

## SECTION 2. ENTREPRENEURSHIP, TRADE AND SERVICE SECTOR

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### **UKRAINE'S FOREIGN TRADE: TODAY'S CHALLENGES**

Introduction. Ukraine is a country located in Eastern Europe with a population of over 42 million people. Its economy heavily relies on foreign trade, particularly on the export of agricultural products, metals, and energy resources. However, despite the country's vast potential, foreign trade in Ukraine faces numerous challenges that hinder its growth and development.

The purpose of research is to explore the current state of foreign trade in Ukraine, identify its problems and suggest ways to improve the situation.

#### *The State of Foreign Trade in Ukraine*

Ukraine's foreign trade turnover reached \$108 billion in 2020, with exports amounting to \$50 billion and imports to \$58 billion. Ukraine's main trading partners are the European Union, China, Turkey, and India. The country's top exports include agricultural products such as wheat, corn, and sunflower oil, as well as iron and steel, mineral fuels, and machinery.

While Ukraine has made significant progress in expanding its foreign trade in recent years, the country's trade deficit remains a challenge. The trade deficit reached \$8 billion in 2020, which means that Ukraine imports more than it exports. This situation puts pressure on the country's foreign exchange reserves and affects the balance of payments.

Another challenge is the concentration of exports on a few commodity groups. Agricultural products account for more than 40% of Ukraine's total exports, which makes the country vulnerable to fluctuations in global prices and demand. The ongoing conflict with Russia has had a negative impact on Ukraine's foreign trade. Ukraine has severed all cooperation, the restoration of which is out of the question.

#### *Problems of Foreign Trade in Ukraine*

Ukraine's foreign trade faces several problems that hinder its growth and development. One of the major problems is the lack of a diversified export base. As mentioned earlier, Ukraine's exports are heavily concentrated on a few commodity groups, making the country vulnerable to external shocks. To mitigate this risk, Ukraine needs to diversify its exports by developing new products and markets.

Another problem is the inadequate infrastructure, which affects the efficiency of foreign trade operations. Ukraine's transport infrastructure including roads, railways, and ports, needs significant investment and modernization. This is particularly important for the development of exports as it affects the speed and cost of delivering goods to foreign markets.

Furthermore, Ukraine's foreign trade is hindered by corruption and bureaucracy. According to the World Bank's Ease of Doing Business report, Ukraine ranks 64th out of 190 countries,

indicating that the country still has a long way to go in terms of creating a business-friendly environment. Corruption and bureaucracy lead to delays and additional costs, making Ukraine's exports less competitive in the global market.

#### *Ways to Improve Foreign Trade in Ukraine*

To improve foreign trade in Ukraine, the government and private sector should work together to address the problems mentioned above. Here are some ways to improve this area:

- Diversify Exports. Ukraine should prioritize the development of new products and markets to reduce its dependence on a few commodity groups and trading partners. The government can provide incentives and support to companies that are interested in exploring new markets and products.

- Modernize Infrastructure. Ukraine's infrastructure needs significant investment and modernization. The government can prioritize infrastructure projects that improve transport connectivity and reduce transport costs. Private sector participation can also be encouraged through public-private partnerships.

- Streamline Procedures. Corruption and bureaucracy hinder foreign trade operations. The government should streamline procedures and reduce bureaucratic hurdles to make it easier for companies to do business in Ukraine. This can be achieved by improving the regulatory environment and implementing e-government solutions.

- Develop Human Capital. The development of human capital is crucial for the growth of foreign trade in Ukraine. The government can invest in education and training programs to improve the skills of the workforce and make them more competitive in the global market. This can also attract foreign investment in Ukraine, as companies are more likely to invest in a country with a skilled and knowledgeable workforce.

- Foster Innovation. Innovation is a key driver of economic growth and competitiveness. Ukraine should invest in research and development to foster innovation and promote the development of new products and services. This can be achieved through public-private partnerships and the creation of innovation clusters that bring together academia, industry, and government.

- Expand Trade Agreements. Ukraine should seek to expand its trade agreements with other countries to increase its access to foreign markets. The government can negotiate new trade agreements and enhance existing ones to reduce trade barriers and increase trade flows.

- Promote Sustainable Development. Sustainable development is becoming increasingly important in global trade. Ukraine can promote sustainable development by adopting and implementing environmentally friendly policies and practices. This can also create new opportunities for exports of sustainable products and services.

**Conclusion.** Foreign trade is the vital component of Ukraine's economy, and the country has vast potential to expand its trade activities. However, Ukraine faces numerous challenges that hinder its growth and development. The lack of a diversified export base, inadequate infrastructure, corruption and bureaucracy, and other factors all affect foreign trade in Ukraine. To overcome these challenges, Ukraine needs to diversify its exports, modernize infrastructure, streamline procedures, develop human capital, foster innovation, expand trade agreements, and promote sustainable development. By doing so, Ukraine can strengthen its position in the global market and achieve sustainable economic growth.

#### **References:**

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