	Korea	465
9	Belgium	418,4	9	Italy	422.6
10	Mexico	415,8	10	Canada	405.7
49	Kazakhstan	57.3	48	Greece	62.3
50	Ukraine	50.06	49	Ukraine	60.6
51	Peru	47.69	50	Bangladesh	59.09

Ukraine's foreign trade in goods is the activity of participants in economic relations between Ukraine and other countries, the purpose of which is to purchase and sell goods outside Ukraine or on its territory.

Exports of goods from Ukraine in 2020 amounted to 49.21 billion dollars, which is 1.7% less than in 2019. Imports of goods to Ukraine during this period amounted to 54.10 billion dollars, 11.0% less than in 2019. Accordingly, Ukraine's

foreign trade balance was negative at \$ 4.88 billion. (In 2019, this figure was also negative and amounted to 10.75 billion dollars).

Foreign trade operations in 2020 were conducted with partners from 234 countries. Last year, Ukraine exported the most goods to China (\$ 7.11 billion; 98.0% more than in 2019), Poland (\$ 3.27 billion; 0.7% less) and Russia Federation (\$ 2.71 billion; 16.6% less)

In 2020, Ukraine sold the most grain (by \$ 9.42 billion; 2.2% less than in 2019) and ferrous metals on foreign markets (by \$ 7.69 billion; by 12.0%). less), fats and oils of animal or vegetable origin (by 5.76 billion dollars; by 21.7% more).

Most goods in 2020 Ukraine imported from China (\$ 8.31 billion; 9.8% less than in 2019), Germany (\$ 5.34 billion; 10.8% less) and Russia Federation (by 4.54 billion dollars; by 35.0% less).

The main commodity positions of Ukrainian imports in 2020 were: machinery, equipment and machinery (by 11.54 billion dollars; 13.3% less than in 2019), mineral fuels, oil and its products (by 7.75) billion (by 36.3% less), products of the chemical and related industries (by 7.33 billion dollars; by 2.0% less).(see appendix B, table B.2)

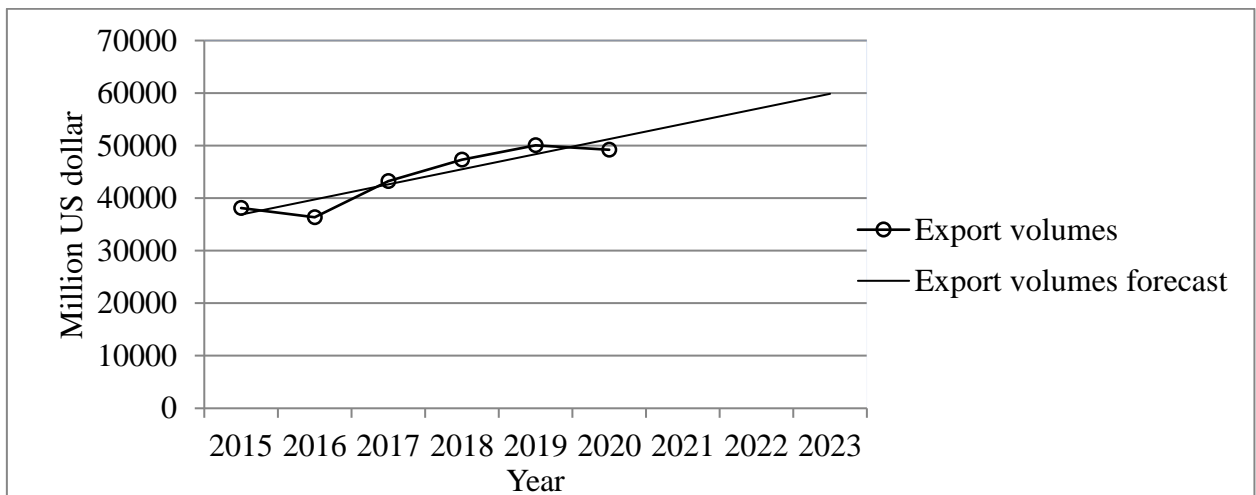


Figure 2.1 - Dynamics and forecasting of exports of goods of Ukraine for 2015-2020, million dollars [9]

For the period 2015 - 2020 the largest volumes of exports of goods were in 2019, and the smallest - in 2016.

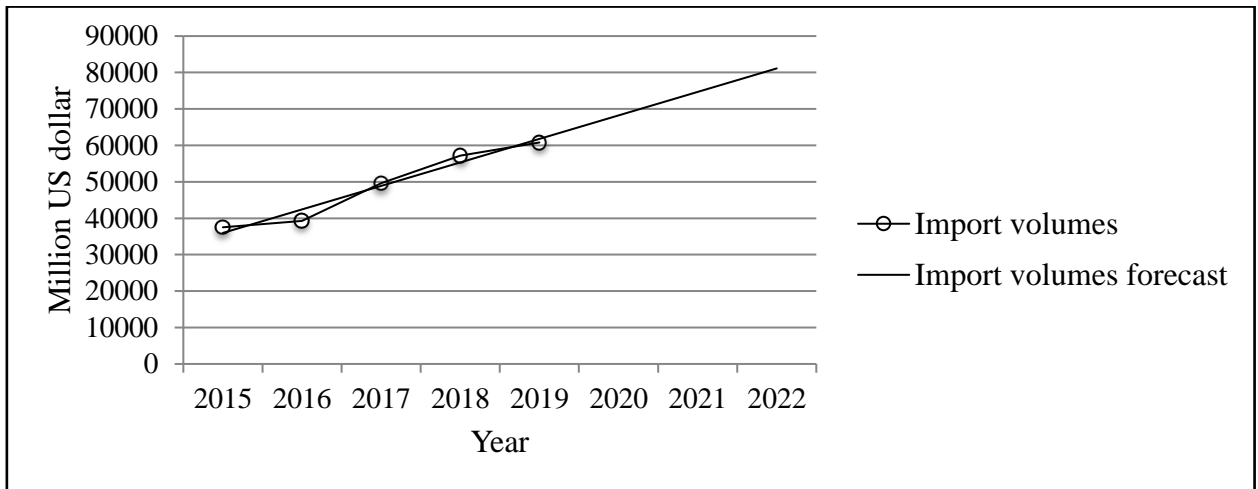


Figure 2.2 - Dynamics and forecasting of imports of goods of Ukraine for 2015-2019, million dollars [9]

The largest volumes of imports of goods were in 2019, and the smallest - in 2015.

Thus, the current state of foreign trade in goods is characterized by high external openness of the national economy, deepening the imbalance between exports and imports, bipolar structure of foreign trade, the dependence of exports on foreign markets.

It is a well-known fact that all countries import goods that they do not produce themselves, but to earn on them money, export production of own production. In highly developed countries, exports are always exceeds imports, which indicates the independent production of most of the goods needed to supply needs of the population. In Ukraine, according to statistics for the last five years, imports in most cases exports predominate (Fig. 2.3), with the negative balance of foreign trade balance for the last two years increased, which in world practice is considered a rather bad trend because excessive imports contribute saturation of the domestic market with imported goods and infringes on the interests of domestic producers. It says so that Ukrainians continue to buy more abroad than to sell,



using mostly credit funds, which leads to the accumulation of debt and deterioration of financial condition.

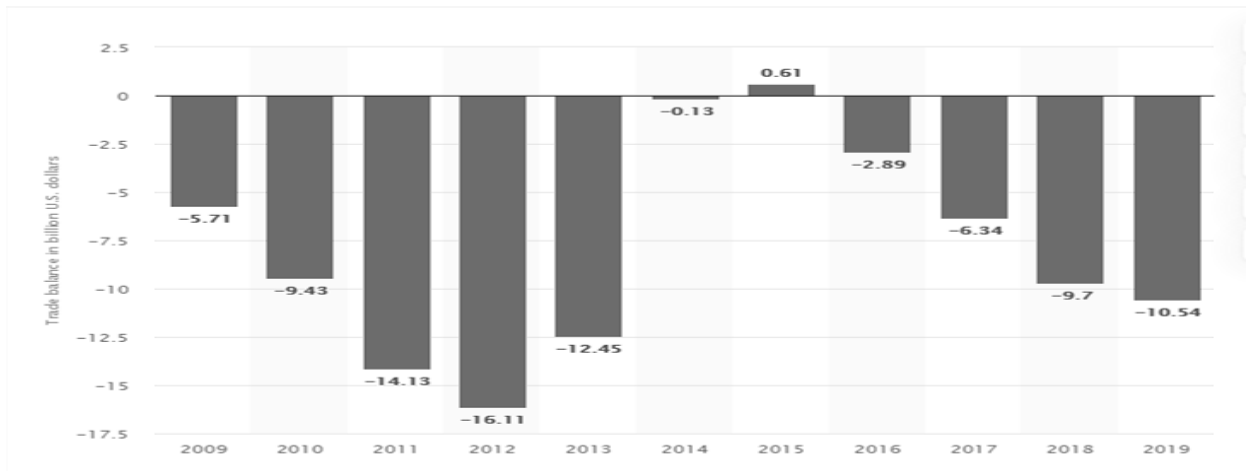


Figure 2.3 - Trade balance of Ukraine, 2009-2019, billion US dollars

Therefore, due to the presence of a significant number of untapped opportunities for its competitive development through Ukraine's focus on the sale of raw materials, rather than finished products, the domestic economy currently characterized by the lack of significant achievements in foreign trade. Especially because the inability and unwillingness of the government to show political will to implement foreign economic changes the situation may worsen in the near future.

## 2.2 Features of foreign trade in services of Ukraine

The international market of services is gaining importance in the world market. International trade in services and goods is closely linked. Services are an integral part of the process of transporting goods from one country to another, as market analysis, transportation of goods and other services are used.

In 2019, global services exports were valued at US\$6.1 trillion, representing one quarter of the value of total exports, including goods, and 7 per cent of world

GDP. In more than half of the world economies, their share in GDP was larger than 10 per cent.

After a modest rise of 1.9 per cent in 2019, world services exports dropped sharply in the first two quarters of 2020 when the COVID-19 pandemic hit. They showed signs of a recovery in the third quarter. However, a decline of 19.9 per cent year-on-year is still nowcast for the third quarter of 2020. [17]

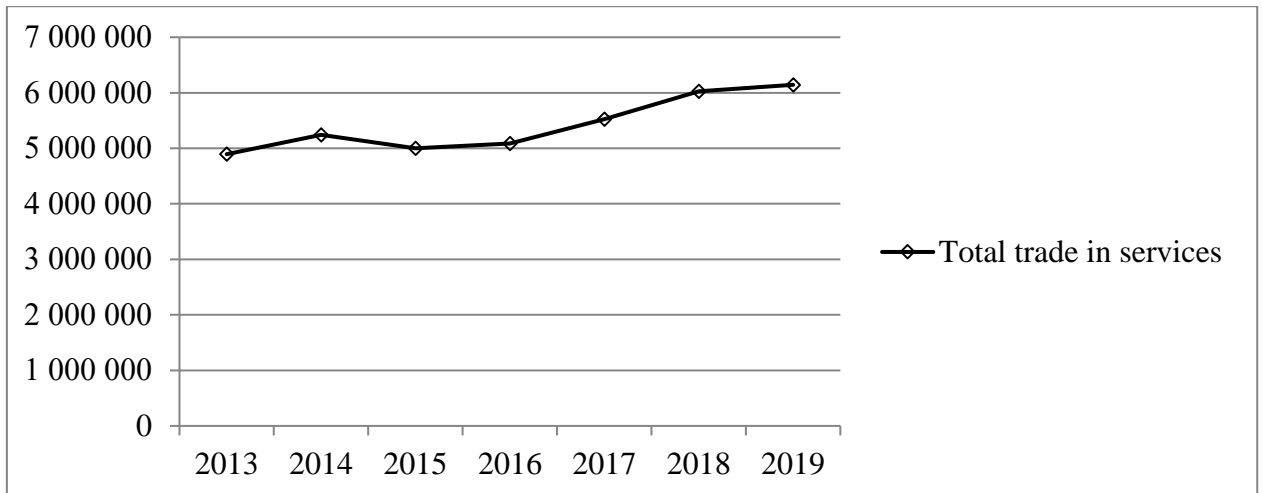


Figure 2.3 - Dynamics of total trade in services in the world for 2013-2019, million dollars [18]

Among the world's largest exporters of services are the United States, the UK, Germany, Ireland and France. The leading importers are the USA, China, Germany, Ireland and France. With US\$876 billion worth of services sold internationally, the United States of America remained the world's leading exporter, accounting for 14 per cent of global services exports. It was followed, at some distance, by three European countries that jointly captured 17 per cent of the world market. China, the leading exporter among developing economies, ranked fifth overall, with US\$283 billion of services sold. All top five services exporters from the developing world were Asian. In 2019, they held a world market share of almost 15 per cent, the same as all other developing economies combined. [17]

Table 2.2 - Leading exporters and importers in world trade in services in 2020

[19]

Rank	Country	Exports, million US dollars	Rank	Country	Imports, million US dollars
A	1	2	3	4	5
	World	6066 billions		World	5731 billions
1	United States of America	692 125	1	United States of America	458 257
2	United Kingdom	342 562.4	2	China	380 536.4
3	Germany	309 940.9	3	Germany	308 083.4
4	Ireland	262 108.4	4	Ireland	295 061.8
5	France	245 008.3	5	France	231 126.4
6	China	235 209	6	United Kingdom	204 821.5
7	Netherlands	186 211.1	7	Japan	191 038.5
8	Japan	157 916.3	8	Netherlands	168 859.2
9	Belgium	115 844.1	9	Belgium	115 032.7
10	Switzerland	114 808	10	Switzerland	113 785.6

Table 2.3 - Trade in services by group of economies in 2019 [17]

Group of economies	Exports			Imports		
	Value (billions of US)	Share in world (%)	Annual growth rate (%)	Value (Billions of US)	Share in world (%)	Annual growth rate (%)
World	6 144	100.0	1.9	5 826	100.0	2.1
Developing economies	1 833	29.8	2.5	2 108	36.2	-1.8
Developing economies: America	198	3.2	1.0	220	3.8	-4.0
Developing economies: Asia and Oceania	1 513	24.6	2.7	1 706	29.3	-2.0
Developing economies: Africa	122	2.0	2.3	182	3.1	2.7
Transition economies	137	2.2	1.5	172	2.0	5.3
Developed economies	4 174	67.9	1.7	3 546	60.9	4.4

#### Regional trends over five years.

Between 2014 and 2019, exports of services increased in all main service categories in Northern America, Europe, Asia and Oceania. Asian exports grew particularly fast. In telecommunications, computer and information services the annual average increase was 9.7 per cent. This sector showed the most dynamic development over the five-year period across the world, except in Africa, where

those services exports declined. Travel exports grew across all regions, though less in Northern America and Europe than elsewhere.

Latin America and the Caribbean lost market share in insurance, financial, intellectual property and other business services, between 2014 and 2019. Exports of transport showed slow growth compared to other service categories, especially in the main transport-supplying regions, Northern America, Europe and Asia.[20]

As in 2018, in 2019 telecommunications, computer and information services were the service category in which trade grew fastest. These exports rose by 8.7 per cent in 2019. Business, intellectual property, financial and insurance services exports grew modestly (+2.5 per cent). International travel increased by 1 per cent, while exports of transport and other services slightly declined (Table 2.4)

Transport and travel dominate the exports from developing and transition economies. Developed economies export mainly insurance, financial, intellectual property and other business services [20]

Table 2.4 – Annual growth rate of services exports, 2019(Percentage) [20]

Type of service	Annual growth rate of services exports (%)
Transport	-0.83
Travel	1.01
Insurance, financial, intellectual property, and other business services	2.49
Telecommunications, computer and information	8.7
Other categories	-0.52

In almost all countries of the world, belonging to different types of economies, in recent decades the same pattern is observed: as the level of per capita income increases, the share increases services sector in the structure of GDP, but the shares of other sectors - industry and agriculture farms. Development of the services sector and the national economy - interdependent phenomena: economic development countries stimulates the development of the services sector, which in turn improves productivity, which increases production efficiency, respectively, and stimulates economic growth.

In general, the growth of world trade in services in recent decades is due to the following factors:

- the impact of scientific and technical process on the scale and variety of services;
- increasing openness of national economies and, consequently, national markets;
- efforts of countries aimed at liberalizing world trade in services, as well as the creation competitive environment in most service sectors;
- changing the structure of consumer consumption (namely the growth of demand for services), especially in developed and newly industrialized countries, which is associated with rising living standards;
- the transition of developed countries to the stage of formation of a "new information society", basically which is the growth of consumption of various services, including, above all, information services;
- the inseparability of many goods and services from each other, so the growth of world trade in goods leads to a similar increase in services;
- the growing interconnectedness of world trade in various types of services, many of which are sold in complexes;
- the development of the Internet as a key factor in improving e-commerce, as well as providing financial services through telecommunications [21].

The development of trade in services is an integral part of the country's economic growth. Ukrainian economy despite the presence of significant scientific potential and experience in creating technologically complex products, from year to year lost its position in the markets of high-tech goods and services, which in modern times the world is developing most dynamically [22].

Ukraine's share in world exports of services during 2012–2016 decreased from 0.45% to 0.25%, which negatively affected the economy and welfare of the population and caused a further decline in positions in the world market. Ukraine's position has improved somewhat in 2019, although they did not reach the previous level.

Ukraine exports the most in 2019 transport services (59,3%), telecommunications services, computer and information services (16%), material

resources processing services (10,7%) and business services (7,9%). Largest imports: transport services (23,1%), travel services(19,7), business services (19,8%), financial services (7,1%), government and government services (11,1%) . (see appendix B, table B.3)

According to 2019 data, Ukraine exports the most services to Russia, the United States, Great Britain, Switzerland, Germany, and Cyprus. The largest imports: Great Britain, Russia, Germany, USA, Turkey, Poland.

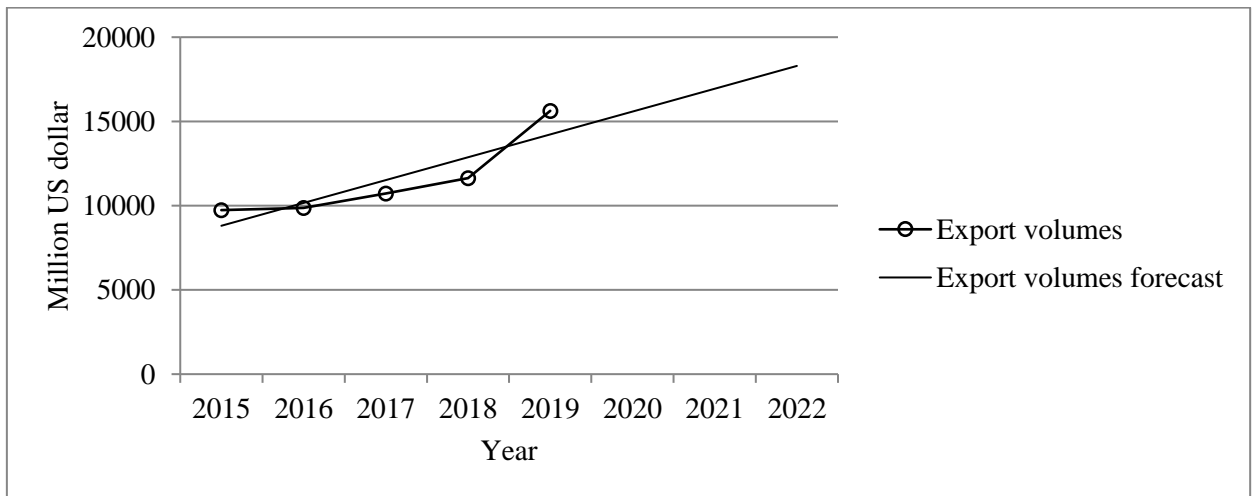


Figure 2.4 - Dynamics and forecasting of exports of services of Ukraine for 2015-2019, million dollars [9]

For the period 2015 - 2019, the largest volumes of exports of services can be traced in 2019, and the smallest - in 2016.

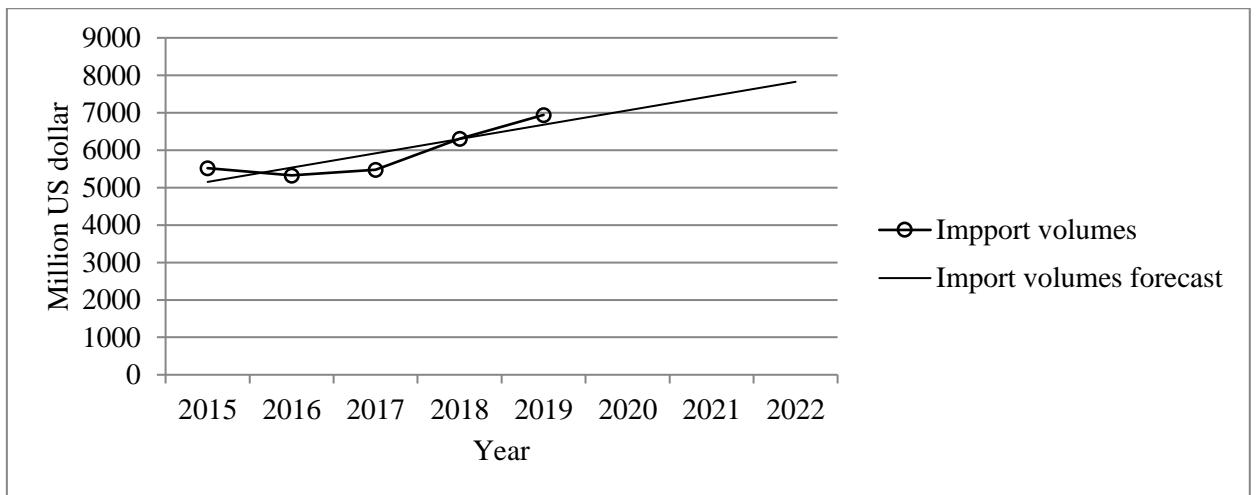


Figure 2.5 - Dynamics and forecasting of imports of services of Ukraine for 2015-2019, million dollars [9]

The largest volumes of imports of services were in 2019, and the smallest - in 2016.

Thus, the role of international trade in services has been growing in recent years. Such trade is becoming an increasingly important form of international economic activity in Ukraine. Although Ukraine has enough competitive advantages, such as favorable transit status, highly skilled labor force, extensive transport infrastructure, it still does not occupy a high position in the world market of services. Ukraine plays a minor role in international trade in services, despite the existing technological potential. Foreign trade in services is characterized by a positive trade balance, the largest share of exports are transport services. Ukraine consumes more foreign financial and business services than it provides.

### 2.3 The influence of the COVID-19 pandemic on the market of goods and services in Ukraine

The pandemic greatly influenced the development trends of the world economy. In response to the COVID-19 pandemic, significant changes have taken

place in the life of many countries around the world, including Ukraine. Consequently, a state of emergency has been declared in general in countries or in individual regions or areas; sanitary and epidemiological measures have been introduced in almost all countries (quarantine zones, temperature check, cancellation of mass events, closing of educational and cultural and entertainment institutions); there are restrictions on travel / entry to countries and travel within countries; strengthened the role of the state emergency management; established restrictions on employment; introduced new distance forms of work and education. Such unprecedented steps have led to a slowdown in economic development in the countries world.

GDP is an indicator that shows the level of well-being of the country's population. It is also the total value of everything produced in a given area over a period of time. Ideally, this figure should grow every year. Unfortunately, in 2020, GDP was negative or lower than in the previous year.

Table 2.5 shows how the GDP level of the leading countries has changed from 2019 to 2020. It should be said that the level of GDP of all countries has dropped significantly. Out of 193 economies, 167 economies will see a negative growth rate in 2020 [23] COVID-19 is a global challenge, there are no countries - developed or developing - that would not suffer economic losses. In this sense, it is such a unique event. However, there are countries that have lost less, such as New Zealand and Denmark. They had losses, but minimal. And there are countries such as Great Britain, the United States, Brazil, Italy - where the losses were extremely large. Therefore, it makes no sense to say that some countries have benefited from the pandemic. But you can study the experience of countries that have been able to minimize their losses.

Table 2.5 – GDP growth of the leading countries from 2019 to 2020[25]

№	Name of the country	2019(%)	2020(%)
		A	B
1	United States	2.2	-4.272
2	China	5.9	1.851
3	Japan	0.7	-5.273
4	Germany	0.6	-5.983



5	United Kingdom	1.5	-9.762
6	India	4.2	-10.289
7	France	1.5	-9.757
8	Italy	0.3	-10.645
9	Canada	1.7	-7.141
10	Korea	2.0	-1.878

With regards to Ukraine, it is not an exception in negative GDP indicators. Figure 2.6 shows changes GDP from 2019 to 2020. The most difficult in the second quarter of 2020 was April -period of the most severe quarantine measures.

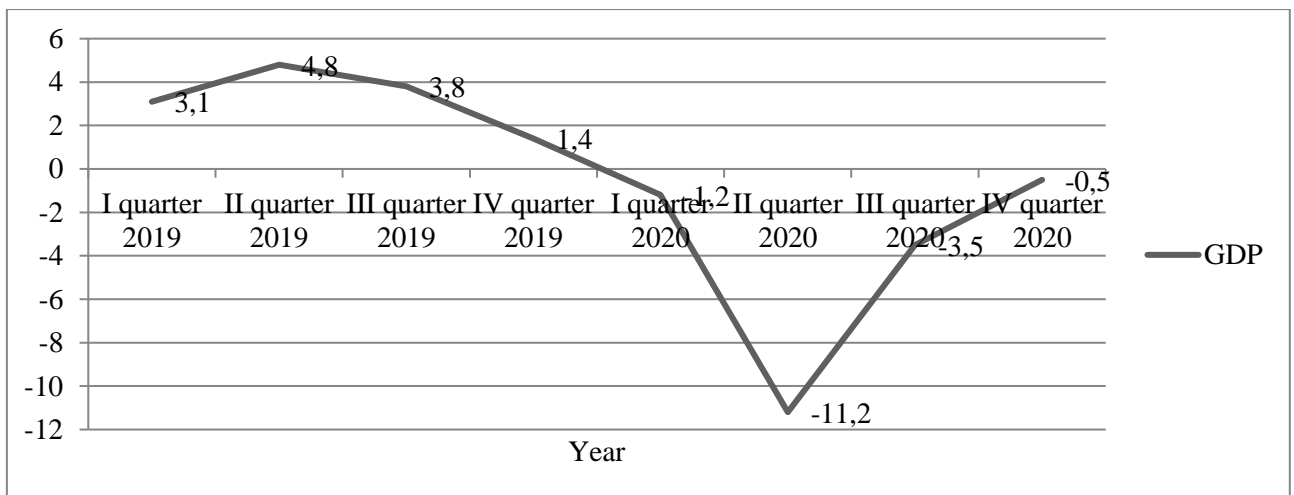


Figure 2.6 – Changes in the volume of GDP from 2019 to 2020(%) [26]

Extraordinary shocks to the pandemic have led to a sharp decline in real GDP in Ukraine. Ukraine's real gross domestic product in 2020 fell by 4%. This happened after the growth during 2016-2019, according to the State Statistics Service. The State Statistics Service points out that in 2019 Ukraine's GDP grew by 3.2%, a year earlier - by 3.4%, and in 2017 and 2016 it grew by 2.5% and 2.4%, respectively. A decline of 9.8% was recorded in 2015, by 6.6% - in 2014.

In 2020, compared with 2019, exports of services and goods decreased by 7, 8%. Following the results of 2020 export of the goods and services in relation to 2019 decreased by 5,008.3 million dollars.

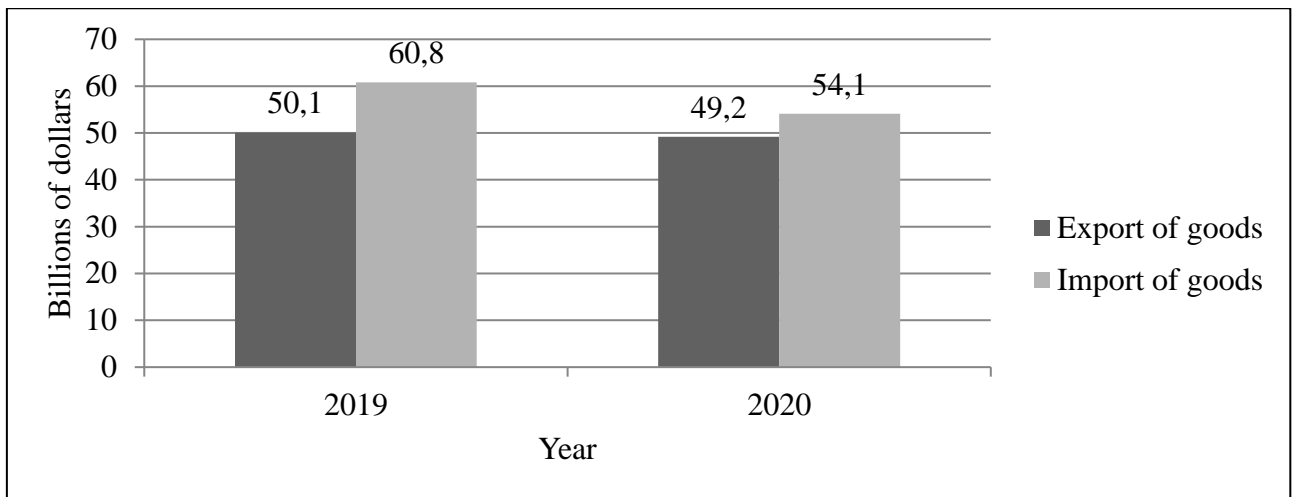


Figure 2.7 – Export and import of goods of Ukraine for 2019-2020, billions of dollars[24]

In 2020 exports of goods has decreased by 1.7% and imports of goods \$ 54.1 decreased by 11.0% compared to 2019. According to the official data of the State Statistics Service of Ukraine, in the first half of 2020 Ukraine slightly reduced the volume of exports of its goods abroad. In general, in the first 6 months of this year, which saw the peak of the economic crisis and the harshest quarantine, Ukrainian exports fell by 6.4% (compared to the first half of last year) or one and a half billion dollars.

Imports of goods to Ukraine suffered much more significantly - they fell by 14.3% or more than four billion dollars. In total, Ukraine exported goods worth \$ 23 billion and imported goods worth \$ 24 billion from abroad.

Regarding to the structure of exports of goods in 2020, the products of agriculture and food industry increased by 0.2% compared to 3 2019, the products of the metallurgical complex decreased by 11.9%, mechanical engineering products decreased by 2.2%, exports of mineral products increased by 9 , 6%, products of the chemical industry - by 1.9%.

Perhaps the largest decline in exports occurred in metallurgy. Exports of ferrous metals and steel and cast iron products account for almost one-fifth of all Ukrainian exports. Due to the suspension of infrastructure projects and the freezing

of construction around the world, the demand for metal products has decreased significantly.

Regarding to the structure of imports of goods in 2020, the products of agro-industrial complex and food industry increased by 13.2% compared to 3 2019, the products of the metallurgical complex decreased by 14.3%, the products of mechanical engineering decreased by 9.7%, exports of mineral products decreased by 35,3%, products of the chemical industry decreased by 2.8%.

The decline in imports since the beginning of the year is due not only to quarantine and the crisis, but also to a record drop in oil prices. In April, for the first time in history, oil was sold at negative prices on world exchanges, ie sellers paid extra for taking oil from them.

Countries to which exports of goods increased - China, Pakistan, Vietnam, the Dominican Republic, Uzbekistan, Morocco, and decreased-EU countries, Egypt, Russia, Algeria, Belarus. Countries to which imports of goods increased - Japan, Turkey, Brazil, Mexico, Korea, Libya, and decreased-EU countries, China, Russia, Switzerland, the USA.[24]

Ukraine's largest trading partner is still the European Union. In the first half of 2020, Ukraine sold goods worth a total of \$ 8.52 billion (37% of total exports) and imported \$ 10.34 billion (almost 43% of total imports). Exports to China have been developing very rapidly in recent years. Last year, it surpassed Ukrainian exports to Russia, which has long been Ukraine's largest trading partner. If you look at trade in terms of specific countries, not their associations, the situation will change dramatically.

The COVID-19 pandemic has a clear negative impact on trade in services. All leading exporters and importers have restricted foreign travel and introduced social distancing within the country. People could not physically provide services or use services due to quarantine or lockdown. Unlike goods, services cannot be produced, put into storage and sold later. Unearned revenue from canceled flights, bookings, sporting events, trips to the restaurant is lost forever and cannot be recovered. Together, this accounts for more than 40% of world exports of services

directly affected by the coronavirus. This is especially true of tourism. Coronavirus has had an unprecedented impact on supply and demand in this market. US tourism exports in March were 53% lower than in the same month last year, and in April - 73%. China's tourism spending has fallen by 60% in recent months.

However, there is one area of services that the pandemic seems to have benefited from. These are IT services, the demand for which has grown due to the increasing number of people working from home. If in March the decline in trade with the largest exporters of services reached 15% (and in April even more), in those countries where a significant part of exports are IT services, the decline was milder or not at all. In Ireland (51% of exports of services - in the field of information technology) growth was recorded by 8%, in India - by 1%, in Ukraine - by 3%.

With regard to trade in services in Ukraine, during the pandemic, negative trends in these areas were much greater than in trade in goods.

In trade in services, as in trade in goods, imports were the first to decline. But unlike commodity trade, imports of services began to decline in March 2020. This was largely due to a reduction in travel costs of Ukrainians - more than 30% compared to March 2019 - and a reduction in imports of transport services - by 19.5% compared to the same period last year. In contrast to imports, exports of services in general remained fairly stable throughout the first quarter of this year. Note that the reduction in exports of transport services, especially in the use of pipelines due to reduced transit of energy through Ukraine, was offset by a significant increase in exports of computer services compared to the first quarter of 2019.

In April-May 2020, exports and imports of services declined, but imports fell much faster than exports. The reason is the reduction of trade in transport services (exports and imports of transport services decreased simultaneously by 35.5%) and the reduction of international tourism due to the closure of borders. One of the few services whose exports grew before and after the start of quarantine in Ukraine was the export of computer services. Its volumes increased by 12%

when the total export of services from Ukraine decreased by 12% compared to the same period in 2019.

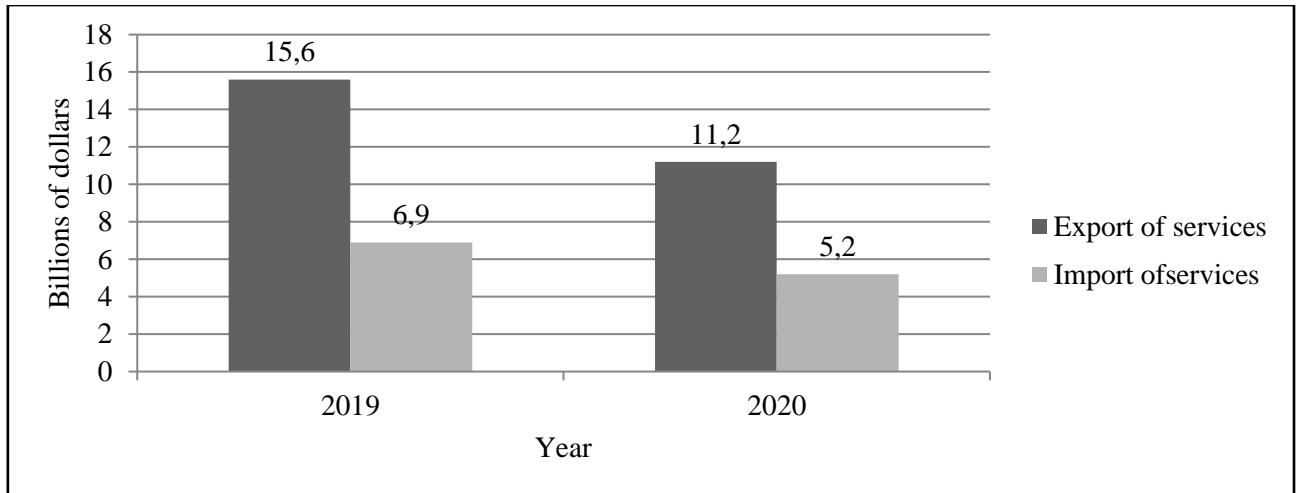


Figure 2.8 – Export and import of services of Ukraine for 2019-2020, billions of dollars [24]

Regarding to the structure of exports of services in 2020, transport services decreased by 46.4% compared to 2019, computer and information services increased by 13%, material processing services decreased by 17.9%, business services decreased by 6.7 %, tourist services decreased by 22.3%.

Regarding to the structure of imports of services in 2020, transport services decreased by 35% compared to 2019, computer and information services increased by 4.1%, business services decreased by 28.4 %, tourist services decreased by 46.3%, public and government services decreased by 19.1%

The largest partner countries in the export of services in 2020 with Ukraine are the EU, Russia, USA, Switzerland, UAE, Israel. The largest importing countries are the EU, USA, Turkey, Switzerland, China.[24]

In general, it should be noted that the pandemic has had a significant impact on services that require the physical crossing of the border. Trade in services that are somehow provided via the Internet has grown even under quarantine. As the rate of the pandemic does not decrease, but only increases, the popularity of online services will continue to grow. Obviously, the growth of digital services requires the state to adequately respond to two challenges. The first challenge is to regulate

the digital market. The second challenge is the taxation of the income of companies that provide digital services. Thus, the EU is currently considering the possibility of introducing a tax on large companies at the place of actual provision of digital services, rather than at the place of registration of the company. This kind of law has been registered in the Verkhovna Rada of Ukraine, but the discussion on the future regulation of activities and taxation of companies providing digital services is only gaining momentum today.

Due to the COVID-19 pandemic, Ukraine may face worst recession in decades, leaving more than 9 million people in poverty. UN OCHA in Ukraine reports that since the beginning of the pandemic, more than 80% households have lost income and in more than 40% of families, at least one family member has lost her/his job. Although there are no data on eastern Ukraine, the socio-economic consequences of the pandemic in the conflict-affected region will be destructive.

### **3 WAYS TO IMPROVE THE FUNCTIONING FOREIGN TRADE OF UKRAINE**

#### 3.1 The problem of trade deficit and ways of its solutions

The trade balance is the difference between the monetary value of a country's exports and imports over a period of time.

A positive balance or trade surplus is when a country's exports exceed imports. If a country imports more than exports, it has a trade deficit or a negative balance. This characterizes the country's competitiveness in the world market.

Factors that may affect the trade balance:

- cost of production (land, labor, capital, taxes, incentives, etc .;
- cost and availability of raw materials, intermediate goods and other materials;
- exchange rate movements;
- multilateral, bilateral and unilateral taxes or restrictions on trade;
- non-tariff barriers, such as environmental, sanitary or safe standards;
- prices for home-made goods (under the influence of supply sensitivity) [27]

The trade balance is an important component of the country's balance of payments. It is usually used to measure the relative strength of a country's economy. Also, the trade balance is the most important component of the current account. It determines the country's net income from international assets.

Ukraine is considered an export-oriented country. Since the 90s, our country has chosen the easiest way to generate revenue from the sale of finished products instead of the development of technological production, receiving low added value. It should be noted that all raw material-producing countries are at risk: their basic goods could fall in price and collapse at any time. Therefore, raw materials countries cannot control their own development.[28]

Ukraine exports a significant part of its output, and the remaining part enters the domestic market, where it tries to compete with imported products.

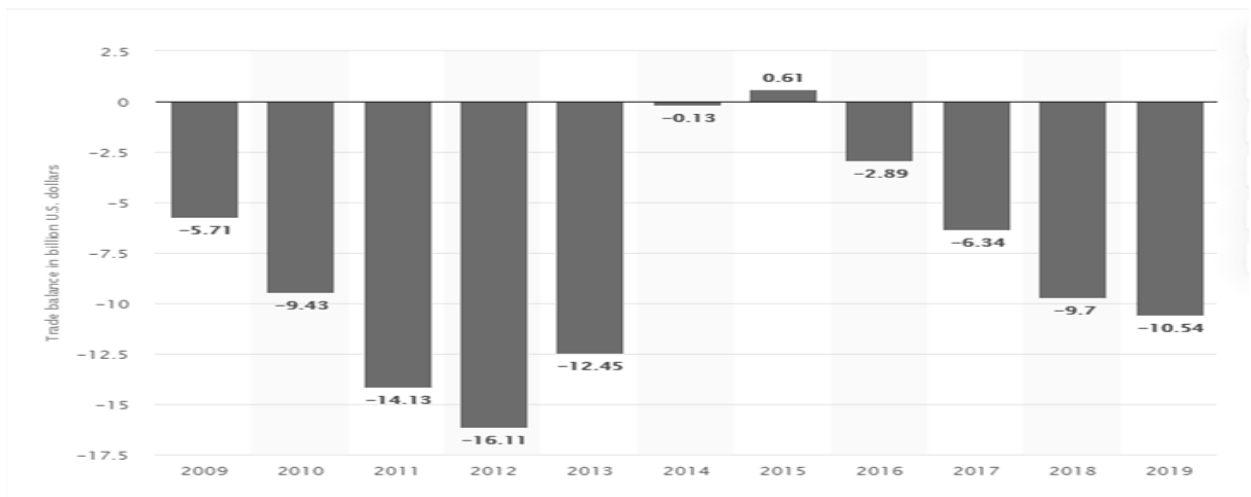


Figure 3.1 - Trade balance of Ukraine, 2009-2019, billion US dollars

Ukraine's trade balance for the period from 2009 to 2019 was deficient, which indicated a high share of imports in the domestic market.

The state with the help of financial levers is able to reduce the foreign trade deficit and make its balance positive, using the following methods:

- active involvement of foreign contracts;
- development of national production;
- specialization of national production for export;
- reduction of the tax burden for foreign investors.

For example, to solve the problem of a negative trade balance, it is possible to expand markets in the agricultural sector.

Agrarian foreign trade is of extraordinary importance to the economy of many countries. For many developing countries, agriculture represents the basic sector and the incomes from the trade with agrarian commodities cannot be replaced by other exports. International exchange is important for securing the nutrition of the population as well as for the inhabitants of some regions where agricultural production is not able to cover domestic demand. That regards the areas with unfavourable natural conditions or overpopulated areas. On the opposite, some countries have favourable conditions for production of cheap agricultural products and are therefore able to export them. From the international trade viewpoint, it is useful to divide agrarian commodities into two groups –



competitive and non-competitive ones. Competitive products are those, which can be produced in all climatic zones. From the viewpoint of an individual country then those which can be commonly produced in its natural conditions. Into this group, there belong most of the basic food items (grains, roots, lentils, meat, milk, eggs etc.), from the Ukraine's viewpoint all agricultural products of the mild climatic zone and the food commodities produced from them. Surpluses of these basic foods exist namely in the USA, Canada, Australia, New Zealand, the European Union and some countries of South America (Argentina, Brazil). Non-competitive products are produced in the selected areas suitable for their production; from the individual country viewpoint therefore those, which cannot be produced in the country with regard to its natural conditions and therefore have to be imported.

Having "raw material" potential, Ukraine should understand the extent to which it can be used for accumulation of resources for processing of raw materials within the country and even for food of other spheres of economy and social sphere, including the development of knowledge-intensive spheres and ensuring wider access of the population to social benefits. Meanwhile, the development of the Ukrainian economy is following a reduction scenario high-tech production and focus on the production of raw materials for processing abroad.

In the agricultural sector the economy is rapidly developing crop production, which attracts investors with a quick payback. At the same time, farmers achieve high profitability due to cheap labor, favorable natural conditions, sufficiently developed transport infrastructure and existing state support mechanisms recently introduced. But the increase in exports of agricultural products still does not provide adequate growth of foreign exchange earnings in Ukraine.

The Ukrainian agricultural sector is, on the one hand, a self-sufficient sector of the national economy (it feeds the country), and, on the other hand, agricultural exports are key to the economy, one of the most important sources of filling the state budget and currency inflows. That is why the export of agricultural

products, along with the export of industrial goods and services, is so important for the economic development of Ukraine. According to the results of 2018, the foreign trade turnover of agricultural products amounted to 24.3 billion dollars, of which 18.8 billion dollars. accounted for agro-exports, which amounted to 39.8% of total exports of Ukraine. Agricultural exports remains the leader in the commodity structure of exports. Last year, its volume was 880 million dollars. more than in 2017. In 2018, the record of 2012 was exceeded, when exports of agricultural products amounted to 18.2 billion dollars. The largest shares of agricultural exports were grain crops - 38.4% of the volume of agricultural exports, oil - 23.3% and oilseeds - 10.2% [8].

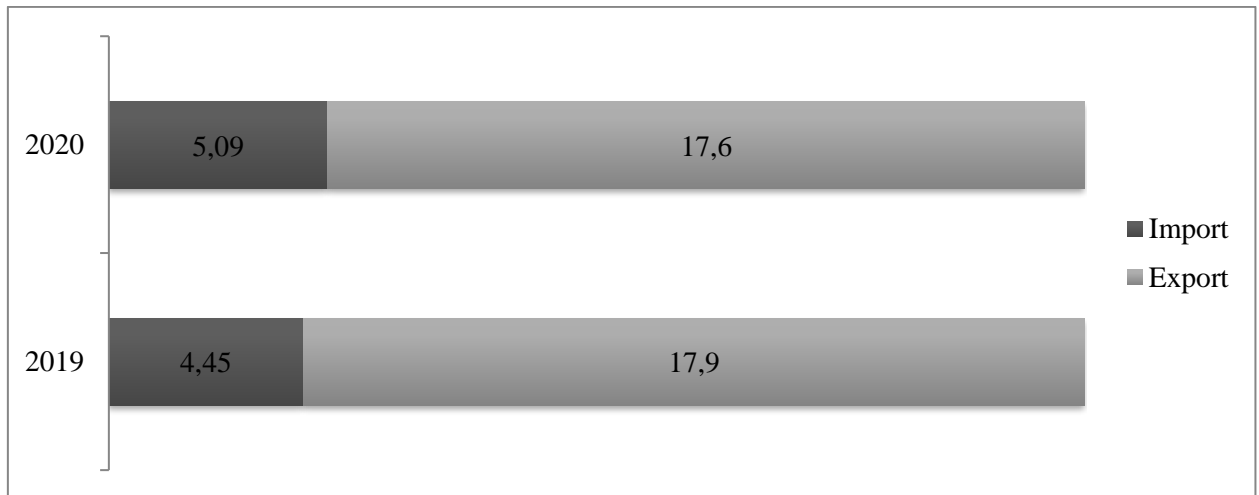


Figure 3.2 – Trade in agro-industrial complex products of Ukraine from 2019 to 2020, billion US dollars[34]

As we can see, there is a certain increase in the financial equivalent of imports of agricultural products and a slight decrease in exports. In 2020, we imported \$ 5.09 billion against \$ 4.45 billion in 2019. Instead, they exported \$ 17.6 billion against \$ 17.9 billion last year.

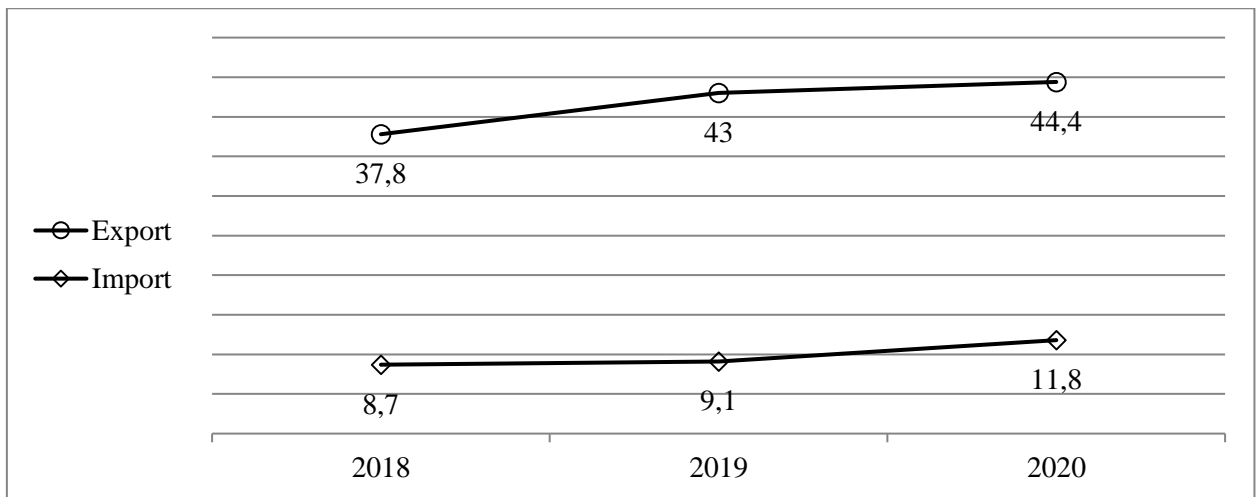


Figure 3.3 – Share of agro-industrial complex in trade, 2018-2020, % [34]

The share of agricultural products in the foreign trade balance of Ukraine is gradually growing. If in 2018 it was 37.8%, in 2019 - 43%, in 2020 - already 44.4%. In turn, similar indicators of imports of agricultural products are 8.7%, 9.1% and 11.8%, respectively.

The growth of exports in 2019 year was provided mainly by corn, wheat, rapeseed, poultry meat and offal, oils, tobacco and tobacco products, eggs and confectionery. The largest importers of Ukrainian agricultural products in 2018 were India, which exported agricultural products worth more than \$ 1.8 billion, China - \$ 1.2 billion, the Netherlands - \$ 1.2 billion, Spain - \$ 1 billion dollars and Egypt - \$ 0.9 billion.

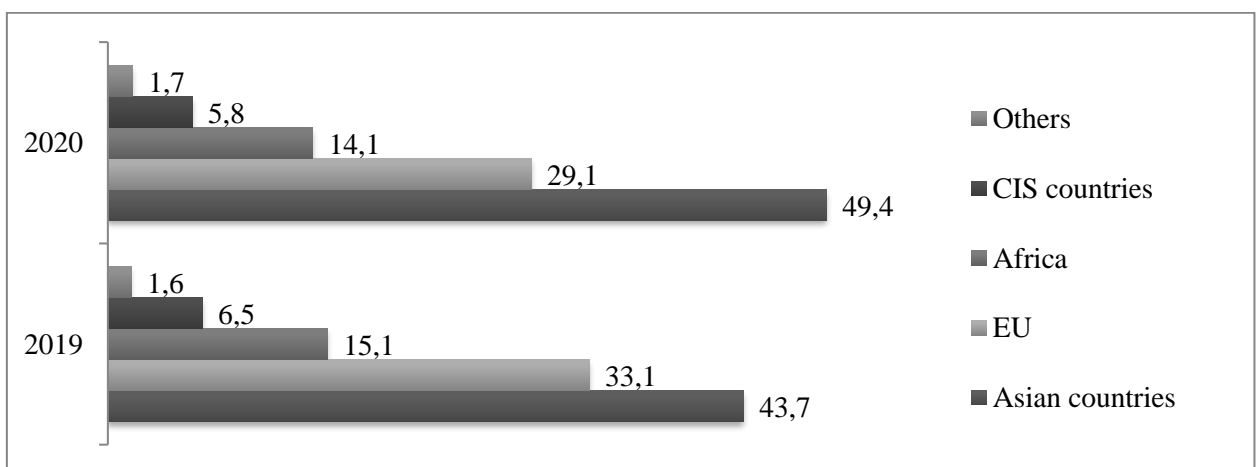


Figure 3.4 – Ukraine's partner countries in the field of agriculture, 2019-2020, %

Between May 2018 and April 2019, Ukraine became one of the three largest exporters of agricultural products to the European Union, selling agricultural products worth 6.3 billion euros. This is 14.2% more than in the period from May 2017 to April 2018. According to the report of the European Commission, in May 2019, Ukraine exported agricultural products to EU countries for 519 million euros, which is 173 million euros more than in May 2018. This means that in terms of growth in exports of agricultural products to EU countries in May 2019, Ukraine ranked first in the world [16].

### 3.2 Diversification of export-import operations

Economic relations both inside and outside the country reflect the export-import potential of the national economy, which concentrates technological, resource, economic and other comparative advantages of the country.

In order to improve the state of Ukraine's economy and overcome the crisis, it is important to use the export-import potential more effectively, as well as to diversify the directions of international relations and direct all efforts to unite with the world community. This plays a decisive and strategic role in the economic development of our country, the transformation of its status into a transformational society and the gradual transition to a system of market developed countries.

Functional diversification, strengthening the role of foreign economic factors in the development of national economies is now becoming a major factor in reproduction and one of the crucial prerequisites for improving their efficiency. The current stage is characterized by an increase in integrative trends and globalism on a global scale, the basis of which is the deepening of the international division of labor. These tendencies are taken into account when establishing the directions and advantages of integration of Ukraine's economy into international markets. The real state of diversification, technological evolution of world market

cooperation and the development of international specialization have posed to our country the problem of inefficiency of the existing mechanism of foreign economic activity to the dynamics and structure of the world economy and world market.[29]

Ukraine's economy should gradually but continuously integrate into the world scientific and technical innovation process and the system of international division of labor, taking into account the main trends in the world economy. To improve its position in the international market, Ukraine must justify its export policy. This is important at the stage of market restructuring of the economy and becomes a factor in helping many industries and industries, the basis of currency inflows to strengthen innovation and meet social needs and economic condition of the country. Expansion of production of export-oriented modern products is an important provision for structural changes in the economy, technological renewal of industries and the conversion of the military-industrial complex, strengthening the competitiveness of goods and services of Ukraine.

There are several areas of effective adaptation of Ukraine to the system of international division of labor, the requirements of integrative trends and a competitive economy.

1. Development of the industry complex, the orientation of which is aimed at exports. It is important to determine which areas will be the basis of international specialization.

2. Application of scientific and technical, energy, food, ecological and transport spheres of economy for cooperation on a cooperative basis.

3. Orientation of Ukrainian exports on modernized knowledge-intensive products that will compete in the international market.

4. Identification of specific areas of cooperation and important priorities in relations with different countries and integration groups. One of such priorities is integration into the European economic space.

5. Mutually beneficial foreign economic relations with such major international organizations as the International Monetary Fund, the World Bank for Reconstruction and Development, the International Labor Organization, the WTO.

UNCTAD, UNIDO. The result of Ukraine's cooperation with such organizations will be an increase in the status of the international community, as well as an increase in opportunities to attract foreign capital, financial resources, obtain certain trade preferences and benefits, use of civilized tariff protection of national industry, agriculture [30].

The priority of directions and partners of world economic relations - countries, regions, groups should be determined taking into account the world economic situation and strategic national interests. It is important not to follow too closely the pattern of economic development developed for one country, to copy the example of another country in achieving competitive advantage. After all, each country has its own principles of market economy, which depend on the real structure of the national economy, the mechanism of its social orientation, the degree of openness and liberalization, the peculiarities of the national mentality - attitude to collective and individual labor and perception of the private sector [31].

In Ukraine, which for a long time did not have its own national economy, where civilized market relations were not cultivated, monopoly and market closure prevailed, it is extremely difficult to establish effective and stable ties with world and regional markets to enter the international division of labor realize their economic benefits. Today, Ukrainian exporters usually receive unstable short-term competitive advantages, which are based on price advantages, and therefore fall under various protectionist measures of other countries (groups) and are vulnerable to price changes in the world market.

The national strategy should be aimed at gaining a higher order of competitive advantage, ie focus on high quality, novelty, which are achieved through increased social productivity and the use of new technologies. There are five priority factors affecting the country's competitiveness: science and technology, capital, labor, infrastructure and information. It is the formation of national competitive advantages of the highest order on the basis of these five factors should be the main principle of the country's strategy, paving the way to world markets, integrated into the sphere of international business and finally - to

the world community. Modern export potential should become one of the driving forces on this path [32].

The development of export potential can be theoretically justified and presented in a pragmatic aspect only in the context of international business development. It generates impulses to the production of competitive export products and services. It is here that new needs are formed and, in the end, here they are satisfied - through world (local) markets.

Modern international business is increasingly based on the mechanism of the economic law of comparative advantage in the world economy through the development of export-import relations and capital movements. Foreign trade has long been a major factor in the country's participation in the international division of labor and world economic relations. It is now becoming especially important in countries with economies in transition. In Ukraine, where the economic crisis has developed, on the one hand, the volume of foreign trade is declining, and on the other - its structure and conditions are deteriorating. And all this - for the growing demand for foreign currency [33].

The period of independent development of Ukraine, unfortunately, did not have any positive impact on the technical-technological and organizational-economic condition of the economy. Significant destruction of industrial and technological potential has recently led to a reduction in export-import opportunities of Ukraine's economy. The inefficient structure of exports persists, regional markets are narrowing, and their diversification is slow.

There is a tendency to reduce the quality of export products, Ukrainian enterprises annually receive more than a thousand serious complaints. During the years of independence, Ukraine has not created sustainable legislation that would promote the formation of a foreign trade model compatible with the models of other countries.

As already mentioned, Ukraine can find its place in the international division of labor and integrate into the world community only on the basis of creating a highly developed export complex in the country, which would meet the

requirements of the modern world market. The implementation of this strategic goal requires considerable resources, and especially foreign exchange earnings. Low international competitiveness of domestic goods and services significantly limits the amount of foreign exchange earnings in the country. Therefore, there is an urgent need to improve the resource potential of the country, especially its export part. In order to diversify Ukraine's economic ties, it is necessary to develop profitable trade with countries around the world. But today, unfortunately, Ukraine is losing traditional CIS markets without conquering new "niches" in the world (Western) market. The low competitiveness of many products of our industry leads to a decrease in demand for them in the traditional market and increases the raw material "skew" of exports, as well as leads to atrophy of science and technology and processing industries of domestic industry. To significantly change this situation in the country, it is necessary to restructure the export potential. The priority is to stop the destruction of resource (export) potential. At the same time, a set of measures should be gradually implemented with a long-term goal - to increase export potential in accordance with the requirements of the STC. international division of labor, potential resources and relative competitive advantages of Ukraine [6].



## CONCLUSIONS

Thus, the formation and development of the world market is a complex and long process, which was caused by the international division of labor and commodity production. The world market is a set of national markets that are interconnected by the international division of labor. The basis of cooperation of world economies is a variety of industrial, economic and political relations, which are implemented through foreign trade, services, capital movements, exchange of information on scientific knowledge, exchange of cultural achievements and labor migration.

The structure of the world market is complex. It changes under the influence of various factors, but the most important of them is the STR, under the influence of which there are qualitative and territorial changes in it. The structure of the world commodity market is divided into three types: regional, commodity-sectoral and socio-economic.

For Ukraine to function effectively on the world commodity market, it is necessary to improve the economic system, remove barriers that hinder Ukraine's economic and scientific-technical ties with other countries, and ensure the economic efficiency of external relations. The market structure of Ukraine's economy should consist of various independent economic entities based on laws and economic benefits. Important conditions for Ukraine's integration with regional world markets are the establishment of competitive products and the creation of a competitive environment. Transformations in the economic sphere, large investments, stimulation of production, creation of a favorable investment climate are also necessary. Ukraine's participation in regional cooperation implies a higher degree of economic interdependence, the formation of a homogeneous environment for business entities.

In order for Ukraine to take advantage of the opportunities arising from the process of EU enlargement and the approximation of European borders, it is necessary to consistently implement its own development policy aimed at integration

into the world economy, taking into account changes in the regional economic environment.

Improving efficiency in the service sectors can, in turn, help increase the competitiveness of export goods, as well as increase direct exports of services by domestic suppliers. Thus, the competitiveness of goods in export markets depends on the development of such services as transport, telecommunications, financial, professional.

Integration into the world economy is a very difficult task for any country, but with political will, public consensus and a clear strategy, Ukraine has every chance to become a desirable economic partner and equal member of the large European family.

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# APPENDICES

## Appendix A

### SUMMARY

Poliakova S.S. The place of Ukraine in the world market of goods and services – qualification paper. Sumy State University, Sumy, 2021.

The final paper is devoted to studying the Ukraine's activities in the global market for goods and services. The world market for goods and services is described. The position of Ukraine on the world commodity market and services market is considered. The ways of improvement of foreign trade of Ukraine are described.

Key words: world market of goods and services, foreign trade, Ukraine, improvement.

### Анотація

Полякова С.С. Місце України на світовому ринку товарів та послуг – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2021.

Кваліфікаційна бакалаврська робота присвячена дослідженню діяльності України на світовому ринку товарів та послуг. Охарактеризовано світовий ринок товарів та послуг. Розглянуто позиції України на світовому товарному ринку та ринку послуг. Описано шляхи удосконалення зовнішньої торгівлі України.

Ключові слова: світовий ринок товарів та послуг, зовнішня торгівля, Україна, удосконалення.



## Appendix B

Table B.1 – The international classification of goods and services [7]

Class	Goods
1	Chemicals for use in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; mixtures for fire extinguishing and to prevent ignition; preparations for heat treatment and soldering of metals; substances for tanning animal skins; adhesives for use in industry; cavities for filling cavities and other pasty cavity fillers; compost, fertilizers, including of animal origin; biological preparations for use in industry and science.
2	Paints, varnishes, polishes; protective drugs against rust and wood damage; dyes, dyes; inks for printing, marking and engraving; unprocessed natural resins; metals in the form of foil or powder for painting, decorating, printing and artwork.
3	Non-therapeutic cosmetics and non-therapeutic perfumery and cosmetics; non-medicated tooth powders and pastes; perfumes, essential oils; bleaching preparations and other substances for laundry use; cleaning, polishing, cleaning and abrasive preparations.
4	Technical oils and lubricants, waxes; lubricants; mixtures for absorbing, wetting and binding dust; fuel and lighting fixtures; candles and wicks for lighting.
5	Pharmaceutical, medical and veterinary preparations; hygienic preparations for medical needs; dietary foods and substances intended for medical or veterinary use, baby food; dietary supplements for humans and animals; plasters, dressings; materials for filling teeth, dental wax; disinfectants; pest control preparations; fungicides, herbicides.
6	Common metals and their alloys, ores; metal materials for buildings and structures; mobile building constructions metal; non-electric cables and wires of common metals; small metal products; metal containers for storage or transportation; safe.
7	Machines, machines, tools with a mechanical drive; engines, other than for land vehicles; clutches and transmissions, other than for land vehicles; agricultural implements, except hand-operated implements; egg incubators; vending machines.
8	Hand tools and implements, hand-operated tools; cutlery; personal weapons, except firearms; razors.
9	Scientific, research, marine, geodetic, photographic, cinematographic, audiovisual, optical, weighing, measuring, signaling, detecting, analyzing, surveying, rescue and training apparatus and instruments; apparatus and instruments for transmitting, switching, converting, accumulating, regulating or controlling the distribution or use of electricity; apparatus and instruments for recording, transmission, reproduction or processing of sound, images or data; recorded and downloadable media files, computer software, clean digital or analog media for recording and storing data; mechanisms for accepting payment for coin-operated devices; cash registers, calculating devices; computers and computer peripherals; diving suits, diving masks, ear plugs for divers, nose clips for divers and swimmers, gloves for divers, breathing apparatus for scuba diving; fire extinguishers.
10	Surgical, medical, dental and veterinary apparatus and instruments; prostheses of limbs, eyes and teeth; orthopedic products; materials for suturing; therapeutic and auxiliary devices adapted for people with disabilities; massage devices; apparatus, devices and products for the care of infants; apparatus, devices and articles for sexual activity.
11	Apparatus and equipment for lighting, heating, cooling, steam generating, cooking, drying, ventilating, water supply and sanitary purposes.
12	Vehicles; apparatus for locomotion by land, air or water.
13	Firearms; ammunition and shells; explosives; fireworks.

14	Precious metals and their alloys; jewelry, precious and semiprecious stones; clocks and chronometric instruments.
15	Musical instruments; music stands and stands for musical instruments; conducting sticks.
16	Paper and cardboard; printed matter; materials for book frames; photos; stationery and office supplies, except furniture; adhesives for stationery or household needs; drawing materials and accessories for artists; paint brushes; educational materials; sheets, films and packages for wrapping and packaging, plastic; typographic fonts, typographic clichés.
17	Unprocessed and semi-worked rubber, gutta-percha, rubber, asbestos, mica and substitutes for all these materials; molded plastic and resin materials for production needs; materials for caulking, sealing and insulation; flexible pipes and hoses, not of metal.
18	Leather and imitation leather; animal skins; luggage suitcases and bags; umbrellas from rain and sun; canes; whips, harnesses and tinsmiths; collars, leashes, leashes and clothing for animals.
19	Non-metallic building and construction materials; rigid construction pipes, not of metal; asphalt, resin, tarry building materials and bitumen; mobile non-metallic building constructions; non-metallic monuments.
20	Furniture, mirrors, picture frames; non-metallic containers for storage or transportation; unworked or semi-worked bone, horn, whalebone or mother-of-pearl; shells of turtles, shells; sea foam; amber.
21	Home or kitchen utensils and containers; cooking utensils and cutlery, except forks, knives and spoons; combs and sponges; brushes, except paint brushes; materials for making brushes; cleaning and cleaning tools; unworked or semi-worked glass, other than building glass; glass, porcelain and earthenware.
22	Cables and ropes; grids; tents and tarpaulins; canopies of textile or synthetic materials; sails; bags for transportation and storage of unpackaged material; gaskets, linings and packing materials, other than of paper, paperboard, rubber or plastics; raw textile fiber and its substitutes.
23	Yarn and thread for textile use.
24	Fabrics and tissue substitutes; household linen; curtains of textile or plastic.
25	Clothing, footwear, headgear.
26	Lace, braid and embroidery, and haberdashery ribbons and bows; buttons, hooks and loops, pins and needles; artificial flowers; hair ornaments; artificial hair.
27	Carpets, rugs, mats, linoleum and other materials for covering existing floors; non-textile wall coverings.
28	Games, toys and amusements; video game machines; gymnastic and sporting goods; decorations for Christmas trees.
29	Meat, fish, poultry and game; meat extracts; canned, frozen, dried and cooked fruits, vegetables and fruits; jellies, jams, preserves; eggs; milk, cheese, butter, yogurt and other dairy products; edible oils and fats.
30	Coffee, tea, cocoa and coffee substitutes; rice, pasta and noodles; tapioca and sago; flour and grain products; bread, bakery and confectionery; chocolate; ice cream, sorbets and other food ice; sugar, honey, molasses; yeast, baking powders; canned salt, sweets, spices, herbs; vinegar, sauces and other condiments; ice (frozen water).
31	Raw and unprocessed products of agriculture, aquaculture, fruit growing and forestry; raw and unprocessed grain and seeds; fresh fruits and vegetables, fresh herbs; live plants and flowers; bulbs, seedlings, seedlings and seeds for sowing; live animals; animal feed and beverages; malt.
32	Beer; soft drinks; mineral and carbonated waters; fruit drinks and fruit juices; syrups and other non-alcoholic ingredients for making beverages.
33	Alcoholic beverages, except beer; alcoholic ingredients for the manufacture of beverages.

34	Tobacco and tobacco substitutes; cigarettes and cigars; electronic cigarettes and vaporizers for smokers; smoking accessories; matches.
	Services
35	Advertising; business management; business administration; office work.
36	Insurance; financial transactions; credit and money transactions; real estate transactions.
37	Construction services; installation and repair services; mining, drilling of wells for oil and gas.
38	Telecommunication services.
39	Transportation; packaging and storage of goods; travel arrangements.
40	Processing of materials; waste and garbage recycling; air purification and water ionization; printing services; canning of food and beverages.
41	Education; providing training; entertainment services; arranging sports and cultural events.
42	Scientific and technological services and research and development relating thereto; industrial analysis, industrial research and industrial design services; quality control and authentication services; design and development of computer hardware and software.
43	Food and beverage services; provision of temporary housing.
44	Medical services; veterinary services; hygienic and cosmetic services for humans or animals; services in agriculture, aquaculture, fruit growing and forestry.
45	Legal services; security services for the physical protection of tangible property and individuals; personal and social services to meet human needs provided to others.

Table B.2 - Commodity structure of foreign trade in goods of Ukraine in 2019 [9]

Name of goods	Export		Import	
	Thousand US dollars	In % to the total	Thousand US dollars	Thousand US dollars
Total	50054605,8	100,0	60800173,1	100,0
Including:				
I. Live animals; products of animal origin	1277015,8	2,6	1071472,8	1,8
II. Products of plant origin	12914543,1	25,8	1794636,6	3,0
III. Fats and oils of animal or vegetable origin	4732237,5	9,5	253298,1	0,4
IV. Ready-made food products	3220383,8	6,4	2616621,0	4,3
V. Mineral products	4866480,3	9,7	12984566,8	21,4
VI. Products of the chemical and allied industries	1930809,8	3,9	7483373,2	12,3
VII. Polymeric materials, plastics and articles thereof	721536,9	1,4	3564600,3	5,9
VIII. The skins are	149080,2	0,3	283027,5	0,5

untreated, the skin is tanned				
X. Mass of wood or other fibrous cellulosic materials	437712,5	0,9	1003038,1	1,6
XI. Textile materials and textile products	847198,6	1,7	2375980,4	3,9
XII. Shoes, hats, umbrellas	188378,5	0,4	473461,3	0,8
XIII. Products from a stone, plaster, cement	414717,3	0,8	786086,5	1,3
XIV. Pearls are natural or cultured, precious or semi-precious stones	89859,8	0,2	94362,3	0,2
XV. Base metals and articles thereof	10255685,9	20,5	3650723,8	6,0
XVI. Machines, equipment and mechanisms; electrical equipment	4464445,8	8,9	13312838,2	21,9
XVII. Land vehicles, aircraft, floating vehicles	882344,7	1,8	6162771,0	10,1
XVIII. Optical and photographic devices and apparatus	181320,3	0,4	1079524,9	1,8
XX. Various industrial goods	872408,5	1,7	1003965,8	1,7
XXI. Works of art	559,3	0,0	1954,3	0,0
Goods purchased in ports	6021,1	0,0	381222,5	0,6

Table B.3 - Structure of foreign trade of Ukraine in services by types in 2019[9]

Name of services	Export		Import	
	Thousand US dollars	In % to the total	Thousand US dollars	In % to the total
Total	15237478,9	100,0	6527852,8	100,0
Including:				
Material resources processing services	1628805,7	10,7	3023,3	0,0
Repair and maintenance services not included in other categories	235397,2	1,5	81745,2	1,3
Transport services	9036447,1	59,3	1509466,8	23,1

Travel services	323712,9	2,1	1284692,5	19,7
Construction services	98044,6	0,6	35616,4	0,5
Insurance services	75430,1	0,5	87141,3	1,3
Financial services	130803,3	0,9	462659,9	7,1
Royalties and other services related to the use of intellectual property	53043,9	0,3	544891,5	8,3
Telecommunications, computer and information services	2433067,2	16,0	495761,8	7,6
Business services	1198824,2	7,9	1289601,6	19,8
Services for individuals, cultural and recreational services	16191,0	0,1	8279,6	0,1
Government services	7711,7	0,1	724973,0	11,1