for increase the competitive advantages of domestic entrepreneurship, modernization of production and raise of its efficiency by integrating individual industries and enterprises, fostering implementation of innovations based on clearly defined global and regional platforms. Regional cluster models can be one of the most effective tools enabling sustainable development of the entire Ukraine's economy in conditions of increasing relevance of cross-border cooperation with neighboring European countries.

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THE EFFECTS OF ECONOMIC TRANSNATIONALIZATION IN UKRAINE: REGIONAL ASPECTS

Abstract. This paper provides an overview of the Ukrainian international trade in terms of conducting an analysis of top 10 export and import goods through the period of 2008-2017 years. The influence of particular factors on the changes in the structure of imported and exported commodities are to be determined and specified. The effects of transnationalization on the Ukrainian regions are studied and assessed. The suggestions of eliminating the negative ones are presented.

Keywords: international trade, transnationalization, liberalization, export, import, regional policies.

Nowadays, in the context of globalization, international trade remains the predominant form of international economic relations. Ukraine, being the transition economy, tends to engage itself more and more in trade liberalization in order to benefit from comparative advantage, such as differences in the supply of production factors, natural and geographical resources. Under these conditions, the lack of conducted researches on the topic of economic transnationalization becomes evident and requires more detailed analysis. This determines the relevance of this paper. It presents the analysis of international trade of Ukraine as well as clarifies the factors affecting export-import operations.

The issues of transnationalization and liberalization of trade have been studied by researchers such as K. Bagwell, M. Fourcade, R. Wacziarg and others. The modern trade analysis of Ukrainian economy has been conducted by many scientists, among them N. Chebotamova, Y. Fayzulina, A. Chrivtsev, M. Emerson etc.

In order to analyse the tendencies in international trade of Ukraine the research was conducted. This paper is based on empirical methods for researches (data collection, comparisons and observations, analysis and synthesis). The Internet resource Observatory of Economic Complexity (OEC) has been chosen as one which provides a complete overview on the trade situation from the point of view of specific commodities. [1] The studied period included 2008-2017. This timeline might present the statistical data for making conclusions on how the export and import division was advancing under the influence of Ukrainian involvement in international organisations, agreements and liberalization of trade.

The liberalization of the national economy is considered to be one of the parts of governmental policy. However, there rises a question whether opening borders will bring more positive consequences or, on the contrary, negative ones for the national well-being.

In recent years Ukraine has been actively integrating into the international market through acquiring membership in international organizations, signing trade agreements and even hosting numerous international events on its territory. All of these steps were aimed to become a respectable player at foreign markets and to open the borders to cooperation. For instance, in 2008 Ukraine became the member of World Trade Organization (WTO). The governmental expectations were: to get non-discriminatory trade conditions for access of Ukrainian products on foreign markets; be able to take advantage of international mechanisms for resolving trade disputes; provide a more favorable climate for foreign investment; create conditions for improving the quality and competitiveness of domestic products as a result of an increase in the flow of foreign goods, services and investments into the Ukrainian market; improve its reputation in the world as a full participant in international trade [2]. Exactly this year was chosen to be the starting point in the following analysis, as the determiner of country's expectations to evolve at international market.

The data provided by OEC allowed us to rank top 10 categories of both Ukrainian export and import. For the better understanding the graphs can be found in the Appendix A and B, data of which is compared in both ways: in absolute figures as well as in percentage of either the entire export gains or import expenses. This approach is more demonstrative in order to minimise the distorting results considering the exchange rates and inflation.

The results showed that for export these products were semi-finished iron, hot-rolled iron, refined petroleum, wheat, iron ore, nitrogenous fertilizers, ferroalloys, raw iron bars, railway freight cars, seed oils (in the descending order). Generally, the basis for this research in terms of export gains was represented by mining, agriculture, mineral extraction and some machinery, which are known as the parts of primary and secondary sectors in national economy.

In a 10-year span the situation has seen unobvious changes considering all the sectors. Actually, only ferroalloys and raw iron bars have saved their positions in percentage of the total exports. Even regarding this in absolute terms the figures have fallen off. The semi-finished iron, which tended to hold the biggest share in Ukrainian export – 14% or 9,96 $B - back in 2008, was slightly decreasing each year. There were improvements in 2014 and 2017, when the national producers managed to sell more than the decreasing forecast showed. Nevertheless, it is difficult to deny the fact that it has never returned to its starting point. The similar loss of top-ranked position in Ukrainian export was noted in the sales of hot-rolled iron. From the point of 7,8% (5,68 $B) in 2008 it has dropped to just 2,8% (1,67 $B). The most considerable decline is seen in refined petroleum, railway freight cars and raw iron bars exports. From around 3% in 2008 they moved to less than 1% in Ukrainian export division by products.

Despite categories mentioned above, there were some which show the improvements. For instance, iron ore has stabilized its position at around 5% share in total national export as it has been constantly growing from 3% in 2008. Although the percentage may say about development in this category, in absolute terms only slight increase is apparent.

These results might point out the fact that Ukraine, having opened itself for the international trade by joining WTO, became attractive mostly as the country-supplier of raw materials rather than a manufacturer. This explains the gradual loss in secondary sector of economy (semi-finished iron, hot-rolled iron, refined petroleum, nitrogenous fertilizers, raw iron bars, railway freight cars) and relatively stable position of primary sector (wheat, seed oils).

The export of Ukrainian agriculture has gained momentum. The traditional for national economy products – wheat and seed oils, have risen in both percentage in total export as well as in absolute terms. The first in 2017 held around 10% contrary to 2% in 2008 (rise by 2,67 $B), and the latter in 2008 had less than 3% becoming more than 6% in 2017 (rise by 790 $M).

One of the reasons why the agricultural sector has risen is that for 2008-2010 years the members of WTO have reduced the import tax rate from 13,79% to 9,16% [4]. Considering the fact that Ukraine is widely known for having vast and quality resources for agricultural trade, countries started importing more our commodities such as wheat and seed oils.

Due to the Internet resource “Global Trade Alert” which provides an independent monitoring of policies that influence world commerce, we could differentiate and classify interventions affecting sectors of Ukrainian economy (Appendix C) [3].

It becomes evident why the exports of main products of iron and steel sector have fallen considerably through the studied period. The harmful interventions have considerably outweighed the liberalizing ones. While 120 interventions have helped the sector to develop, 529 have impeded it. These barriers included both import tariffs, quotas and non-tariffs, such as state subsidies, financial grants, financial assistance in foreign markets, state loans, public procurements etc.

The liberalizing interventions have helped Ukrainian agriculture to penetrate more on the foreign markets: from 2008 to 2017 there were 96 for vegetable oils and 95 for cereals.

The related analysis was done for Ukrainian import concerning the same period of 2008-2017. The top-ranked goods in 2008 were determined as petroleum gas, refined petroleum, crude petroleum, cars, packaged medicaments, coal briquettes, vehicle bodies, manganese ore, delivery trucks and tractors (in the descending order). The exact figures may be found in the graphs presented in Appendix D and E. This set perfectly describes that Ukraine is highly dependent on mineral products, which petroleum is made of, and foreign mechanical engineering (vehicles and their bodies). The trend has not been the same for the whole studied period. While medicaments and coal briquettes demonstrate constant demand in import, the refined petroleum was imported in maximal volumes in 2012 (9,6 $B) which was highly possible to be due to the national preparation for huge football event Euro 2012 hosted in biggest Ukrainian cities: Kyiv, Kharkiv, Lviv. Tourists were expected to come in large volumes, so the country was preparing to host them.

Since 2014 the imports of petroleum have been considerably decreasing. The main cause lays in the aggravation of relations with Russian Federation, which the most imports of oil products were coming from [4].

The economic relations between the EU and Ukraine have intensified in recent years. Following the 2004 enlargement, Ukraine became the direct neighbour of the EU. At the same time, the country has been developing rapidly and both local production capacities and demand for foreign produce have been increasing. Ukraine also become more open to external partners. All this is reflected in the gradual effective trade integration with the EU. [5]

In 2015 within an Association Agreement between Ukraine and European Union (EU) a bilateral gradual reduction in import tariff rates started. This tended to attract new partners with beneficial trade conditions. The main commodities imported from EU countries were fuel, oil products, vehicles and packaged medicaments.

It is worth asking whether Ukraine managed to fully reorient export-import operations and minimize all the possible losses connected with the economic transnationalization and borders' trade expansion. The conducted analysis showed that countries-partners in international trade consider Ukraine mostly as a supplier of raw materials rather than products of manufacturing. This phenomenon negatively affects the export gains and consequently the GDP and the entire national well-being.

Despite the fact that through the 10-year span (2008-2017) the products of mining (semi-finished iron, hot-rolled iron) have been consistently losing their percentage in the whole export division of Ukraine, nowadays they still lead the top of the list. It means that they will be potentially in demand on international markets, like iron ore, that has been constant in export for the last studied 5 years. There are commodities which have decreased significantly in figures, such as refined petroleum and railway freight cars. Their production proves to be unprofitable in exporting abroad. Nevertheless, the most perspective sector is agriculture. Wheat and seed oils have been showing sustainable growth. With its much-prized black soil and favorable weather conditions, Ukraine tends to produce more than it is needed for the local population. Foreign countries are bound to continue importing wheat and seed oils, so Ukraine should promote the agriculture on the export markets.

Moreover, it is difficult to deny the fact that not only joining international organizations and agreements were among influential factors, but also economic crises of 2008-2009 and 2014-2015 years. A large number of countries have suffered from its consequences resulting in significant losses in international trade. The growth in export of Ukrainian goods is discouraged by unfair imports of large foreign producers who decrease the prospects of the national commodity manufacturers.

In order to analyze the export orientation of Ukrainian regions, we have conducted an analysis of regional export data throughout the span 2008-2017, collected due to the official site of State Statistics Committee of Ukraine. [7] The results can be found in the Appendix F. Taking into consideration that the most exported commodities of Ukraine are products of mining industry: semi-finished iron, hot-rolled iron, iron ore, the regions, which are at the top of this list are those, specializing in mining. These ones are Dnipropetrovsk, Donetsk, Zaporizhia regions. We should point out that the instability of political situation in the east of Ukraine since 2014 has led to the changes in export orientation of these regions. Donetsk and Luhansk, being the first suppliers of mining products, have undergone considerable changes in their production. For instance, the data precisely describes how the export figures have shrinked in Luhansk region since 2014 – nowadays it is not the leader anymore. The top exporter in recent years is the capital of Ukraine – Kyiv. This fact might be due to several factors: many companies, which produce goods, are registered there, but have their production sites located in various parts of our country, so the official data shows as if the export has its origins in Kyiv. Moreover, production and technological potential and its structural, technological, resource and institutional elements are most powerfully represented in Kyiv (1st place by fixed assets index), in Donetsk region (2nd place), Kharkiv region (3rd place), Dnipropetrovsk region (4th place)), Zaporizhzhya region (5th place), Lviv region (6th place), where the largest share of fixed assets is concentrated. [8]

The second place in most export-oriented regions in Ukraine is being shared by Poltava, Odessa, Mykolaiv. This is considerably due to the fact that their specialization is mostly agricultural and these products are the second largest group on export from Ukraine.

We have additionally studied the regional specialization. The data collected by media resource Business Views [9] (Appendix G) provides an overview on the situation in 2014, but this specialization remains stable throughout following years according to recent publications of State Statistics Committee of Ukraine.

Mykolaiv, Odessa, Poltava, Chernihiv tend to earn the most on their exports of agriculture products – wheat and other seeds. The figures showing Kyiv as a leader of export, extremely outweighing other regions, can be explained by the formal location of the majority of companies there, even if the products are being grown in other regions.

The Southern part of Ukraine has its speciality in manufacturing electrical equipment – motors, generators and similar devices.

One of the top 10 exported goods in Ukraine, fertilizers, is produced in Cherkasy region. In spite of not being the industrial region, like Donetsk or Dnipropetrovsk, it has the biggest fertlizers' factory "Azov" located at its territory.

These regions generally export ferrous metals, ores, slag and oil, so semifinished products of mining are their speciality. Only in Kharkiv and Sumy regions, the main exports were nuclear reactors, boilers and machines.

The structure of Ukrainian export has remained generally unchanged since the beginning of the transition to a market economy, and largely retains dependence on several relatively simple export commodities, the production of which usually does not require a high level of skills; it is mainly steel and its products and agricultural products. Because of the complexity of attracting foreign direct investment (FDI) to Ukraine, especially in non-traditional export-oriented sectors, the country struggles to integrate its economy into the world economy, where a crucial role is played by multinational corporations. FDI in production of Ukraine is largely concentrated in metallurgy, the end product of which is sold as a raw material in world markets.

The biggest multinational corporations, operating on Ukrainian market, are Mittal Steel, Coca-Cola, Samsung, Toyota, Nestle, Nokia, Metro Cash&Carry, Hewlett-Packard, British American Tobacco.

In these conditions, when foreign companies are becoming more and more interested in relocating some of their production sites to Ukraine there are both sides. On one hand, the foreign investments are likely to boost the national economy, while on the other hand the local producers of potentially profitable commodities may face the inability to resist the competition. The possibility of transnationalization of Ukrainian companies might be considered. However, the threats of its development are highly actual today. The most influential factor is imperfect legislative framework – the creation of Ukrainian multinationals would become possible when there were the appropriate law regulating the protection of the environment, sanitary and hygienic rules, patent protection, copyright, accounting standards etc. The gaps in legislation are prone to create the conditions for corruption, which threatens the economy. Moreover, one of the factors affecting the difficulties for transnationalization of Ukrainian economy is the emigration of valuable workforce, as the lack of qualified professionals is visible nowadays.

The lack of dynamism in production processes in Ukraine is the key threat for multinational corporations. At present, the availability of mobility and dynamism in the production processes is a guarantee of their survival, the possibility of crisis-free existence and further successful development.

Among other factors we can discern political instability, the intensification of the competition on international markets, capital outflow, deterioration of the investment climate (both internal and external), takeover of domestic companies. [10]

The creation of Ukrainian multinational corporations will help to a certain extent to protect national economic interests, will further promote the development of Ukrainian business structures, the internationalization of their production and capital. It is worth considering that without providing favorable conditions for the creation of its own multinational corporations, Ukraine will not be able to reinforce domestic production in potential sectors.

In conclusion, international trade problems, which nowadays negatively affect the economic situation in Ukraine, require urgent solutions. The inclusion of Ukraine as an equal subject in the world economy remains one of its main tasks. It is imperative to rethink the old and identify new foreign trade policy priorities, including strategic planning of relations with countries and regions of the world. Moreover, the transformation of domestic companies into international ones should become a conscious goal of a state policy that seeks to strengthen its influence on an international scale.

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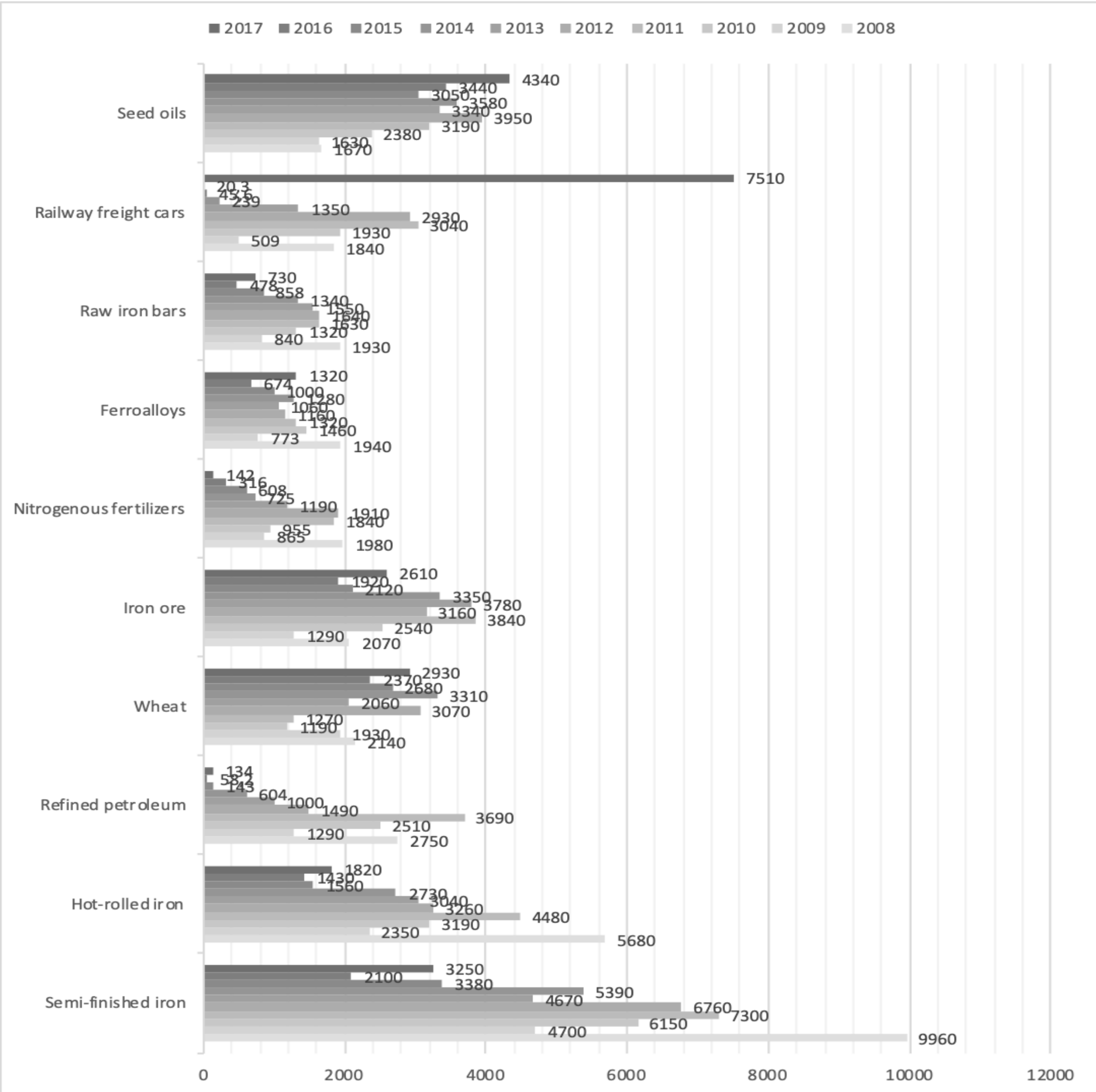
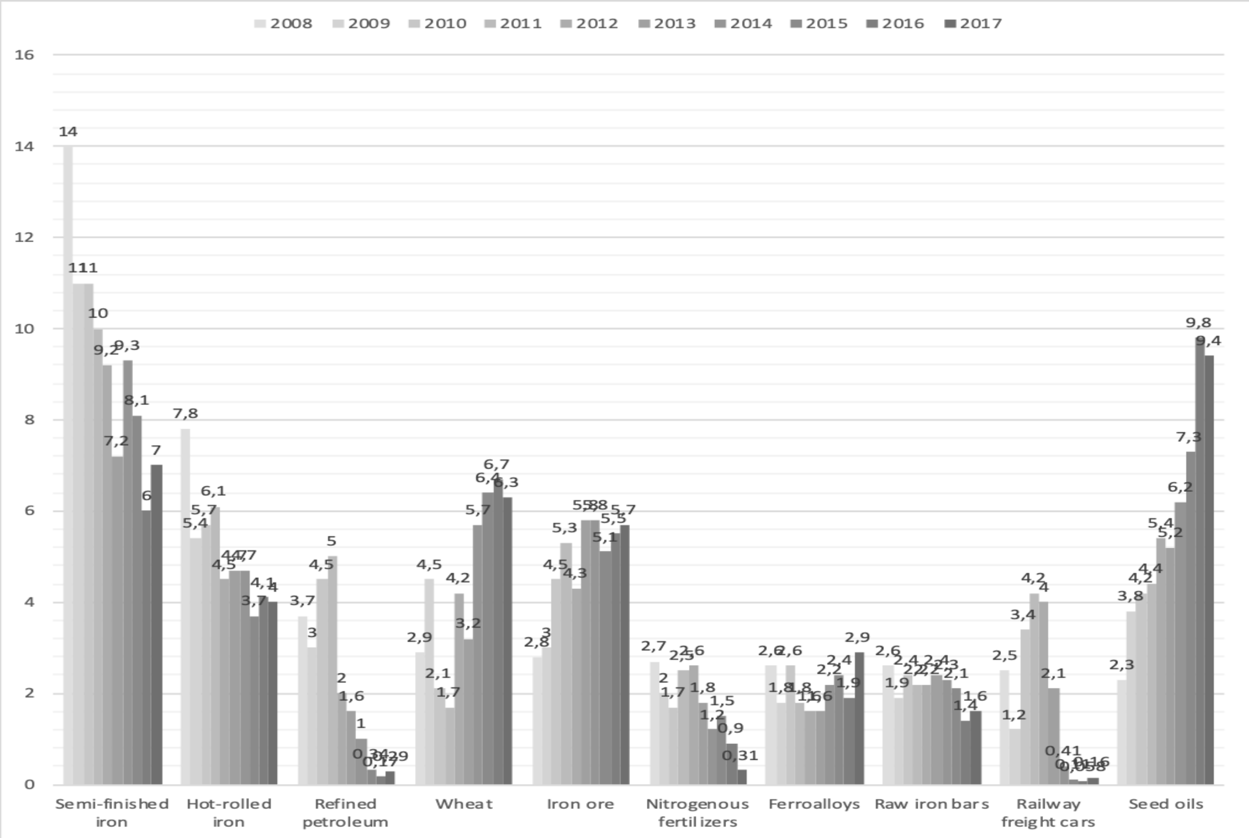
Appendix A

Export of Ukraine by commodities in 2008-2017 years ($M)



Appendix B

Percentage of main commodities in export in 2008-2017 years (%)



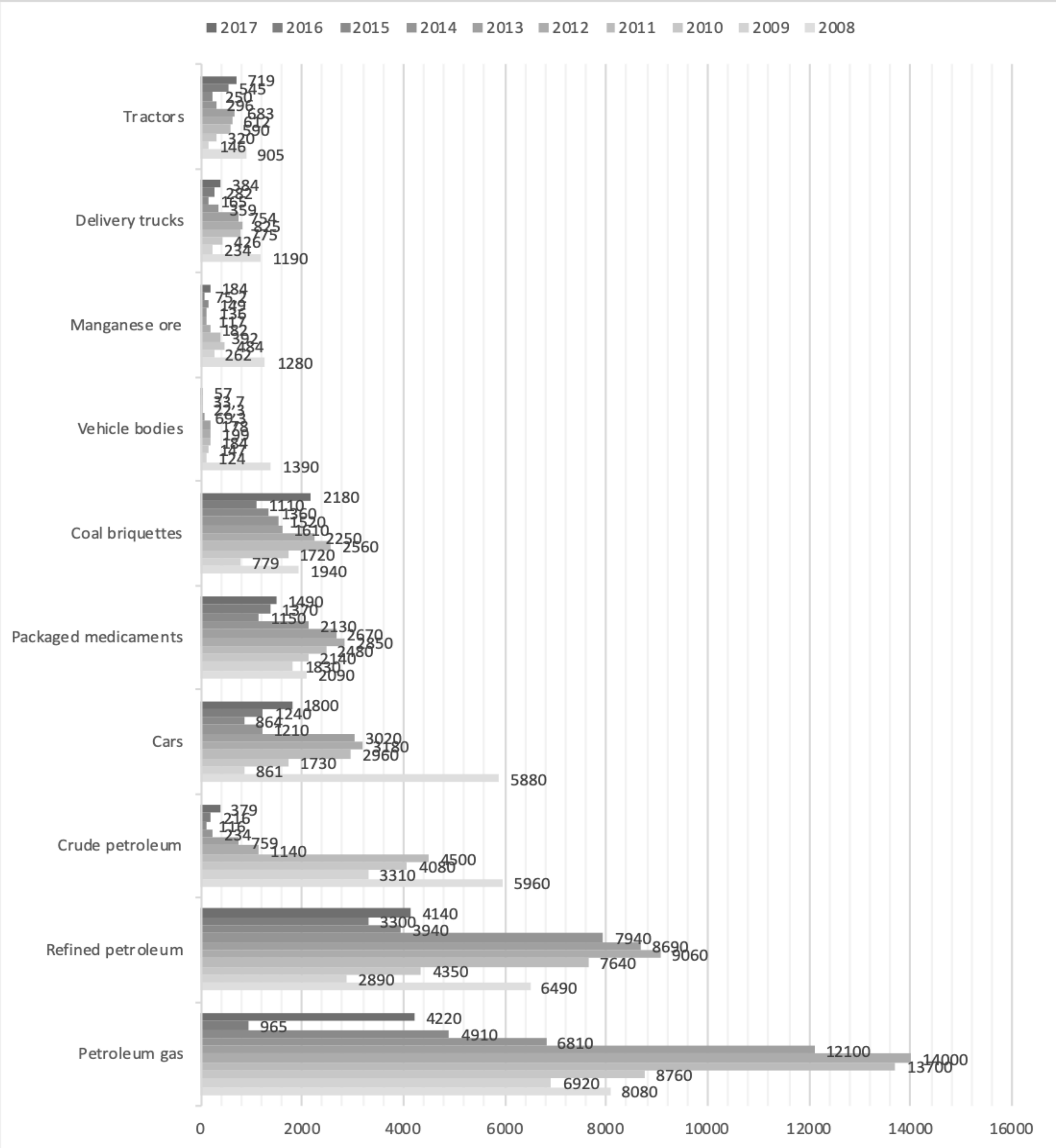
Appendix C

Interventions in sectors affected most often in 2008-2017 years

Liberalising		Harmful	
Sector	Interventions	Sector	Interventions
Products of iron or steel	120	Products of iron or steel	529
Vegetable oils	96	Basic iron and steel	312
Cereals	95	Motor vehicles, trailers and semi-trailers; parts	173
Electric motors, generators and transformers; parts	89	Cereals	148
Electricity distribution and control apparatus; parts	89	Other fabricated metal products	146

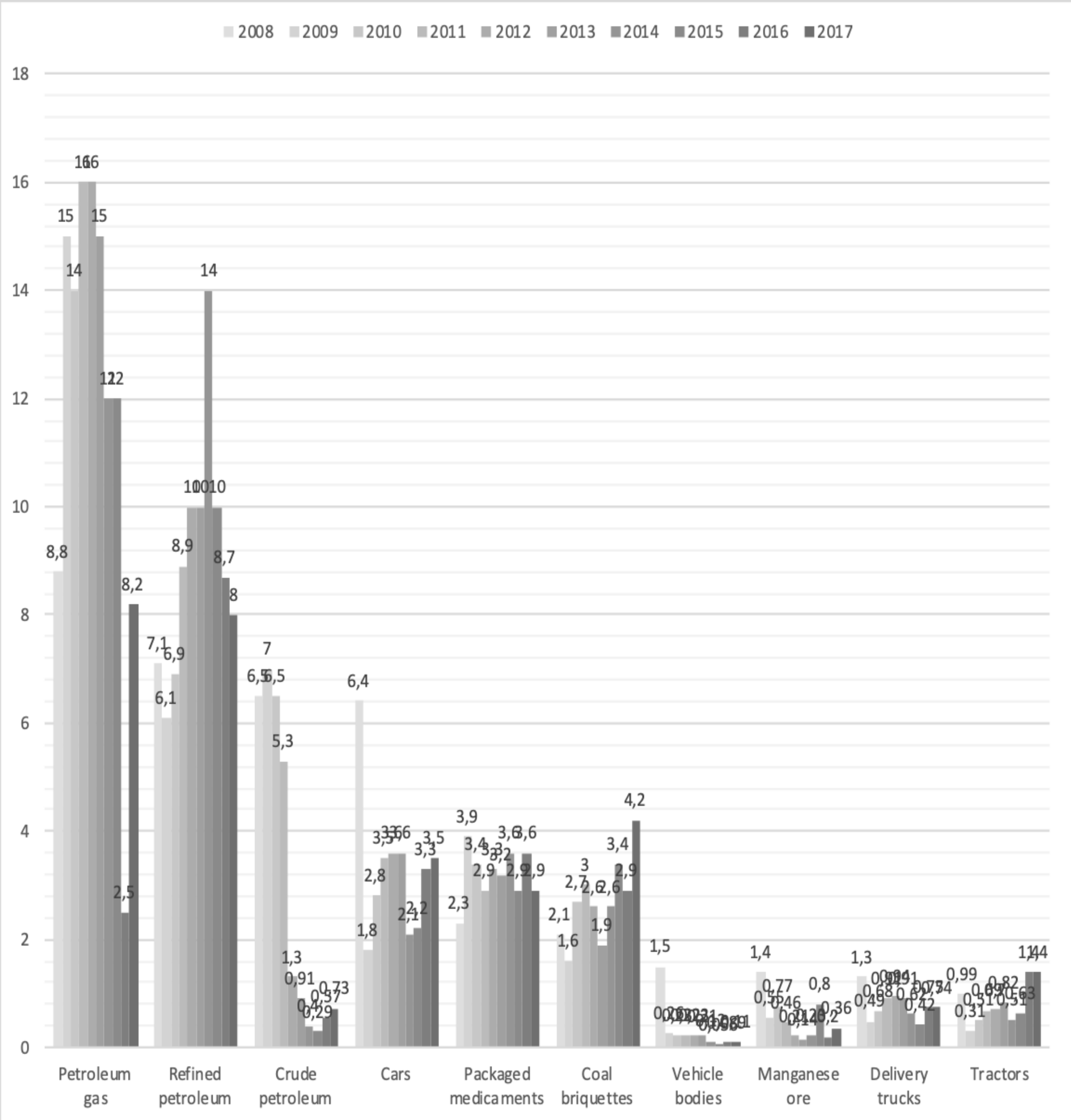
Appendix D

Import of Ukraine by commodities in 2008-2017 years ($M)



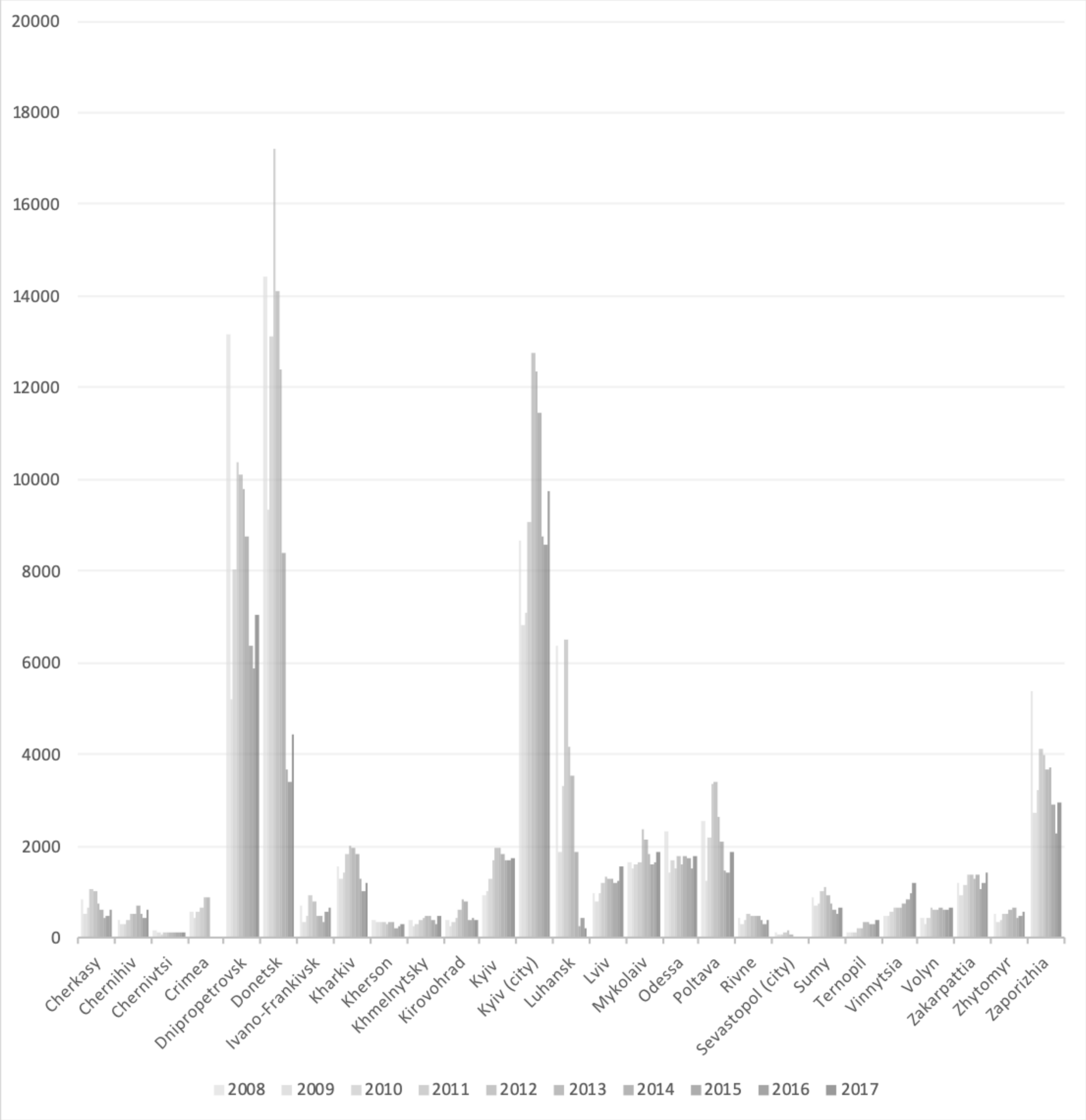
Appendix E

Percentage of main commodities in import in 2008-2017 years (%)



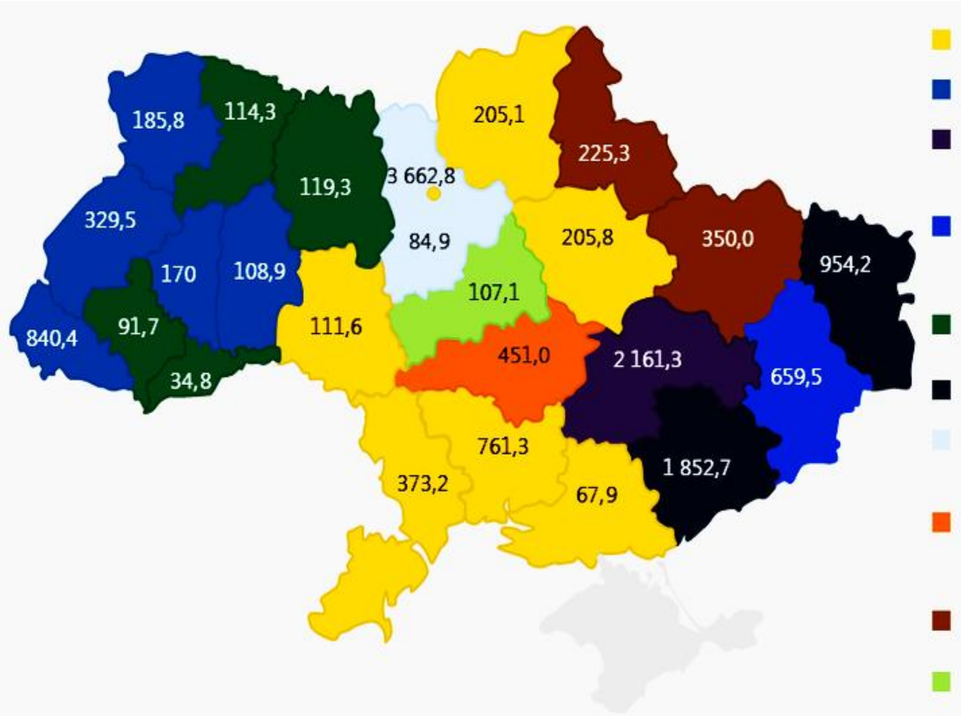
Appendix F

The export of Ukrainian regions (2008-2017), $M



Appendix G

The export map of Ukraine, 2014 ($M)



Wheat and other seeds

Electrical equipment

Ore, slag and ash

mineral fuel, oil and refined products

wood

ferrous metals

paper and cardboard

seed oils

nuclear reactors, boilers and machines

fertilizers