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## **QUALIFICATION PAPER**

on the topic "ORGANIZATIONAL AND ECONOMIC ASPECTS OF  
INTERNATIONAL TRADE"  
Specialty 292 "International Economic Relations"

Student IV Course

Luchkin Oleksii Oleksiiovich

group ME-82a.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

Research advisor: senior lecturer, Ph.D

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## ABSTRACT

on bachelor's degree qualification paper on the topic  
«ORGANIZATIONAL AND ECONOMIC ASPECTS OF INTERNATIONAL  
TRADE»

student Luchkin Oleksii Oleksiiovich

The main content of the bachelor's degree qualification paper is presented on 40 pages, including references consisted of 11 used sources, which is placed on 1 page. The paper contains 1 app.

Keywords: INTERNATIONAL TRADE, FOREIGN ECONOMIC ACTIVITY, FOREIGN TRADE OF UKRAINE, ORGANIZATION OF INTERNATIONAL TRADE, ECONOMIC SCOPE OF INTERNATIONAL TRADE

The purpose of the bachelor's degree qualification paper is to study the organizational and economic principles of international trade with focus on foreign economic activity of Ukraine.

The object of the bachelor's degree qualification paper is the economic processes of international trade on the global scale and from Ukraine's perspective in particular.

The subject of the study is the economic organization of international trade. When writing the course work, the following methods and methods of scientific research were used as general: historical, comparative, and structural-systematic.

The information base of the study is works and articles of domestic and foreign economists in professional economic publications.

According to the results of the study the following conclusions are formulated: organizational principles of foreign trade are grouped into three categories: general, specific, and national. Evolution of economic views on international trade organization and development consisted of quite rich arsenal of concepts which replaced one another. Today's international trade development is

based on the newest economic concepts corresponding with global economic challenges. Further directions of the development of the Ukrainian international trade must include exportation of high value-added products within the requirements of the World Trade Organization.

The year of qualifying paper fulfillment is 2022.

The year of paper defense is 2022.

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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 "International Economic Relations")  
student IVcourse, group ME-82a.аН

Luckin Oleksii Oleksiiovych

1. The theme of the paper is “Organizational and economic aspects of international trade” approved by the order of the university from «5» May 2022 № 0317-VI.
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6. The qualification paper is carried out on the articles of domestic and foreign economists in professional economic publications.
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Chapter 1 Theoretical foundations of foreign trade organization –  
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Chapter 1 deals with tasks: to identify the general, specific and national principles of the foreign economic activity: to track the evolution of the economic views on the international trade.

Chapter 2 Economic nature and stages of international trade development – 27.04.2021

Chapter 2 deals with tasks: to outline the economic nature of international trade and conduct in-depth analysis of its concepts; to identify five stages of the international trade development.

Chapter 3 Prospects for the development of foreign trade in Ukraine – 18.05.2021

Chapter 3 deals with tasks: to create a conceptual framework for the formation of the international trade strategy for Ukraine: to frame the further directions facilitating the development of the foreign trade of Ukraine.

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## INTRODUCTION

If we talk about the influence of foreign trade in the modern world, it, in general, in the manifestation of international trade, limits the dominance of monopolies and stimulates competition. In turn, the transition to new technologies generates the use of the latest achievements in the field of science and technology, which generally contributes to improving the quality of products [11].

We can say that the topic of our research is quite relevant, because in the modern world economic environment, foreign trade occupies a leading place, and is an important means of maintaining ties between countries that are in Ukraine, the development of foreign trade is the way to an integrated society.

In accordance with the goal of the research, it becomes necessary to solve the following tasks:

1. find out the essence of foreign trade;
2. determine what characterizes foreign trade;
3. to study the specifics of the trend in the development of foreign trade in Ukraine;
4. identify problems and prospects for Ukraine's development in the world economy.

The practical significance of course work is to determine the essence of foreign trade, its impact on the economy of Ukraine in general, the problems and disadvantages of the functioning of foreign trade – all this is important not only for us, as for future economists.

# 1 THEORETICAL FOUNDATIONS OF FOREIGN TRADE ORGANIZATION

## 1.1 Principles of foreign economic activity

There are three levels of principles of foreign economic activity: general, specific, and national [6].

The general principles of foreign economic activity are a small number of generally recognized rules around the world that have become a kind of well-known truths (axioms), which are observed by all participants in international business operations. And although in various editions the set of these principles may differ, however, in the end, they are reduced to three main ones: scientific, systematic, mutually beneficial [11].

The scientific activity of foreign economic activity means, first of all, the development of this activity in accordance with objective economic laws. Compliance with this principle in practice, the management of international business operations involves the identification by the organization of supply and demand for its products abroad, the level of prices, their ratio with costs in the exporting country, etc. Knowledge of managers of enterprises of existing theories of international trade helps them avoid significant miscalculations, reasonably predict changes in international markets [ibid]. This principle is especially important in the implementation of international financial calculations, in which it is necessary to rely on changes in exchange rates. Modern theory offers many useful theoretical models of forecasting exchange rates. On the basis of these models, the practice has developed convenient and diverse tools for managing currency risks: operational, recalculation (accounting) and economic.

The components of foreign economic activity themselves can be identified on a variety of grounds. It is necessary to ensure an appropriate relationship between all articles of the contract: the quality of the goods, the basic terms of



delivery and the price, price currency, currency of calculation and forms of payment, terms of supply and transport conditions, the subject of the contract and arbitration, etc. systemic relationships exist in the period between the conclusion and execution of contracts. The principle of consistency also implies the need for managers of the company to understand that foreign economic activity is only part of its business [ibid]. And if domestic business is not organized productively enough, it also threatens international operations. Mistakes, miscalculations and losses of the company in operations in the domestic market will be a serious signal for the company's partners in international business. For information on these issues, the relevant specialists are paid substantial amounts in accordance with the article "consulting services" [5].

The principle of systematic foreign economic activity also includes the relationship between the international operations of this company and international business as a whole. Since the operations of even one large company (not to mention small Ukrainian companies) occupy a small part in the total volume of international business, we have to adapt to the laws of this business. The system of foreign economic activity of the company is only a small part of international business as a more significant megasystem.

The principle of mutual beneficialness of foreign economic activity, at first glance, has no particular complications and it seems obvious: each partner involved in international operations receives its profit. However, it is not easy to adhere to this principle due to the considerable amount of time required for the execution of transactions, changes in exchange rates, the presence of various links between individual foreign economic transactions, the use of barter operations, etc. Therefore, compliance with the principle of mutual beneficialness requires careful analysis and consideration, the distinction between various flows of profits and costs [11].

In addition to the above general principles of management of foreign economic activity, there are many specific principles that must also be followed. And although the term "foreign economic activity" may not be in these documents,

by its nature most of the principles enshrined there are directly related to foreign economic activity.

The most comprehensive list of principles for the organization of international economic relations is in the "Charter of Economic Rights and Obligations of States", adopted by the IV Special Session of the UN General Assembly in 1974, the Charter was adopted together with the Declaration on the Establishment of a New Economic Order and the Program of Action for its Establishment [4].

Some of these principles coincide with common ones, for example, the paragraph "mutual and fair benefit". It is specified in the following principles.

In other international documents, the principles of free movement of individuals and economic values are considered not as a whole, as noted above, but in the main areas of international law.

Explanations of each of these issues can be found in the relevant publications and taken into account in practical activities. Thus, in terms of the movement of goods as the main form of foreign economic activity, the main importance belongs to the principle (regime) of the greatest assistance (most-favored-nation - MFN). The essence of the Most Favoured Nation (RNS) regime is that reducing customs barriers for one country also means reducing these barriers for all other countries that have established the most favoured-nation regime with it. This principle also applies to quotas and licensing [11].

Exceptions are also introduced during war or increased international tensions.

It should also be added that the GATT gave the world the main set of principles on which trade negotiations are held and control over their implementation.

A significant part of the specific principles operates at the regional level. For Ukraine, the principles of foreign economic activity in the European Union (EU) are of particular interest.

The principles of foreign economic activity within the Commonwealth of Independent States (CIS) are currently the subject of discussion.

Since all countries use to varying degrees the mechanisms of state regulation of foreign economic activity, there is also an appropriate legal basis for such actions.

As for the foreign economic activity of Ukrainian enterprises, its principles are enshrined in Art. 2 of the Law of Ukraine "On Foreign Economic Activity". Moreover, these principles also cover the activities of foreign business entities in Ukraine.

The legislation of other countries also contains the principles of such activities, which must be observed not only by national, but also by foreign business entities.

The principle of sovereignty means the independent implementation of foreign economic activity by the people of Ukraine on the territory of their country, as well as the exact implementation of all international treaties and obligations.

Freedom of foreign economic entrepreneurship includes the voluntary actions in this area of subjects of such activities, the variety of forms of compliance with the requirements of the legislation and the exclusive ownership of foreign economic entities for all the results obtained [ibid].

The principle of legal equality and non-discrimination consists of rules such as equality before the law of all participants in foreign economic activity, including the state, the prevention of any restrictions not provided for by law, regardless of ownership, location, etc.

The rule of law is designed to exclude any impact of bylaws that adversely affect foreign economic activity, compared to the laws of Ukraine.

The principle of equivalence of exchange excludes dumping in the import and export of goods.

## 1.2 Evolution of economic views on international trade

### Classical theories

*Mercantilism.* Obviously, the first systematic theory of international trade can be considered mercantilism, although it does not have a specific author:

- \* the wealth of the country is determined by the possession of certain values, as a rule, gold;

- \* to increase the welfare of its population, the state must export more than import, in which case it will receive the value of an active trade balance in the form of gold coming from countries that have a trade deficit. This requires a state monopoly on trade, the introduction of restrictions on most imports and the provision of subsidies to most of export production.

The terminology of the Mercantilist era has survived to this day: the term "favourable balance of trade", for example, is still used to mean that a country exports more than it imports; The "unfavourable balance of trade" indicates the latter's deficit. Many of these terms are used, in fact, incorrectly: for example, the word "active" (favorable) means profit, and "passive" (unfavorable) indicates losses. In fact, it is not necessary to have an active balance of trade, as its deficit is not necessarily unprofitable. If a country has an active balance or active trade balance for a certain period, it receives goods and services at a lower cost than it takes out of its borders. During the period of mercantilism, the difference was compensated by the transfer of gold, and today it is compensated by providing a loan to a country with a deficit balance of payments. If the loan is not repaid in full, then the so-called active trade balance may actually be unprofitable for a country with an active balance [3].

Recently, the term neomercantilism has been used in relation to countries that are trying to have an active trade balance to achieve a certain social or political goal. For example, a country can make efforts to achieve full employment, producing products above the norm, which is dictated by demand within the

country and taking the surplus beyond its borders. Or the country may be trying to maintain political influence in a region by supplying more goods there than it receives from there.

*A. Smith's theory of absolute superiority.* For the first time, the policy of deep-frying was determined by A. Smith in justifying the "theory of comparative advantage". Every country finds an absolute advantage in it." The analysis carried out by Adam Smith became the starting point of classical theory, which serves as the basis for all types of free trade policy.

In A. Smith's study "Wealth of nations" (1776) economic system was based on the fact that lower costs of producing the goods of one nation, compared with the costs of producing the same product of another nation, mean its absolute superiority.

However, continuing these considerations to the end, we can conclude that if a country can find everything it needs abroad for a lower price and without restrictions, then it is in its interest to receive everything abroad. Will it do something for sale? Nothing guarantees it. But how will she pay for what she buys? Thus, the theory of absolute superiority brings to a standstill.

*The theory of relative superiority of D. Ricardo - R. Torrance.* R. Torrance in "Essays on foreign trade in grain" (1815), as well as D. Ricardo's study "The Beginning of Political Economy and Taxation" (1817) derives classical theory from hopelessness. Their reasoning is reflected in the so-called principle, or theory, of comparative advantage.

D. Ricardo showed that international exchange is possible and desirable in the interests of all countries. He defined the price zone within which the exchange is beneficial for everyone. With the help of a textbook example of the trade in cloth and wine between England and Portugal, D. Ricardo proposed three options for international trade [2]:

(a) an equal ratio of the costs of producing two types of goods between the two countries - there is no incentive in trade;

b) the ratio of costs in which one of the countries has an absolute advantage in the production of one of the types of goods - here trade is possible taking into account absolute advantages;

(c) the cost ratio in which each country has a relative advantage in the production of one of the types of goods - in this case, both parties are interested in trading as a result of comparative advantages.

*Theory of International Value by J. S. Mill.* John Stuart Mill in his work "Fundamentals of Political Economy" (1844) showed at what price the exchange is carried out that there is a price that optimizes the exchange of goods between countries. This market price depends on supply and demand. According to the modern American economist D. Chipman, this law is "one of the greatest achievements of human intelligence." The fact that the work received recognition only 100 years later, D. Chipman explained by the fact that "this law was too great a discovery for its time" [5].

Proposed by J. S. Mill's laws of international competition are reduced mainly to the two most important provisions. First: the natural desire for international industrial specialization leads to the establishment of equilibrium in the benefits derived from this specialization. Secondly, the conditions of full or partial specialization are determined by inequality in the profits derived from production. The possibilities of complete production specialization depend on the elasticity of the replacement in consumption that exists between the goods produced and the tendency to relatively equalize the absolute benefits of the states participating in international exchange [5].

#### Regulatory theories of development

*Heckscher's-Ohlin's theory.* The basics of modern ideas about how the directions and structure of international trade flows are determined were laid by Swedish economists Eli Heckscher and Bertil Ohlin. They put forward the theory of "equalization of prices for factors of production", the essence of which is that national production differences are determined by a different number of factors of

production - labor, land, capital, as well as different internal needs in certain goods [2].

In 1948, American economists P. Samuelson and W. Stolper perfected the Heckscher-Ohlin theory, proposing their own: in the case of homogeneity of factors of production, identity of technology, perfect competition and complete mobility of goods, international exchange equalizes the price of factors of production between countries.

In concepts based on the model of D. Ricardo with the additions of E. Heckscher, B. Ohlin and P. Samuelson, trade is considered not only as a mutually beneficial exchange, but also as a means by which to reduce the development gap between countries.

*Leontief's paradox.* Further development of the theory of foreign trade received in the work of the American economist V. Leontief. The essence of the paradox is that, using the Heckscher-Ohlin theory, V. Leontief showed that the American economy of the postwar period specialized in those types of production that required relatively more work than capital. All the ideas about the U.S. economy that existed before. In general, it has always been characterized by an excess of capital and according to Heckscher-Ohlin theory could be expected that the United States exports rather than imports highly capital-intensive goods [2].

In the following years, economists from different countries debated a lot about the "Leontief paradox". Due to this, the theory of "comparative advantages" was further developed. It began to include the concept of technological progress and the unevenness of its distribution, extrafirm savings of funds, the difference between countries in wages, etc.

*Keynesianism.* J. M. Keynes's "General theory of employment, interest and money" (1936) became the foundation of modern economic thought and practice. The period of coordination of national foreign economic policy and its coordination on a multilateral basis have become of particular importance for the cause of stability and economic growth [6].

The country's participation in the international division of labor, on the one hand, and ensuring its international economic security, on the other hand, are strategic directions for managing the foreign economic sphere of the country.

*Monetarism* was implemented in the practice of state regulation in the early 80s of the XX century.

The main differences between Keynesianism and monetarism are: a) in the approach to determining the factors influencing the change in the totality of demand (Keynesians believe that aggregate demand is formed under the influence of various factors, and the monetarist is considered the main factor in the supply of money); b) in interpreting the role of the state (Keynesians advocate a broader intervention of the latter in the economy, monetarists hold the opposite opinion, defending deregulation) [3].

In the early 80's XX century, monetarist concepts were used to overcome the structural crisis in the world economy and the already established interdependence between countries. Structural reforms and macro-economic adaptation, carried out first in the United States and then in Western Europe, were aimed at deregulation in the macro- and foreign economic sphere at the national level, shifting towards international mechanisms of competition and regulation and, in this regard, the transition to more liberal and "democratic" forms of financial and monetary leverage management, while coordinating domestic macroeconomic policy and demand.

This approach, applied in practice by the American administration of President R. Reagan in the early 80s of the 20th century, and then in Western Europe, made it possible to overcome the delayed stagflation process, to create a new system that contributes to the growth of regulation of world economic relations by monetary means, takes into account the realities of national sovereignties, avoids excessive national directive.

Structural reforms and macroeconomic adaptation became the core of the Four-Decade Strategy for the Development of the United Nations, discussed and adopted in 1990 by the 18th Special Session of the UN General Assembly. The



delegation of Ukraine made a significant contribution to the development, coordination and adoption of the final document "Declaration on the Strategy for the IV decade of UN development" [7].

The result of the implementation of the Goals of the Strategy in industrialized and new industrialized countries was a decades-long period of crisis-free development and high rates of economic growth and the formation of a new system of multilateral regulation and national management of foreign economic activity.

The theory of foreign trade multiplier has become widespread in Western studies on the problems of international trade. According to this theory, the effect of foreign trade (in particular exports) on the dynamics of national income growth, employment, consumption and investment activity is characterized for each country by well-defined quantitative dependencies and can be calculated and expressed in the form of a certain multiplier coefficient (multiplier). Initially, export orders will directly increase the output of products, therefore, wages in the industries that fulfill these orders. And then secondary consumer spending begins to rise.

#### Modern concepts of international trade

Since the second half of the 20th century, when international exchange was becoming "explosive", world trade begins to develop at a high rate. In the period 1950-1994 world trade turnover increased 14 times. According to Western experts, the period between 1950 and 1970 can be described as "golden times" in the development of international trade. It was then that the annual 7% growth of world exports was achieved. However, already in the 70s of the XX century. it decreased to 5%, decreased even more in the 80s. In the late 1980s, global exports showed a marked revitalization (up to 8.5% in 1988). After a clear downturn in the early 90s, in the mid-1990s, it was again picking up a high tempo [1].

Naturally, these changes contributed to the emergence of modern views on the management of international business. They belong not to individual groups of researchers, but to representatives of the top management of the main transnational

corporations. As the main resource approach stands out. Because companies have limited resources at their disposal, they must decide whether to use them domestically or internationally. Convinced that opportunities in the international market may be greater than in the domestic market, companies direct their resources to the foreign sector. Therefore, in order to understand why trade operations are still carried out, it is necessary to determine what benefits individual enterprises receive.

The concept of export opportunities includes four approaches [5].

1. Use of excess capacity. Often, companies have production facilities in the current or long-term periods that are not in adequate domestic demand. These can be explored reserves of natural resources or specific capacities for the production of certain products that are difficult to switch to the production of other goods that have possibly corresponding domestic demand.

At the same time, small countries tend to trade much more broadly than large ones. One of the reasons is that the technology of the production process can allow the company to produce products profitably only in multi-part production, in larger volumes than is required to meet demand in its country. For example, take the automotive industry: Volvo needs exports from a small Swedish market much greater than that of General Motors - from a significant American one.

2. Reduction of production costs. Studies have shown that companies can reduce their costs by 20-30% when production doubles, this phenomenon is known as the "experience curve". For example, if we take a 20% reduction in production costs and an initial cost of \$ 100. per unit of production, the cost of the second unit of production will be equal to \$ 80, the fourth - \$ 64. etc. reduction can be associated with several factors: covering conditionally fixed costs by producing a larger volume of products; increasing efficiency due to the experience gained in the production of large batches of products; mass purchases of materials and transportation of them in significant batches. Therefore, it is obvious that the market leader can gain advantages in reducing production costs over its

competitors. One of the means of increasing the company's output is to determine the market from a global, not domestic point of view.

3. Increase profitability. The manufacturer may, under certain conditions, sell the same products with greater benefit abroad than at home. Thus, the stage of maturity at home can lead to lower domestic prices, while the stage of growth abroad can negate the relevance of lower prices. The increase in profitability may also occur due to differences at home and abroad of state measures that affect profitability (for example, differences in income taxation or price regulation).

4. Risk distribution. By reducing sales outside the market of only one country, the manufacturer has the opportunity to minimize fluctuations in demand, since the cycles of business activity of countries are in different phases, and the same goods are at different stages of the life cycle. Another factor in the distribution of risk through exports is that the manufacturer will be able to acquire more customers, reducing its vulnerability in the loss of one or more customers.

*The concept of imported opportunities.* In any case, the impetus for participation in trade can come either from the exporter or from the importer developed abroad to complement the existing assortment groups. This will allow the company to offer more products for sale, and the importer to use the excess capacity of its trade and distribution network.

If international supplies of raw materials and components reduce production costs or improve the quality of finished products, the purchasing company has greater resistance against competition from imported finished products or can compete more effectively in export markets. The automotive industry sets an example of global competition, depending on subcontractors, including foreign ones, to reduce production costs.

The importer, like the exporter, has the opportunity to distribute its operational risks. Expanding the range of suppliers, the company will be less dependent on the dictates or the fate of a single supplier. In the U.S., for example, many significant consumers, including the auto industry, have diversified their steel purchases with the involvement of European and Japanese suppliers. This

strategy reduced the risk of insufficient supply of the American automotive industry in the event of a strike among U.S. steelmakers, but at the same time exacerbated problems in the country's steel industry.

## **2 ECONOMIC NATURE AND STAGES OF INTERNATIONAL TRADE DEVELOPMENT**

### **2.1 Economic nature of international trade and its concepts**

Foreign trade is an important and historically the first form of international economic relations. It is an exchange of goods and services between state-registered national firms.

International trade is a form of communication between producers of different countries, arising on the basis of the international division of labor, and expresses their mutual economic dependence. In the literature, the following definition is often given: "International trade is a process of purchase and sale carried out between buyers, sellers and intermediaries in different countries." International trade includes the export and import of goods, the relationship between which is called the trade balance. The UN statistical directories provide data on the volume and dynamics of world trade as the sum of the value of exports of all countries of the world [7].

In modern conditions, all subjects of the world economy take part in international trade. It is based on the international division of labor. The development of the international specialization of production and the deepening of the above-mentioned division of labor (in the form of general, partial and single) generates a variety of forms and directions of international trade. The scientific and technological revolution has a profound impact on it, which has accelerated the qualitative transformation of all elements of the productive forces and changes in the geographical and commodity structure of world commodity flows [11].

Structural changes taking place in the economy of countries under the influence of STC, specialization and cooperation of industrial production enhance the interaction of national economies. This contributes to the intensification of international trade. The world trade, mediating the movement of all inter-country commodity flows, is growing faster than production. According to research on

foreign trade turnover, for every 10% of world production growth, there is a 16% increase in world trade. Thus, more favorable conditions for its development are created. When there are failures in trade, the development of production slows down [ibid].

World prices vary depending on the time of year, place, conditions for the sale of goods, features of the contract. In practice, as world prices, prices of large, systematic and sustainable export or import agreements are accepted, concluded in certain centers of world trade by well-known exporting firms or importers of the relevant types of goods. For many commodities (cereals, rubber, cotton, etc.), world prices are set in the process of operations on the world's largest commodity exchanges [ibid].

It is necessary for each country to specialise in manufacturing, in which it has the greatest advantage and for which the relative benefit is greatest.

National production differences are determined by various factors of production - labor, land, capital, as well as various internal needs for certain goods. The effect that is made by foreign trade (in particular, exports) on the dynamics of national income growth, on the amount of employment, consumption and investment activity is characterized for each country by well-defined quantitative dependencies and can be calculated and expressed in the form of a certain coefficient - multiplier (multiplier). Initially, export orders will directly increase the output of products, therefore, wages in industries that fulfill this order. And then the secondary consumer spending will come into motion [ibid].

Companies strive for international activities for various reasons. Thus, in particular, it may be necessary to purchase raw materials or any goods abroad for the reason that it is not possible to purchase these products from domestic producers. This situation leads to the need for imports. The opposite situation is also possible - when the company has goods, the sale of which abroad may be more profitable than in its country. This is how the need for export is manifested. It often happens that firms act on the foreign market and as resellers between sellers and buyers in different countries [ibid].

In international trade, the exporter usually bills the buyer in foreign currency, or the buyer pays for the goods in the currency of his country, which is foreign to the exporter. Often the currency of payment becomes the currency of a third country, for example, US dollars, euros. In this regard, one of the problems of the importer is the need to obtain foreign currency for payment, and the exporter may need to sell the received foreign currency for the currency of his country. Services for the sale and purchase of foreign currency for the currency of the exporting country or importer are made by banks. In Ukraine, these are banks with a currency license [ibid].

However, the purchase or sale of foreign currency is not as safe for the company as it may seem at first glance. The possibility of an unfavorable change in foreign exchange rates in the foreign exchange market is a potential currency risk for each of the counterparties.

Of course, in the event of a change in rates in favor of one of the parties, this is a chance to make a profit, however, the danger of incurring losses, in particular, for Ukrainian organizations due to the fall in the hryvnia exchange rate, is more real [9].

It is possible to protect from currency risks from firms whose foreign trade payments and receipts are made in the same foreign currency. However, the exchange rate of foreign and domestic currency will not pose a significant danger to the company only if the receipts to the foreign currency account and payments from it are agreed. This situation is possible provided that the company is largely engaged in both imports and exports. Most foreign trade organizations work only in one of the directions, so the possibility of using such a scheme is limited [ibid].

## 2.2 Stages of international trade development

The following stages of the development of international trade can be distinguished [8]:

I - initial (from the XVIII century. to the first half of XIX century);

II - the second half of XIX century. - the beginning of the First World War (1914);

III – period between the two world wars (1914-1939);

IV - postwar (50-60's);

V - modern (since the early 70's).

At the first stage in most industrialized countries remains a centralized state system of regulation of foreign trade, created in the pre-war years and during the Second World War.

It is characterized by industrial revolutions that replaced manufactory production with a large machine industry in all developed countries. Heavy industry actually formed the world market and at the same time sharply increased its dependence on it. During this period, international trade developed at a very rapid pace, helped by the following environmental factors:

1. Involvement of new regions of the globe in international trade exchange" progress in the development of the transport system of the world (increase in the total tonnage of ships; replacement of sailboats with steamships; the opening of the Suez Canal connecting Asia with Europe).

2. Revolution in communications (invention of the electric telegraph; laying in 1866 transatlantic cable, which allowed to establish a connection between America and Europe).

A characteristic feature of this stage is the outpacing growth rate of the world trade turnover compared to the growth rate of industrial production in the world, which indicates great importance for the countries of foreign trade development. The main role in the world market during this period was played by



the UK, whose share in the volume of world trade was 25%. It should be noted that in the entire subsequent history of world trade, no country has managed to achieve such a dominant position in the world market. In 1997. The share of the world's three largest exporters is the United States. Germany and Japan accounted for 28.7% in world trade, while the UK accounted for only 5%. The main export item of one of the largest colonial states were textile products, and mainly raw materials for the textile industry and food products from the colonies and the United States were imported.

A significant feature of this stage of development of international trade is the export of goods, that is, the export of goods produced on the national territory. In the field of regulation of international trade and economic relations, this stage is characterized by the emergence of a policy of free trade (from the English free trade - free trade) - freedom of trade and non-interference of the state in business, the main supporter of which was Great Britain. One of the most popular tools of the free trade policy was the reduction of duties on goods in mutual trade, which contributed to an increase in the export of English goods abroad [ibid].

2 Stage is characterized by the following main factors [ibid]:

- scientific and technological progress in the production of goods, which ensured a decrease in the weight of a unit of goods, improving the quality of product preservation during transportation (canning, freezing);
- further improvement of transport routes (increase to 1900 total length of railways almost 100 times compared to 1840);
- completion of the Panama Canal, which connected the Atlantic and Pacific Oceans in the shortest way) and significant improvement of the quality characteristics of vehicles (increasing capacity, expanding the range: the emergence of specialized vehicles for the transportation of specific goods, increasing the speed of movement);
- dynamic development of industrial production in the most developed countries.

The main feature of the development of international trade at this stage is the export of capital, which ensured both an increase in exports of goods and the seizure of profitable markets and sources of raw materials. With the help of capital exports, firms settled key positions in the economy of those countries where capital was exported, especially if they were less developed countries, thus ensuring high profits [ibid].

The emergence of monopolies in the world market is accompanied by an acute competitive struggle between them. To prevent losses, they often conclude agreements on the distribution of world markets, raw materials and capital, agree on the establishment of monopoly prices, a common business policy. This period was the beginning of the formation of transnational corporations, international monopolies.

The second feature of the period under consideration is the more dynamic growth of the trade turnover of world trade.

A quarter of a century (1914-1939), which lasted this stage, is marked by the events of the First World War and its devastating consequences for the economies of European countries, the economic crises of 1920-1921 and 1929-1933, the beginning of the formation of two world economy systems.

The main features and features of this stage can be characterized as follows [ibid]:

a) long-term and deep violation of international trade and economic ties caused by the consequences of the world war and the revolution in Russia;

b) a significant reduction in the world's trade turnover as a result of the general unfavorable economic and political conditions caused as a fall in the physical volume of trade, and the decline in world prices (the average annual increase in production of industrialized countries was about 2%, which is half as much as in 1889-1913; in 1937 the volume of world trade was 2 times lower than in the pre-crisis 1929; at the beginning of the Second World War, exports were almost 1.5 times less, than in 1913);

c) immutability of the commodity structure of the world trade turnover (the main goods remained raw materials, food and fuel, the share of which reached 60% of world exports).

The curtailment of international trade was also facilitated by England's introduction in 1932 of a system of preferences, the mechanism of which was that one country or group of countries impose a special preferential (preferential) duty on goods that do not apply to goods of other countries. This system was used by the UK and later other countries to produce cheap raw materials and food from economically dependent countries. Preferences were widely used in trade with countries that were part of currency blocs.

In 1931, the sterling bloc led by Great Britain united almost all the countries of this empire and a number of states closely related to it economically (Egypt, Iraq, Portugal). It was later joined by Sweden, Norway, Denmark, Japan, and later Germany and Iran. In total, the bloc included 22 countries. The exchange rate of the national currencies of the participating countries was dependent on sterling, and against the dollar and currencies of countries that were not part of the bloc, was set in accordance with the exchange rate of the pound against the dollar and these currencies. Sterling block during this period had the greatest impact [10].

The complication of international trade at the third stage of its development, in addition to environmental factors, was also facilitated by the peculiarities of regulation: the strengthening of customs protectionism and the collapse of the existing international monetary system, which led to the emergence of separate currency blocs. These blocs were currency groups of countries that were created to ensure the currency and economic priority of the country that headed this bloc by attaching the currencies of the participating countries to its currency [11].

Stage IV. Postwar, the stage of development of international trade was also called "gold" - it was during this period that 7% of the annual growth of world exports was achieved [8]:

a) strengthening of two world systems of economy - capitalist and socialist; In 1947, the Council for Economic Mutual Assistance (CEA) was established,

which united the following socialist countries: the Soviet Union (consisting of 15 republics), Bulgaria, Hungary, the German Democratic Republic, Poland, Romania, Czechoslovakia;

b) the collapse of the colonial system that began after World War II: during the postwar years, more than 100 former colonies and semi-colonies conquered political independence, and the complete elimination of the colonial system ended in the mid-1970s with the fall of the last and oldest Portuguese colonial empire;

c) beginning of the formation of regional economic integration groups: Council for Economic Mutual Assistance - Intergovernmental Economic Organization of Socialist Countries of Europe, 1947; Benelux, economic union of Belgium, the Netherlands and Luxembourg, 1958 The European Free Trade Association is a trade bloc of seven Western European countries (Austria, Great Britain, Denmark, Norway, Portugal, Switzerland and Sweden), 1956; The European Economic Community (EEC) is a state association of six European states (Federal Republic of Germany, France, Italy, the Netherlands, Belgium, Luxembourg), created with the aim of forming a common market by eliminating customs tariffs and holding joint measures in the economic and social spheres).

The peculiarity of this stage is a sufficiently high growth rate of the world trade turnover and faster than after the First World War, the restoration of both national economies and foreign economic relations. For example, in the 20 years since 1950, the volume of world exports has increased almost 5 times, and in industrialized developed countries - by 7.5 times.

Stage V - the last, modern, stage of the development of international trade today can be divided into two periods: the competition of the two world systems of economy - capitalist and socialist (until the early 1990s); globalization of the world economy (from the early 90s of the XX century).

Factors affecting the V stage of world trade development [3]:

- ❖ Increased international competition.
- ❖ Strengthening existing and emergence of new integration associations.
- ❖ Industrialization of most developing countries.

- ❖ Problems of financial debt of developing countries.
- ❖ The collapse of the world socialist system of economy.

The following features of trade processes are distinguished [4]:

- Sharp increase in trade volumes.
- Increasing the role of foreign trade in the economic development of countries.
- The value of fluctuations in the level of world prices.
- Shift in the commodity structure of imports (services, industrial goods).
- The spread of established and long-term relations between states.
- Increasing the share of intra-branded supply in world trade.
- Increasing the role of developing countries.
- Increased competition between Triad subjects (USA, Japan, EU countries).
- Intensification of counter-trade.

Since the second half of the 20th century, the uneven dynamics of foreign trade has been noticeably manifested [ibid]. This influenced the balance of power between the countries in the world market. The dominant position of the United States was shaken. In turn, Germany's exports approached the American one, and in some years even exceeded it. In addition to Germany, exports and other Western European countries grew at a noticeable pace. In the 1980s, Japan made a significant breakthrough in the field of international trade. By the end of the 80s, Japan began to break into the lead in competitiveness factors. In the same period, it was joined by the "new industrial countries" of Asia - Singapore, Hong Kong, Taiwan. However, by the mid-1990s, the United States was once again in a leading position in the world in competitiveness. They are closely followed by Singapore, Hong Kong, as well as Japan, which previously took the first place for six years.

While developing countries mainly remain suppliers of raw materials, food and relatively simple products of finished products to the world market. However, the growth rate of trade in raw materials lags significantly behind the overall

growth rate of world trade. Such a lag is determined by the production of substitutes for raw materials, its more thrifty use, deepening its processing. Industrially developed countries almost completely seized the market of knowledge-intensive products. At the same time, some developing countries, especially "new industrial countries", managed to achieve significant changes in the restructuring of their exports, increasing the share of finished products, industrial products, including machinery and equipment. Thus, the share of industrial exports of developing countries in the total world volume in the early 90s amounted to 16.3% [7].

The postwar period of international trade development is marked by the expansion of state influence on the development of foreign trade and the transition from strict protectionism to the policy of liberalization of foreign economic relations. After World War II and during the 1950s, most industrialized countries maintained and even strengthened a centralized state system for regulating foreign trade, created in the prewar years or during the war. The main place among regulators is occupied by developed systems of quantitative and currency restrictions. The level of customs clearance is relatively high, but due to a significant fluctuation in the exchange rate and the widespread use of administrative methods, customs and tariff instruments were in the background. The formation of integration groups, the customs struggle between the main exporters have contributed to a significant narrowing of the scope of quantitative restrictions and the abolition of currency restrictions [11].

The main element of foreign trade policies of the countries were customs and tariff measures. During this period (from 1947 to 1967) six rounds of multilateral trade negotiations between the member states of the General Agreement on Tariffs and Trade were held, which were devoted exclusively to discussing the reduction of customs tariffs.

Preferential customs and tariff measures began to be widely used within dynamically developed integration groups – EEC, ASEAN, Council for mutual economic aid.

Regulation of international trade and economic relations at the present stage is characterized, in our opinion, by three dominant processes [7]:

a) unification of trade rules, which took place under the auspices of the GATT, and later the GATT/WTO system and other international organizations - the Customs Cooperation Council, the International Chamber of Commerce, UNCITRAL (UN Commission on International Trade Rights);

b) liberalization of trade regimes in most countries, not only under agreements within the GATT/WTO system, but also under separate programs supported by the IMF - Portugal (1970-1980 biennium), Spain (1970-1980 biennium), Turkey (1970-1984 biennium), Greece, Israel, Korea, New Zealand, Philippines, Singapore, Pakistan, Argentina, Brazil, Chile, Peru, Uruguay, Eastern Europe and the republic of the former USSR, etc.;

c) neoprotectionism is the transition mainly to non-tariff and more veiled instruments to protect the domestic market from foreign competition, which is due to the fact that after eight rounds of multilateral negotiations in the GATT, most duty rates have become convention, more liberal and do not provide the necessary (or desirable) level of protection of the domestic market.

In the postwar development of international trade regulatory systems, in turn, three stages can be conditionally distinguished. The first stage covers the period after the end of the Second World War until the second half of the 1950s. The second stage begins in the late 50s and lasts until the late 60s. The third stage began in the early 70s and continues to this day.

### **3 PROSPECTS FOR THE DEVELOPMENT OF FOREIGN TRADE IN UKRAINE**

#### 3.1 Conceptual framework for the formation of the international trade strategy for Ukraine

The economy of any country at the present stage can not do without entering world markets. The expansion of the framework of such an exit by increasing the volume and range of products of national producers ensures the build-up of the state's capacity and contributes to strengthening its competitiveness in world markets.

With the collapse of a single Soviet space, young sovereign states faced the problem of entering world markets with their goods. The deep degree of their globalization and the already existing structure have led to the fact that young states have to enter into competition with more economically developed countries or associations of countries. At the same time, states on the way to market reforms should spend significant efforts, concentrating them on certain areas most accessible in view of existing economic conditions. In these conditions, the question arises about the competitiveness of the national economy as an opportunity to realize the country's competitive advantages in foreign markets [11].

On the one hand, competitiveness is a form of manifestation of an objective economic category - competition, and the problem of its increase is usually considered in the context of the development of international economic relations and the country's promotion in foreign markets. On the other hand, due to the international division of labor and the need for all economies, regardless of superstructure factors, entering markets, the economies of all countries are nominally competitive.

Modern understanding of the competitiveness of the national economy is impossible without solving a number of methodological problems associated, firstly, with the clarification of the very essence of competition, and secondly, the



creation of a clear, structured scorecard for its analysis and, thirdly, clarifying the possibility of their use in order to obtain a model suitable for a comprehensive assessment of competitiveness and forecasting its dynamics.

The dynamics of indicators of competitiveness of the national economy is formed under the influence of the exchange rate, which is an important regulator of foreign economic relations and an influential lever in the development of the economy, especially the Ukrainian one, due to the long-term general crisis and the incompleteness of the formation of market infrastructure.

The modern stage of development of the world economy is characterized by the process of globalization. Ukraine participates in modern processes of globalization as an integral part of the world economy. But this objective process is quite slow, accompanied by a significant complication and aggravation of contradictions. The domestic economy still has a long path of effective integration in the system of international division of labor and trade, overcome certain technological and other obstacles on this path, solve the problems of progressive structural changes, this in particular involves increasing attention to the rational organization of foreign economic relations of our country, ensuring their dynamic growth and optimization in the context of globalization.

The use of the benefits of participation in the international division of labor allows each country to constantly increase its economic efficiency and effectiveness, giving it the opportunity to focus on the production of those goods and services for which it has advantages in competitiveness compared to other countries. The increase in the country's share in world exports causes an improvement in its economic condition, if the growth of exports of high-productivity industries is accompanied by an increase in the share of these products in the total production of this country. However, it is not so much the country's share in world exports that is important, but what exactly the country exports. The shift to exporting more complex knowledge-intensive goods supports productivity growth in the country, even as exports grow slowly.

In this regard, it is impossible to determine the rational structure of domestic exports, which are dominated by raw materials and products with a low level of processing. The export profile of Ukraine is determined by products with a low share of added value, as well as goods, the production of which is associated with harmful, environmentally hazardous production (products of ferrous metallurgy and basic chemistry). A similar export specialization of Ukraine developed in Soviet times, to some extent determined by the availability of appropriate natural resources (coal, iron and manganese ore, etc.). In addition, the production and export of these goods is much simpler than the production and sale on the foreign market of products of high-tech sectors of the economy. This is mainly due to the raw material orientation of domestic exports, which leads to unprofitable proportions of international trade [9].

The level of development of productive forces is one of the decisive factors that primarily contribute to improving the efficiency of Ukraine's participation in the system of international division of labor and international trade. According to the quantitative characteristics of the production scientific, technical and intellectual potential, our country can be a worthy partner of world economic relations. Under favorable conditions, this potential allows you to consistently solve the problem of optimizing its external economic relations. In addition, the solution of this problem is facilitated by such objective factors as rich natural resources, favorable geographical position of our country, the availability of the necessary infrastructure serving foreign economic relations, etc. However, Ukraine's focus on more effective inclusion in the system of international division of labor and world trade in the context of globalization requires the implementation of a progressive structural restructuring of the economy and the corresponding reform of its export-oriented sector [4].

The basis of this sector, in addition to the traditional industries of the mining and metallurgical industries, which are now the main source of foreign exchange earnings from exports, can be high-tech, knowledge-intensive industries associated with the creation, in particular, of new generations of aircraft, rocket carriers, the

creation of new materials, the development of electric welding production, the level of which is not inferior to the best foreign counterparts. According to the World Bank, Ukraine occupies a rather high place regarding the development of science and technology, which acts as a necessary prerequisite for its progressive reorientation from the export of raw materials to finished science-intensive products and new technologies [11].

Finally, it is necessary to better use the favorable geographical position of Ukraine. Transit transportation of goods, the use of the established network of oil and gas pipelines are also a significant source of foreign exchange earnings. About two dozen European countries receive gas supplied through Ukrainian gas pipelines. But the existing gas pipeline system requires significant upgrades and capacity buildings, as 17% of the gas pipeline network has already worked out its term, and 15% are approaching it [4].

Under these circumstances, an important condition for strengthening Ukraine's position in world markets is to adjust its foreign economic policy towards the creation of competitive multinational corporations armed with strategic marketing technologies in the global market. State support for such high-tech corporations is objectively necessary for the implementation of large cooperation projects. The specifics of effective international specialization of Ukraine also require the development of sound marketing programs and the organization of state support for the creation of international competitive advantages for domestic goods on world markets [11].

### 3.2 Further directions of development of foreign trade of Ukraine

The transition to a market management system objectively requires to raise the efficiency of the use of fixed capital, to strengthen the innovation process in all sectors of the national economy [ibid].

In order to eliminate the above-mentioned negative phenomena in the field of foreign economic relations, Ukraine needs to solve the following tasks: firstly, limit the import of ferrous metallurgy products, improve the quality of metal, reduce the mass of finished products, seek international certificates for its products, etc.

Secondly, to determine the priority directions for the development of export specialization, to refocus on the production of high-tech products and resource-saving technologies in the field of machine tools, aircraft construction, rocket and space technology, the creation of new types of metals [ibid]. I believe that these areas should become the sphere of comprehensive support of the state.

Thirdly, to abolish import (import duty) on such strategic goods for Ukraine as petroleum products, forest, non-ferrous metals, cellulose. At the same time, it is advisable to limit the import of alcoholic beverages, cigarettes, etc.

Fourthly, to produce import-replacement products in Ukraine: cereals, feed and potato harvesters, trolleybuses, buses, refrigerators, cars, fabrics, etc. At the same time, exporting mainly goods of the fuel and energy group, the processing of raw materials (titanium, granite, uranium, agricultural products) should be significantly improved. Thus, the depth of processing of agricultural raw materials in Ukraine is only about 50% of the level of developed countries [10].

Fifthly, given the low competitiveness of products in Ukraine, one should not rush to further liberalize export-import relations, which our state is actively pushed by the International Monetary Fund and the World Bank. Even in the U.S., more than 35% of goods are protected by non-tariff barriers [ibid].

Sixth, foreign investors should be encouraged. The most important condition for this is the stability of the current legislation in the zone of economic activity. Unfortunately, laws are so often revised in Ukraine that only a constant change in laws can be considered stable.

Seventhly, it is important to establish reliable customs control. Thus, in the developed countries of the world, the state takes over the accounting and comprehensively controls the export and import of goods. In Austria, in particular,

it knows the address of each supplier, the price of its goods, volume, certification of goods. This process is accompanied by the control of tax and banking institutions.

This, of course, is not all the problems of Ukraine's entry into the world economy, in our opinion, it is also necessary to pay attention, firstly, to the successfully functioning economies of other countries, which could become a certain example for our country. Secondly, to borrow the experience of implementing radical economic reforms, to transform the socio-economic system to a fundamentally new qualitative state [11].

Thirdly, to study the economic potential of other countries in order to establish with them extensive bilateral and multilateral economic relations, deepening the international division of labor, etc.

As already noted, an important role in the further development of Ukraine's foreign trade will be played by the structure of restructuring its economy. In this regard, one of the priority structural priorities is to increase production and sales on the world market of products of military-industrial and aerospace complexes, stimulate the export potential of other industries, protect the domestic market. To solve this problem, it is envisaged: to develop a government program for the transfer of thermal power plants to solid fuel with simultaneous modernization of the coal industry; expansion of exports of electricity produced on tolling fuel; carrying out a set of economic and organizational measures to stimulate the reduction of energy consumption; expansion of scientific research and development on the problem of production of own oil with access to specific scientific, technical and scientific projects; increase in the volume of oil refining at the tolling conditions by ukrainian factories with calculations for it part of the finished product; development of nuclear energy in compliance with the required level of safety; development of a system of payment for the transit of fuel and energy resources through the territory of Ukraine; overcoming the dependence of the Ukrainian economy on the supply of products from the CIS countries [1].

One of the ways to encourage foreign investors and the formation of international economic relations is the formation of joint ventures.

Now the shelves of Ukrainian stores are full of imported goods. To a large extent, this is the result of the ill-conceived foreign economic policy of the state, as a result of which the domestic producer is suppressed. Thus, the program of development and development of production of electronic cash registers provides for the creation of domestic mass production of these devices to meet the needs of all sectors of the economy. If China's positive experience were taken into account, only 2 foreign firms that produce such products would be allowed into the domestic market. At the same time, about 40 different foreign firms were admitted to the Ukrainian market, whose products do not always meet the certification requirements. Such examples are not isolated, and our task is to consider these pressing problems for the state immediately, without delaying the application of laws in parliament turning them into political debates.

The problem of international economic relations is closely related to the issue of Ukraine's external debt. This problem has two aspects. First, Ukraine's external debt after the collapse of the USSR. Its value is dependent on Ukraine's share in the GNP of the former USSR and is set at 16.37%. Equal distribution of debts provides for a fair distribution of other assets of the former Union – diamond, currency, gold fund, foreign assets abroad (property of embassies, consulates, etc.). these assets amounted to about 33 billion USD [10].

Secondly, these are debts caused by a passive trade balance associated with energy payments. By 2025, according to experts, Ukraine will have 36-40 billion USD external debt. Its growth is due to its inability to get rid of raw materials and energy dependence on other states and radically rebuild its own economic system, primarily foreign economic activity.

A promising direction of Ukraine's integration into the economy of the world economy is the creation of free economic zones, Ukrainian transnational corporations, banks, trade in intellectual property objects – patents, licenses, "know-how", etc.

## Conclusions

Summing up the above, it should be noted the peculiarities of modern world processes that significantly affect the Ukraine's foreign trade.

1. Strengthening monopolization and pressure on "weak countries" (today multinational companies control up to 40% of world industrial production and more than 50% of world trade).

2. Increased price competition.

3. Disparity in the development of world economic systems and accelerating the process of their rapprochement;

4. Partial change in the quality of competition.

5. Structural changes in the world economy.

6. The predominance of profitability factors over efficiency factors (due to the lack of parity regulation of economic relations between countries with different development conditions).

The creation of an effective system for promoting the development of foreign trade potential in Ukraine should be carried out in the following main areas:

- credit and insurance support for innovations and development of priority, export-oriented industries;
- providing tax benefits to producers of priority products and exporters;
- development and financing of programs for the development of priority export-oriented projects within specially created funds;
- administrative and organizational support of national producers;
- development of interstate leasing;
- development and adoption of interstate documents on the coordination of securities markets, uniform principles of collateral transactions, risk insurance, currency and export control;

- development and implementation of new systems for servicing trade and economic relations, including the clearing mechanism;
- creation of favorable conditions for the organization and functioning of bilateral and multilateral chambers of commerce, business centers and representative offices in the countries of the nearest trading partners of Ukraine;
- creating favorable conditions and assisting business entities in the development of various forms of joint entrepreneurship: transnational financial and industrial groups, leasing companies and other firms and organizations;
- promotion of direct investments of national investors;
- use of budget forms of support for national producers and exporters.



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## Appendix A

### SUMMARY

Luchkin O.O. Organizational and economic aspects of international trade – qualification paper. Sumy State University, Sumy, 2022.

The final paper is devoted to studying organizational and economic provisions for international trade development, as well as find out the ways to improve conditions for the foreign trade in Ukraine.

Key words: international trade, foreign economic activity, foreign trade of Ukraine, organization of international trade, economic scope of international trade.

### Анотація

Лучкін О.О. Організаційні та економічні аспекти міжнародної торгівлі. Сумський державний університет, Суми, 2022.

Підсумкова робота присвячена вивченню організаційних та економічних засад розвитку міжнародної торгівлі, а також з'ясування шляхів покращення умов для зовнішньої торгівлі України.

Ключові слова: міжнародна торгівля, зовнішньо-економічна діяльність, міжнародна торгівля України, організація зовнішньої торгівлі, економічний фокус міжнародної торгівлі.