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**BACKGROUND AND RATES OF UKRAINE'S PARTICIPATION  
IN INTERNATIONAL SERVICES TRADE****Protsenko I.V.***E-mail: igor\_protsenko001@ukr.net**Taras Shevchenko National University of Kyiv*

The article investigates the causes and indicators of Ukraine's participation in international services trade. The purpose of the article is to study the main indicators of foreign services trade and the development of the services sector in the national economy. The study is based on the use of economic and mathematical methods of analysis, covering the time period from 2000-2013. The importance of strengthening the position of Ukraine in the international services market stressed in the article because the service sector is a source of economic growth of post-industrial economies. The comparative analysis of the dynamics of foreign trade in services, compared to the export and import of goods are implemented. The fact about rates of exports and imports of services are relatively high in comparison with those of countries in different economic groups is determined. The role of the service sector in the formation of gross domestic product and gross value added of the national economy are investigated. The conclusions about the active development of the services sector can become a strong competitive advantage of Ukraine in the global markets are made. Some indicators of foreign trade - the export quota, the coverage ratio of export to import, the ratio of foreign trade balance are calculated. The practical significance of the study's results is the possibility of their use in the development of proposals and recommendations to improve the export potential in the service sector and Ukraine's participation in the international services trade.

**Keywords:** services, foreign trade, export, import, dynamics, competitiveness, potential

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**ПЕРЕДУМОВИ ТА ПОКАЗНИКИ УЧАСТІ УКРАЇНИ  
В МІЖНАРОДНІЙ ТОРГІВЛІ ПОСЛУГАМИ****Проценко І.В.***E-mail: igor\_protsenko001@ukr.net**Київський національний університет імені Тараса Шевченка*

У статті досліджено передумови та показники участі України у міжнародній торгівлі послугами. Мета статті полягає в дослідженні основних показників зовнішньої торгівлі послугами та розвитку сектора послуг в національній економіці. Дослідження базується на використанні економіко-математичних методів аналізу, що охоплюють часовий період за 2000-2013 рр. У статті наголошено на важливості посилення позицій України на міжнародному ринку

послуг, оскільки саме сфера послуг є джерелом економічного зростання постіндустріальних економік. Здійснено порівняльний аналіз динамки зовнішньої торгівлі послугами, в порівнянні з експортом та імпортом товарів. З'ясовано, що показники експорту та імпорту послуг є порівняно високими у співставленні з відповідними показниками країн різних економічних груп. Досліджено роль сектору послуг у формуванні валового внутрішнього продукту та валової доданої вартості національної економіки. Зроблено висновки про те, що активний розвиток сектору послуг може стати міцною конкурентною перевагою України на світових ринках. Підтвердженням даних висновків є розраховані автором показники ефективності зовнішньої торгівлі – експортна квота, коефіцієнт покриття експортом імпорту, коефіцієнт збалансованості зовнішньої торгівлі. Практичне значення одержаних результатів дослідження полягає в можливості їх використання під час розробки пропозицій та рекомендацій щодо вдосконалення експортного потенціалу у сфері послуг та участі України в міжнародній торгівлі послугами.

**Ключові слова:** послуги, зовнішня торгівля, експорт, імпорт, динаміка, конкурентоспроможність, потенціал

**The relevance of the problem.** For most countries the service sector is one of the most important components of the economy and at the same time is a source of their economic growth. The trend of growth of income received in the service sector and the total gross national income is one of the characteristics of the post-industrial stage of modern economies' development. This, in turn, is one of the factors of the dynamic development of international services trade in the world economy. As a result, the international market of services is an integral part of international economic relations, along with world markets of capital, goods, labor, and intellectual property. Forms of implementation services are quite varied and the extent of provided services almost one quarter of total world exports.

It should be noted that to some extent these processes are typical for the development of Ukraine's national economy, it is important that the qualitative and quantitative trend of service's sector diversification has become one of the factors increasing the country's share in the international market.

**Review of recent research.** Questions prerequisites, features, trends of development of international services trade have been the subject of research for many foreign and domestic scientists. Thus, problems of development of the trading processes in the service sector explored such scholars as: D. Bell, R. Zablotska, N. Mieszko, O. Morhulets, A. Olefir, O. Starostina, V. Tipanov

and others. At the same time, unconditional dynamics as the main trend in the development of international services trade necessitates continual monitoring; there are new participants on the international services market (from the group of developing countries) and objective component of services trade are changing. So, it is especially important to research the questions about Ukraine's position in the international services market. The service sector also can be a powerful stimulus for economic growth in modern industrial society. Thus, this research is particularly relevant, has theoretical and practical value.

**The goal of the article.** The goal of the article is to study the prerequisites for Ukraine's participation in the international services trade. The article put and performed the following tasks: to investigate the role of the service sector in the economic development of the national economy; to analyze the absolute and relative performance of services' exports and imports; to compare the performance external trade in services between Ukraine and other countries of the world; to explore indicators of integration of Ukraine into the world market services.

**The main research.** In the context of post-industrial society especially the service sector are high dynamism, territorial segmentation and local character, high rate of turnover of capital and high product differentiation [3].

Services sector is not homogeneous. If a pre-industrial society dominated by domestic or personal services in the industrial focus has shifted towards services that play a supporting role in relation to production, and financial services. In postindustrial society, which retains all previously existing services appear qualitatively new types, such that quickly begin to dominate in the structure of professional activity [1].

Specific features of services trade compared to the traditional trade in goods should include particular consumption of services, a higher level of protection from foreign competition, the close relationship with trade in goods [4, p. 180]. In addition, the degree of concentration in the market of modern services is significantly higher than in the goods market; the range of services almost not included in the international currency from the point of view of their nature and purpose [2]. Services can more effectively influence the structure and dynamics of the country's exports, productivity and competitiveness of firms and industries, and in the end - a standard of living of the population.

At present, Ukraine, as a full-fledged participant in international economic relations, is interested in forming a favorable environment that would ensure the development and growth of trade flows. Membership in the World Trade

Organization (WTO) was a very significant step in this direction by providing a certain level of stability and transparency of trade policy in Ukraine and in the partner countries. At the same time, the deepening of regional integration creates additional opportunities for the liberalization of trade of goods and services and, consequently, economic development.

In the context of the search for new, more effective ways to integrate into the global economy, it is the development of foreign trade services activities can be the basis of strategic development of Ukraine in the international arena. In addition, the domestic economy has a relatively high potential for such development. First of all it is a favorable geographical position and roomy economic potential for the development of transport infrastructure and tourism. In addition, the development of science and technology, a relatively high level of human development, skilled workforce is a necessary basis for the development of information and communication technologies, software, electronic and mobile commerce, deepening the process of national economy's informatization. These factors can be powerful stimulators of Ukraine's economic development and provide a strong competitive advantage in world markets.

During the research features of Ukraine's participation in international trade flows should be noted the close relationship of trade of goods and services because the latter can act as a support of trade flows, affect the development of a certain percentage of the commodity market and to stimulate the growth of turnover of commodity resources. So often the dynamics of commodity exchange determines the characteristics of the formation and distribution of international services trade.

For the economy of Ukraine it should also be noted similar trends in the dynamics of international trade in both goods and services (Fig.1).

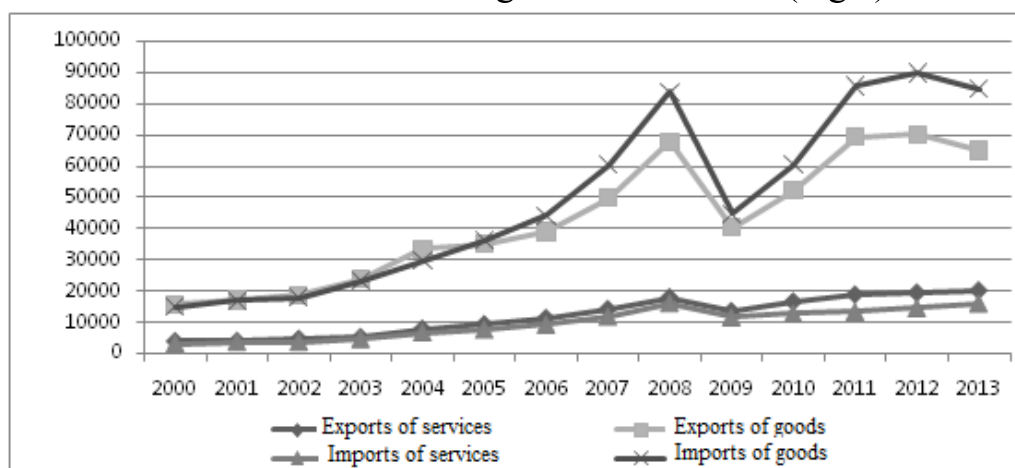


Fig. 1. Dynamics of exports and imports of goods and services 2000-2013 years (compiled by the author according to source [5])

The similar trends should be noted in the dynamics of Ukraine's foreign trade of goods and services. In particular, how to trade in goods and trade in services for the maximum values of up to 2010 were recorded in 2008, namely the export of goods - 67717 million dollars, the export of services - 17895 million dollars, the import of goods - 83808 million dollars, the import of services - 16154 million dollars. At the same time, as a result of the global financial crisis, it should be noted the sharp deterioration in the external trade of goods and services during 2009-2010 years. However, starting from 2011, appropriate indicators showed an increasing trend (with the exception of service imports). By results of 2012 exports exceeded pre-crisis level of 3.7%, export of services - by 8.3%, the import of goods - by 7.2%; but the import of services decreased by 1.5%. Thus, among the trade flows of the domestic economy during 2000-2013 the most dynamic component remained the export of services. In 2013 the values of export of services amounted 20132 million dollars, which is more than five times more than in 2000 (3895, 5 million dollars). Indicators of service imports over the period of 2009-2013 recovering at a slower pace and at the end of 2013 amounted to 16,083 million dollars.

The foreign trade of goods and services balance indicators demonstrates excellent trend effectiveness of this trade. Note that on the background of a long-term negative trend of net exports of Ukraine (since 2006 when the deficit amounted to 3068 million dollars by 2013, the balance amounted to - 15 742 million dollars), export of services has become a decisive factor in the formation of long-term trends in surplus external services trade of Ukraine. In particular, in 2007 the balance of foreign services trade amounted to 2420 million dollars, which is almost 2,7 times higher than in 2000. By results of 2013 export of services exceeded import by 4049 million dollars, and indicators of balance of foreign services trade exceeded the corresponding figures of 2008 in 2,3 times.

In addition, indicators of the share of services' exports and imports in Ukraine's foreign trade with the countries of the world during the 2000-2013 years also showed a positive trend. At the same time, the share of exports in total foreign trade turnover for this period was on average 3% higher than the share of imports. Thus, the share of exports of services in the general trade of Ukraine in 2000 was 19,86%, while the share of imports of services – 16,74%; in 2005 - respectively 21,08% and 17,27%; in 2010 – 24,05% and

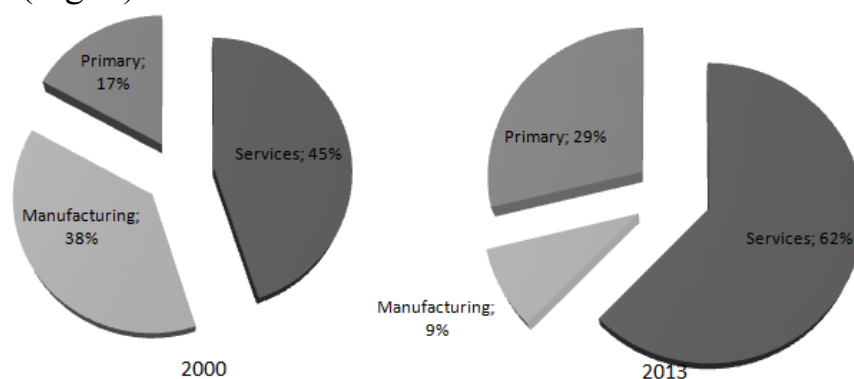
17,29%, respectively. By results of 2013 the corresponding indicators were 23, 65% and 15, 95%, which is not generally affected by the trend of prevalence of services exports in Ukraine's total foreign trade. These indicators are relatively high in comparison with corresponding indicators of countries in different economic groups (Table 1).

**Table 1.** The share of services' exports and imports in foreign trade of Ukraine and different groups of countries (compiled by the author according to source [6])

	The share of exports of services in foreign trade			The share of imports of services in foreign trade		
	2000	2008	2013	2000	2008	2013
Ukraine	19,9	20,9	23,7	16,7	16,2	15,9
Countries with transitional economy	11,8	11,9	13,5	21,8	18,7	22,7
Developing countries	14,4	14,1	14,4	18,2	17,8	18,3
Developed countries	21,6	23,9	25,4	19,4	20,1	20,9

In general, the indicators of the share of export of services in Ukraine are higher than the average for developing countries and countries with transitional economy. But the indicators of the share of import of services are lower than the average of other groups of countries. This, on the one hand, can be seen as enhancing the competitiveness of Ukrainian exporters of services, as a result - reduction of imports of services from foreign suppliers. On the other hand, low indicators of import share of services in total trade turnover, may be indicative of an insufficient level of openness of the national economy in order to diversify the international market.

At the same time, the results of the research of Ukraine's participation in international trade indicators illustrate the importance of the services sector as a source of economic growth. In this context, the indicators of the contribution of the services sector to GDP of the national economy are informative (Fig. 2).



**Fig. 2.** The distribution of Ukraine's GDP by sector of its formation, 2000 and 2013 (compiled by the author according to source [7])

The services sector for 2000-2013 significantly changed the structure of Ukraine's GDP by source of its formation, given the distribution. In 2000, the distribution between the primary sector, manufacturing and service sectors amounted to 16,86%, 37,63% and 45,52%, respectively, in 2008 this ratio changed to levels of 7,59%, 32,18 % and 60,21%, respectively; at the end of 2013 the service sector was formed 62,30% of Ukraine's GDP, against 28,77% for the manufacturing sector and 8,92% for the primary sector of the economy.

In this context, it should pay particular attention to indicators of share of exports and imports of services in Ukraine's GDP. During the study period these indicators have not changed significantly, at the same time, the trend of the prevalence of the proportion of exports of services in GDP. At the same time, we note that these indicators are relatively high compared with those of other countries. Thus, the average value of the share of exports of services in GDP for developed countries in 2000 amounted to 4, 38%, and in 2013 – 6, 46%; for developing countries – 5, 41% and 5, 67%, respectively; for countries with transitional economy - 6, 24% and 5, 38%, respectively. Ukraine maintains its lead on the investigated indicators among the countries with transitional economy (Table 2).

**Table 2.** The share of exports and imports of services in GDP among the countries of the world, %, (compiled by the author according to source [6])

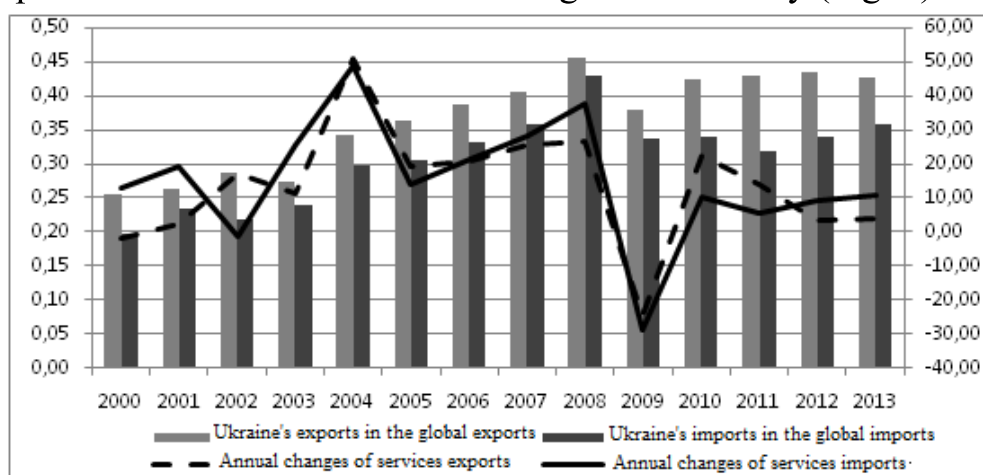
Country / group of countries	The share of exports of services in GDP			The share of imports of services in GDP		
	2000	2008	2013	2000	2008	2013
<i>Year</i>						
Albania	12,30	19,08	17,41	11,80	18,32	17,30
Armenia	7,16	5,53	10,11	10,08	8,34	11,17
Azerbaijan	4,93	3,17	5,72	9,19	7,97	11,54
Belarus	9,60	7,01	9,62	5,14	4,33	6,17
Georgia	11,77	9,85	18,08	9,65	9,69	9,50
Kazakhstan	5,71	3,29	2,39	10,03	8,26	5,49
Moldova	12,78	13,94	13,84	15,65	13,82	13,86
Russia	3,76	3,08	3,07	6,49	4,54	5,86
<i>Ukraine</i>	<i>12,46</i>	<i>9,94</i>	<i>10,92</i>	<i>9,61</i>	<i>8,97</i>	<i>8,73</i>
Developed countries	4,53	6,62	7,16	4,24	5,68	5,77
Developing countries	4,96	5,82	5,17	5,87	6,66	6,17
Countries with transitional economy	5,39	4,34	4,38	7,09	5,58	6,38
All countries of the world	4,63	6,31	6,32	4,62	5,96	5,94

Note that although on indicators of the share of exports of services in GDP Ukraine is ahead of Armenia, Azerbaijan, Belarus and Russia, still second to that of Albania, Georgia and Moldova. A similar situation can be observed on indicators of import share of services in GDP of these national

economies. Thus, countries from the former post-Soviet space show higher rates of foreign trade in services among the transition economies.

The services as a special component of the national economy's economic potential are the important source of gross value added (GVA), established business entities. The added value in the market is one of the main indicators for the assessment of the degree of development of the economy as a whole. Today, the role of the service sector in the economic development of the national economy is extremely important. Confirm this as indicators of GVA share in the country's GDP. For example, in 2000 in Ukraine the share of services amounted to 46,6% of GDP, and in 2013 – 62,64%; for comparison, similar indicators of Belarus were 46,68% and 48,65%, for Georgia – 55,71% and 66,57%, for Russia – 55,62% and 59,78%, Poland – 63,89% and 63,45%, respectively. Thus, Ukraine has managed to achieve a relatively high proportion of GVA growth in the service sector in GDP (at 16.04%). Note that the average among countries for the period 2000-2013 this indicator was 68, 8% of GDP, therefore believe that the active development of the services sector can become a strong competitive advantage of Ukraine in global markets.

Proof of this assertion is also a dominating share of service's exports of over imports in the total trade flows of the global economy (Fig. 3).



**Fig. 3.** Dynamics of export/import of services in global exports/imports of services and annual changes in import/export services in Ukraine, 2000-2013 (compiled by the author according to the source [8])

The share of exports of services in Ukraine in world exports is relatively low (0,26% in 2000 and 0,43% in 2013), yet the national economy managed to achieve its growth over this period by 66,7%; and the share of imports of services in global imports increased from 0,2% in 2000 to 0,36% in 2013, almost 1,8 times. In addition, these indicators are quite high compared to



other countries with transitional economy - in 2013 for Belarus export share of services in total world exports amounted to 0,09%, while the share of imports – 0,14%, Georgia – 0,03% and 0,06%, respectively, Moldova – 0,02% and 0,03%, respectively, in Kazakhstan – 0,26% and 0,11% respectively. However, at the same time indicators of Poland and Russian is higher than in Ukraine – 0, 73% and 0,85%, 2,79% and 1, 39% respectively. It is obvious that for the group of developed countries and developing countries these indicators are even higher and the average for the period 2000-2013 accounted for 67,2% and 30,1% for exports of services 58,1% and 37,7% for imports of services, respectively. At the same time, for transitional economies, in general, and for the CIS countries data indicators are much lower – 2,7% and 2,4% of world exports of services 4,14% and 3,9% of global imports of services respectively. These data again confirm the importance of active participation in international services trade for accelerated economic growth.

Thus, the foreign services trade today is an extremely important form of Ukraine's participation in international economic relations. Confirm this thesis can be calculated and analyzed the performance indicators of foreign trade. These indicators should include the export quota, the coverage ratio of export to import, ratio of balance of foreign trade. We have calculated these coefficients also for foreign trade to confirm the importance of foreign services trade (Table 3).

*Table 3. Performance indicators of Ukraine's foreign trade \**

Indicators	Foreign trade of goods			Foreign trade in services		
	2000	2008	2013	2000	2008	2013
The export quota	50,3	37,6	35,3	12,5	10,1	10,9
The coverage ratio of export to import	1,05	0,98	0,76	1,29	1,1	1,25
Ratio of foreign trade balance	0,02	-0,1	-0,13	0,12	0,05	0,11

\*- compiled by the author

Thus, the calculated ratios confirm the importance of foreign trade in services for the overall economic development of Ukraine.

**Conclusions.** The international services market continues to grow and attract new members to its development, including Ukraine under the influence of globalization and internationalization. Identified trends show is still not enough weighty largest exporter of services in the country's GDP, but performance indicators of foreign trade in services compared to foreign trade support capacity building in the field of export of services and increase the efficiency of export/import of services for the development of the national

economy. Prospects for further research in this area include a detailed study of the regional aspects of foreign trade in services in Ukraine and study of its subject component that will determine promising areas of participation of the national economy in the international services trade.

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