

DECREASE LEVEL OF IMPORT – OPPORTUNITY FOR NATIONAL ECONOMY

Introduction. World's financial crisis, which has got Ukraine involved as well, raised an opportunity for national economy. An adequate substitute for foreign goods and services that are being imported in less volume to Ukraine can be found with the help of national businesses. Also with inflation there is a possibility for increase of exports, if national management will consider what the competitive branches of Ukrainian industry are. Problems of export and import structure of Ukraine were analyzed by such scholars and specialists as Drobot N.M., Lucenko V.O., Dolzhonskyj I.V., Zagorna T.O., Novuckuj V.E. [3,4]

Formalization of the task. To conduct analysis on articles of trade in the structure of Ukrainian export and import and analyze different branches of industry, to reveal opportunities for substitution of imported goods on national market and chances of expanding the export.

Methods of study. Study is made by analysis and comparison of information. Theoretical and statistical basis of study are:

- Data of State Statistical Committee of Ukraine and information-analytical editions
- Information that is given on pages of economic newspapers and internet recourses of this problem

Results of study. In consequence of world crisis import of foreign products reduced in many times – this gives opportunity to Ukrainian producers to fill in released niches.

The idea of finding the substitute for import goods was tried to be sold by Belarus government in 1998. A special expert commission of government representatives, presidential administration and science academy in Belarus defined that approximately a Belarusian consumer merchandise 800 description of different imported goods: from prestige cars to beer and tooth sticks. The commission made conclusion that 290 analogical products are made in the country, and 320 could be produced in the nearest future. Also Thailand and other countries of East Asia, South America (countries of transitional economic formation) set up as one of the main goals of there policy -- substitute for import goods.

It is hard to evaluate which sectors or branches of Ukrainian economy have been given the extra chance for development. Availability of that or another business depends from its location, as well from its belonging to certain

sector. After crises businesses restore rapidly in multinational mega polis with diversified economy, and also in popular and attractive tourist centers. Industrial regions, especially places where enterprises of the same orientation work, go through recession with much difficulty.

In order to find out about present state of import and export, analyses of statistics will be made using table 1.

Table 1 – Structure of articles of external trade for period from January to July of 2001, 2008, and 2009

	Export 2001	Import 2001	Export 2008	Import 2008	Export 2009		Import 2009	
Thousands \$. USA	16264734	15775093	66954430	85535356	20541311,1		23672946,4	
Code and title of the product according to UCPEA	in % to gen. vol.	in % in comp. of do I-VI 2008	in % to gen. vol.	in % in comp. of do I-VI 2008	in % to gen. vol.y			
II. Products of vegetable origin	2,2	1,89	4,8	1,7	129,8	12,1	82,7	3,1
10 grain crops	0,69	0,43	3,7	0,2	125,6	9,1	65,6	0,3
V. Mineral products	10,02	42,36	10,4	30,3	41,7	8,5	52,6	34,6
27 energy materials, as oil, and products of its distillation	6,72	39,38	6,4	27,3	33,8	4,2	54,9	32,4
VI. Products of chemical industry	9,79	7,28	7,7	8	43,7	6,6	66,4	11,6
30 pharmaceutical prod.	0,31	2,03	0,2	2,6	85,4	0,3	79,1	4,4
31 fertilizers	2,31	0,18	3,1	0,8	40,8	2,5	26,2	0,4
XV. base metal and prod.	42,86	5,49	45,3	7,5	38	33,5	36,6	6
72 black metal	31,56	2,02	38,6	4	35,3	26,5	28,8	2,5
XVI. machinery electric equipment and it parts	11,03	15,77	9,1	15,5	68,4	12,2	39,3	13,2
XVII. transportation and road equipment	3,41	4,28	6,4	14,9	32,5	4	15,7	5,1
Sum of positions	79,31	77,07	84	77,4		76,9		73,6

As a result of analyses statistic data for 3 periods these articles of external trade were placed into the table by criterion of most part in the sum of import and export. As it can be seen from the table that the sum of these articles for each period make more than 74%.

In total volume of export for period 2009 in comparison with 2008 part of Products of vegetable origin has grown in 7,3%, including grain crops in 5,4%. However, part of mineral products have increased in 1,9%, chemical products – 1,1%, including fertilizers – in 0,6 %, base metal and products – in 11,8%, including black metal – in 12,1%.

In total volume of import such articles have increased: mineral products – in 4,3%, including oil products – in 5,1%, chemical products – in 3,6%, including pharmaceutical products – in 1,8 %, machinery electric equipment and it parts – 3,2%, transportation and road equipment in till 9,8%.

Positive export growth for period January-July 2009 such articles show as: Products of vegetable origin, including grain crops in 26%, negative growth is

especially seen in such articles as: mineral products, chemical products, base materials, transportation in average in 61%.

In comparison for periods of 2001, 2008 and 2009 such export articles have grown: Products of vegetable origin including grain crops and have decreased: mineral products, chemical products. In 2008 have grown, but in 2009 part of base metals, transportation have fallen. In 2008 have fallen, but in 2009 have machinery, electric equipment and it parts.

In comparison for periods of 2001, 2008 and 2009 part of chemical products has been growing. Machinery electric equipment and it parts decreased in insignificant volume. In 2008 transportation has grown, but in 2009 fell.

By database of statistics committee for period of January-July 2009 amount of industrial production decreased in 29,6%, investments in fixed capital – in 43,3%, export of goods and services – in 43,65, import in 51,3%. [7]

The most part of export is of base metals and products, machinery, electric equipment and it parts, products of vegetable origin, including grain crops. The biggest amount of imported products include: mineral products, machinery, electric equipment and it parts.

Part of industries on total net profit can be analyzed using Figure 1.

Mining and metallurgy complex. The situation with crediting is especially difficult in those sectors where the enterprises are dependent on energy carriers. For example chemistry and metallurgy. Traditional seller's markets became very limited. The production of the Ukrainian metallurgists world demand in short-term and intermediate term prospect will be kept, but investments into its modernisation are necessary for long-term competitiveness of branch. [8]

Industrial chemistry. Most enterprises of industrial chemistry are seizing to crash, not having enough demand. Worries that crises bring to people, reduce of population income, increase in price of foreign medicine raises demand on national pharmacological industry. But to stay on the newly picked up niche of market, companies have to improve the quality of the medicine and widen the assortment. The market of household chemical goods are occupied with foreign brand names. [8]

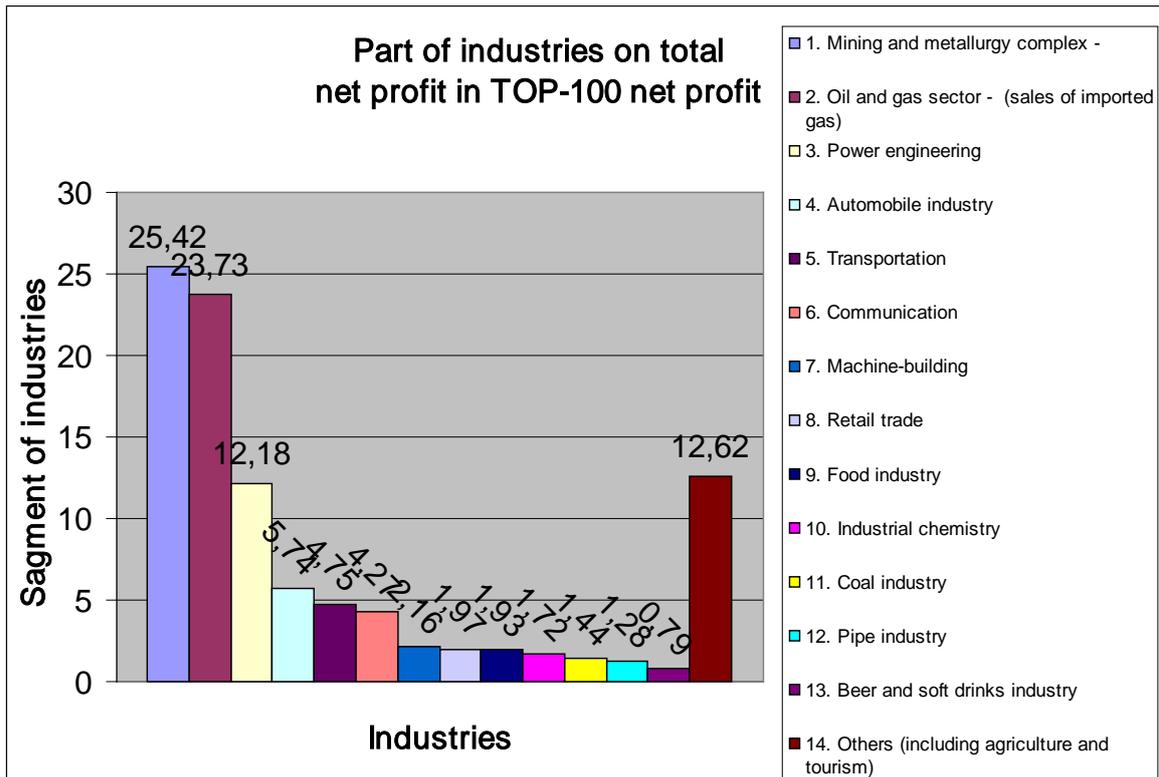


Figure 1 – Part of industries on total net profit in TOP-100 net profit [5]

Metallurgy and chemistry industry brings more than quarter of gross national product; both branches export a lion's share (35 % and 7 % of all Ukrainian export accordingly). Almost triple falling of the world prices for metal and double — have led to sharp reduction of export deliveries by winter of 2008-2009. As consequence, production of the metallurgical enterprises in January-July has decreased more than on 40 %; chemistry industry has reduced output volumes to third. Falling of production of two branches that form the budget has led to record decrease in gross national product — on 18–20 %. Deficiency of currency receipts became a consequence of catastrophic reduction of export that in turn promoted national currency devaluation. More often metallurgists and chemists reproach with export orientation of production, after all on foreign markets it is delivered more than 70 % of their production. Say, falling demand in the world markets would be not such painful if the enterprises of these branches (especially metallurgical) completely closed requirements of home market.

Metallurgy and chemistry because of a rise in prices for energy carriers will not sustain a competitiveness to the enterprises of other countries where production process is more modernised.[9]

Oil and gas sector (sales of imported gas). The branches connected with processing of gas and its derivatives are the most interesting branches of economy to investors today.

Power engineering. The second of the key directions, which world banks are ready to credit, are the companies which invest in projects, connected with

power efficiency and resource saving. Today owners of the enterprises consider the costs and try to pass on to alternative sources, or to reduce power losses on existing production. So power audit is popular now days. [9]

Automobile industry. Traditionally Ukrainian market is occupied by car of famous world's brands. In the 1 half of 2009 sales of foreign cars in average on all basic brands reduced on 55%. In 2004 appropriate law about stimulation of automobile industry increased production of cars to 370%. But because of financial difficulty producers of cars had to reduce their activity, for the summer of 2009 production fell for 15%. [10]

There are some chances for car industry, but the competition is high and it is necessary to consider the situation of car market: saturation of the market, low purchasing power. The requests of the costumers play a big role now. Now company's can survive on widening car services.

Communication. Among the other branches of businesses that got the opportunity to develop because of the crises is field of IT. Today investors find telecommunication sector very perspective and profitable. The last example - investments into the project on development of the first operator 4G in Ukraine (Freshtel). [9]

National IT workers don't experience lack of orders, including from foreign clients. Work of Ukrainian specialist is known to be 2-3 times cheaper then foreigner's. European and American in order to reduce expenses use the labor of Ukrainian programmers. Examples of excellent reputation are companies "Sutronics"("Kvazar-Micro") and "Navigator". [6]

Machine-building. This field takes up only 12% in export, when Ukraine is in top 10 countries that have own shipbuilding. Government also supports aircraft construction. Ukraine is one of 6 countries that have full closed cycle of production aircrafts. Experts see prospects for rail car building. Industry of electrical appliance lost it traditions. Investments and innovation could bring second life to these spheres.

Retail trade. The volume of retail trade in Ukraine was growing every year on 29%. Right now trade net, which works on Ukrainian market, have to "tighten their belts". Now the dynamic of development of Ukrainian retail trade will be determined by such factors as state of the economy, GNP, level of wages, demographic situation and world conjuncture. Still experts forecast positive dynamic in next 5 years for national companies.

Food industry. It is unlikely to substitute expensive imported equipment for Ukrainian producers in the nearest future, but to press foreigners out of the market of food products is quite possible. The costumers may prefer well-known brands. Food industry brings only 2% of total net profit, but experts foresee an opportunity for development on national market for such sectors as milk products and meat products, even a possibility of export. But strategy on this

segment must be worked out carefully. People in Ukraine give preferences to milk and meat of small farmer families rather than to huge [11]

Pipe industry. Ukraine was known as one of the leader in the world in pipe industry. Today opportunities for Ukrainian producers of pipes are limited by low demand. The grow of the use of pipes would be around 4% in positive case. Influence of WTO can be felt in these sector.

Beer and soft drinks industry. Ukrainian market of beer and soft drinks is on the peak of arranging deals of merge and acquisitions. Very soon time will put all dotes on “i”. there are many national operators on the market, but propositions from foreign companies could be tempting. [6]

Agriculture. The agriculture a sector of economy that is always open to investors. Interest to agrarian and industrial complex speaks simply enough: grain and other agricultural cultures will be always demanded and sold in the world. In the future of the price for agricultural products again will start to grow and will supply the income to those who invests in agriculture.

Tourism. Reduce of population income made Ukrainians to choose less expensive vacation. People who couldn't afford themselves to visit Europe or the Mediterranean, turned their attention to less known native places like Volin or other small towns or villages with local beauty and possibilities for rest. These sector with proper attention could be more profitable.

Conclusion. What will be Ukraine in 5-10 years, of course, depends from starting factors that is from current status of Ukrainian economy. Even with a fleeting look at the number of problems of different nature that have accumulated over the years. The most important perhaps are: instability in the political sphere; the lack of long-term strategy of development; high level of accumulated depreciation and infrastructure; insufficient energy supply as a result with energy dependence of the country; vulnerability of investors; a high level of bureaucracy and corruption in all authorities. If Ukraine will continue to specialize in exporting raw materials and producing agricultural goods our country is going to find itself dependent from countries with developed technologies.

Analysis of trade structure revealed that there are opportunities for national economy in such branches as retail trade communication, machine-building, industrial chemistry, food industry, tourism.

Strong and wise management capable to generate the income at the most pessimistic scenario, and sober estimation of cost of the company, using business models and innovations - such criteria should be in the company to be competitive today.

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