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THE IMPACT OF THE EXTERNAL ECONOMIC POLICY OF THE COUNTRIES WHICH ARE WORLD LEADERS IN AGRICULTURAL PRODUCTION ON THE UKRAINIAN AGRO-FOOD MARKET

У статті проаналізовано сучасний стан та тенденції розвитку експортно-імпортних операцій з агропродовольчою продукцією в Україні. Встановлено, що розвиток вітчизняного сільського господарства нині характеризується посиленням спрямованості на великотоварне експортоорієнтоване виробництво продукції рослинництва: зерна, рапсу і соняшнику (олії). Водночас, нанесені радикальними перетвореннями збитки тваринництву не дозволяють забезпечити нарощування його експортного потенціалу. Виявлено і охарактеризовано основні тенденції сучасного етапу розвитку експорту у системі макроекономічних параметрів та в контексті його географічної диверсифікації.

Доведено, що українські виробники сільськогосподарської продукції після перших років перебування України у СОТ об'єктивно не можуть витримати тиску більш розвиненого сільського господарства, яке до того ж субсидується на значно вищому рівні. Вважаємо, що перспективи формування зони вільної торгівлі з ЄС для сільського господарства приблизно такі ж, як і у випадку із СОТ. В умовах вступу країни до СОТ і формувань зони вільної торгівлі з ЄС значною мірою постає проблема формування зовнішньоторговельних відносин України із колишніми країнами пострадянського простору.

Систематизовано сучасні форми та інструменти регулювання експорту та макроекономічні заходи інфраструктурного забезпечення розвитку національного експортного потенціалу. Визначено зовнішньоторговельні пріоритети сучасної інтеграційної стратегії України, ідентифіковано ключові дисбаланси та асиметрії її експорту. Обгрунтовано шляхи та засоби розвитку українського експорту на традиційних та нових сегментах світового ринку.

Ключові слова: аграрний сектор, ринок агропродовольчої продукції, кон'юнктура, процеси глобалізації та інтеграції, зовнішньоторговельний обіг, СОТ.

Problem statement. An important task for native enterprises is to ensure the activation of international economic activity in the context of the world economy globalization and increasing of the role of foreign economics. The impact of huge amount of internal and external factors makes much difficult processes of the management of international economic activity and the formation of preconditions of its qualitative development.

Ukraine's annexion to the WTO and attempts to join the European Union makes adjustments to the vector of agroindustrial development and to the creation of principles of modern agrarian policy of Ukraine, as well. Therefore it is necessary to survey the assessment of the prospects for the Ukrainian agricultural development in the context of globalization and integration on the possibility of using experience gained in domestic practice in the formation of a rational strategy of international economic activity.

The aim of the article is to conduct a comprehensive analysis of the economic parameters of agriculture in Ukraine in terms of reforms and accession to international agreements and substantiation of proposals to enhance international economic activity of subjects of agricultural sector.

A state of considered problem. A lot of works of national researches are dedicated to the problem of the integration process and the development of the agricultural sector of the country. Among them it is necessary to select: V. Vlasova [1], T. Zinchuk [2], S. Kvasha[3], L. Mykhailova[4], T. Ostashko[5], O. Shubravska[6] and many others. These research works are the theoretical base of the research while functioning of agrarian sector in the context of globalization and accelerated international and interregional integration require further study of the problem, taking into account dynamic changes in the agricultural sector of economics.

Research Methods. Comparative analysis (comparing quantitative indicators of international economic activity), economic-statistics (collection, processing of statistic data, and study of the dynamics of economic parameters of FEA, tabular and graphical presentation of the results) and monographic method (summarizing the experience and practice of the IEA and developing the areas of activation) were used.

Results of the research. During Ukraine's affiliation in WTO the development of agriculture was quire dynamic, with the exception of 2009-2010, when the index of agricultural output declined slightly (were 98.2 and 98.5% respectively). Ukraine's accession to the WTO, foreign market conditions and output of agriculture created favorable conditions for foreign economic activity. There was a simultaneous increase in both exports and imports of agricultural products since 2009. Thus, the foreign trade balance was always kept at a positive level, reaching to 6.5 billion dollars in 2011. It was the largest rate in the last four years.

Ukraine's accession to the WTO led to liberalization of import custom regime and to decreasing rates of import tariffs on all goods 1-24 of groups UKTZED and transformation all specific and compound duties into ad valorem. After joining the WTO, the average rate of import duties on agricultural products decreased to 9.16%.

It should be noted that during the years in Ukraine’s membership to the WTO there was no sudden increase of import of agricultural products.

Despite the increase in production in 2008, large amount of fruit, berries and grapes continued to import, as well as import of vegetables and gourds increased rapidly. This situation can be explained by insufficient investments in the sector and the lack of adequate facilities for storage of products.

In addition, import of the products of 17 UKDZED group (primarily sugar and sugar confectionery) grew, which also caused dissatisfaction of Ukrainian producers. However, on the other hand the existence of the possibility of supply of raw sugar cane under the quota provides for the available supply of sugar to the domestic market when there is a shortage of the product, which could be due to the poor harvest of sugar beet(for example it happened in 2009).

The increase of import of meat and by-products, fruits, berries and grapes, as well as vegetables, gourds and sugar requires additional government support for increasing domestic production, meet domestic demand for these products and the realization of export potential of agriculture and food industry.

Apart national interests of Ukraine, a high priority of branch is the export of agricultural products. Ukraine is one of the world's largest grain exporters, the largest exporter of sunflower oil. In 2011/12, almost half of sunflower oil, which was sold on the world market, one in five tones of barley and one in eight tons of corn had Ukrainian origin.

Foreign trade turnover of the agricultural sector in 2011 amounted to 19.8 billion dollars and. The foreign trade balance is positive and amounts to 6.4 billion dollars. The sum of money for exported agricultural products was 13.1 billion dollars which is in 28% more than last year. Dominants in export are cereals 27.5%, oil 25%, oilseeds 10.5%, chocolate and cocoa 5.1%, milk 4.5%.

Besides grains and oilseeds, there are another 3 leading product groups. They are: 195 tons of chocolate and chocolate products which total cost is 639 million dollars, 80.3 tons of all kinds of cheese (total cost is 445 million dollars) and 76 thousand tons of meat and by-products (198 million dollars).

Countries of Customs Union are the main trading partners of Ukraine. Foreign trade turnover with these countries is more than 70% of all foreign trade of agrarian products. The balance of the total foreign trade in agricultural sector of Ukraine with the countries of the Customs Union is one third of the total positive balance of this branch. Usually these markets are traditionally supplied by products with high added value.

There is lack of options of the import of agrarian products caused by some reasons. Among them are: shortage or absence of certain types of agricultural production (subtropical crops, food products), the arrearage of agriculture in innovations, which stimulates the import of ready-to-use goods and high-tech products for agriculture , such as farm machinery, tractors, combines; the benefits of imported products to domestic , primarily in quality and safety due to high level of European and international standards and high training staff; low efficiency of agriculture, in particular due to significant losses at the stage of production and processing of agricultural products; lack of well-developed marketing and logistics systems, which does not provide effective storage and delivery of agricultural products to the consumer and so on.

Let’s analyze the dynamics of the structure of export and import of agricultural products in Ukraine (Table 1). The share of exports of agricultural products in the total exports of the country was near 15.6% during 1994-2011, including in 2010 was 19.3%, and in 2011 was18.8%. At the same time during this period there was a slight decrease and agricultural import.

Taking into account the fact that the full implementation of the agricultural potential of Ukraine is impossible without expanding its presence in foreign markets, further international integration processes play an important role in the development of the agricultural sector. With the accedence to the WTO in 2008, authorities of the country planned to obtain additional foreign investment to $ 5 billion per year. According to the government estimation WTO accession should lead to the increase in export of metallurgy, chemicals and agriculture. It was not expected sharp increase in import of goods due to the small capacity of the domestic market.

Agricultural development was dynamic over the years of Ukraine's membership in the World Trade Organization, with the exception of 2009-2010, when the index of agricultural output declined slightly (98.2 and 98.5% respectively).

Ukraine's accession to the WTO, foreign market conditions and volumes of output of agriculture created favorable conditions for international economic activity. There was a simultaneous increase in both exports and imports of agricultural products since 2009. Thus, the foreign trade balance was always kept at a positive level, reaching in 2011 to 6.5 billion dollars. It was the largest rate in the last four years.

Table 1 – **Volumes and commodity pattern of agroindustrial export and import of Ukraine in 1994-2911**

Commodity group/Year	1994	1995	1996	1999	2000	2006	2007	2008	2009	2010	2011
Total agri-food export $ mln, (group I-IV) including:	1038,0	1699,4	3048,8	1418,5	1377,4	4172,6	6287,0	10837,6	9514,9	9936	12804,1
I. live animals, animal origin products, $ mln	340,1	485,6	593,6	274,1	366,3	396,5	747,2	796,3	596,0	771,4	936,6
II. Plant origin products $ mln	81,9	142,7	867,6	723,2	367,9	1950,5	1726,5	5577,4	5034,9	3976,2	5532,0
III. Fats and oils of animal or plant origin, $ mln	55,6	91,7	185,6	113,3	240,1	971,4	1718,0	1945,7	1796,0	2617,3	3396,4
IV. ready-made meals, $ mln	560,4	979,4	1402,0	307,9	403,1	1394,4	2056,2	2518,2	2088,0	2571,1	2939,1
Share of agri-food export in total export, %	10,7	14,7	21,2	12,2	9,5	12,3	12,7	16,2	24,0	19,3	18,8
Total agri-food import $ mln, (group I-IV) including:	325,6	471,6	1448,1	901,7	908,0	3166,5	4111,5	6456,6	4936,0	5763,6	6346,7
I. live animals, animal origin products, $ mln	61,1	75,5	316,1	194,3	104,4	648,9	771,3	1702,0	1267,5	1242,0	1035,4
II. Plant origin products $ mln	94,9	103,2	246,8	187,6	302,8	671,7	860,8	1462,5	1259,9	1563,9	1815,9
III. Fats and oils of animal or plant origin, $ mln	5,0	19,4	36,9	76,0	61,1	191,1	388,2	612,9	374,3	451,6	468,7
IV. ready-made meals, $ mln	164,6	273,5	848,2	443,8	439,7	1654,5	2091,2	2679,2	2034,3	2506,1	3026,7
Share of agri-food import in total import, %	3,3	4,2	8,2	7,6	6,5	7,0	6,8	7,5	10,9	9,4	7,8

Source: compiled and calculated by the statistical yearbook for 1994-2011

Ukraine's accession to the WTO led to liberalization of import custom regime and to decreasing rates of import tariffs on all goods 1-24 of groups UKTZED and transformation all specific and compound duties into ad valorem. After joining the WTO, the average rate of import duties on agricultural products decreased to 9.16%.

It should be noted that during the years in Ukraine’s membership to the WTO there was no sudden increase of import of agricultural products.

Despite the increase in production in 2008, large amount of fruit, berries and grapes continued to import, as well as import of vegetables and gourds increased rapidly. This situation can be explained by insufficient investments in the sector and the lack of adequate facilities for storage of products.

The existence of shortages of this food resources is confirmed by the State Statistics Service of Ukraine, which are contained in the statistical collection "Balance and consumption of basic foodstuff by Ukrainian people" Analysis of the balances of food resources shows that the level of self-sufficiency in meat and meat products, fruits, berries and grapes in 2008-2010 remained low and the averagely was 83.5% (for meat and meat products) and 73.4% (for fruit, berries and grapes).

It is mentioned that the self-sufficiency level of the rest food types in 2008-2010 (grains, eggs, milk and milk products, vegetables and food melons) comprised more than 100%.

Besides, according to the group 17 of UPCFEA there was an amount increase in import (primarily sugar and confectionery sugar), with which Ukrainian producers are dissatisfied. Thus it is possible to supply raw sugar cane within the quota that gives an opportunity to efficiently supply to sugar domestic market when there is a shortage of the product which may occur due to the poor harvest of sugar beet (for example it happened in 2009).

The import increase of meat and by-products, fruits, berries and grapes as well as vegetables and melons food crops, sugar is sensitive for agricultural and requires an additional government support for increasing domestic production and meet domestic demand for these products and the export potential realization of agriculture and food industry.

Ukrainian meat producers are in unequal conditions than competitors from Europe and the U.S. Tariffs reduction on imported meat has led to a drop in meat exports from 500 tons to 150-160 tons per year. Customs duties on imports of meat to Ukraine are 8 times less than the export duty on Ukrainian meat to other countries. Foreign producers have managed to oust Ukrainian producers even in this traditional market segment as the pork and bacon production. In 2010, pork imports increased to 2.3 times in comparison with 2007.

Agricultural imports from WTO countries are carried out at a zero rate of duty, which virtually eliminates domestic agricultural machinery market niche. The negative consequences of Ukraine's participation in the WTO system are seen in the wine, food and dairy industries.

Only fat and grain farming sub-complexes have obtained relative benefits of joining the WTO, where trend growth in exports is seen (Figure 1,2)

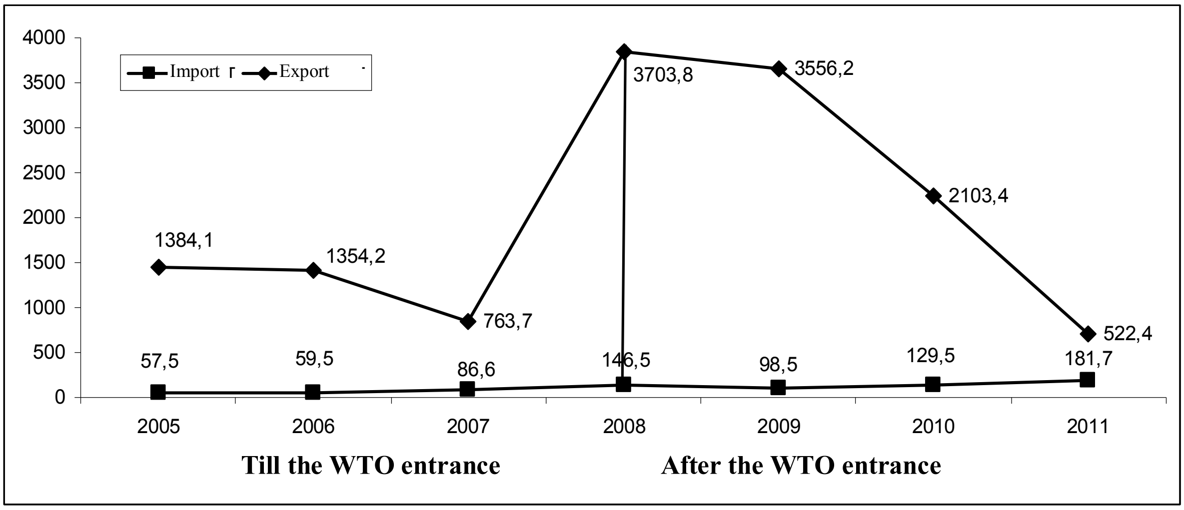

Figure1. **Export-import dynamics of grain crops in Ukraine**, mln. Dollars

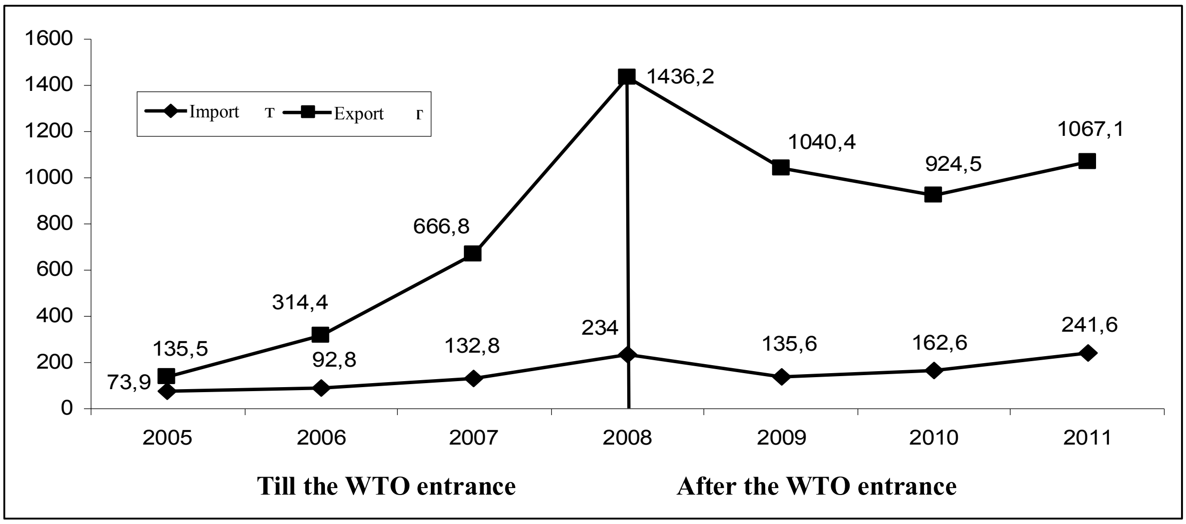

Figure2. **Export-import dynamics of oil crops in Ukraine,** mln. Dollars

Ukraine joined the WTO in not quite favourable conditions such as tariffs reduction on imported food, the obligation not to encourage the export of agricultural products and state support amount to the agricultural sector fixed in national currency.

According to the WTO rules it is available to change the terms of the country's participation in the WTO once in three years, Ukrainian leadership is committed to updating the Agreement towards the creation of equal conditions for the competition and changing agricultural legislation in the field of product certification.

After joining the WTO, Ukraine has begun negotiations on a free trade area (FTA) with the EU. The fundamental purpose of the FTA announced increased trade and investment flows between the EU and Ukraine through trade liberalization and harmonization of environmental regulation.

It is obvious that a free trade area between Ukraine and the EU should contribute to improving the access of Ukrainian goods and services to the EU market, increasing investment from the EU Member States in Ukraine's economy, increase the volume of bilateral trade and as a result, increase income of foreign exchange, increase the competitiveness of domestic production due to the introduction of new standards.

The implementation of the Free Trade Agreement between the EFTA States and Ukraine and the three agreements on agriculture - between Ukraine and Iceland, Norway and Ukraine and Ukraine and Switzerland will increase the trade turnover between Ukraine and the EFTA states, providing preferential access of Ukrainian goods and services to the markets of EFTA countries, creating favourable conditions for investment cooperation and increase foreign direct investment in Ukraine.

However, it should be noted that a characteristic feature of the Agreement is an asymmetrical relationship between potential partners on the FTA in agriculture.

Firstly, there is a high level support to the sector in the EU, and a low one in Ukraine causing increased risks for the FTA implementation specifically for Ukrainian agriculture.

Secondly, there is an asymmetry in trade regimes (e.g. levels of tariff protection in agriculture). The EU average *bound* tariff on agricultural products is 15.9 %, while Ukraine joining the WTO pledged to *bind* tariffs on agricultural products at 11.1%.

Thirdly, the protection level for the EU market trough sanitary and phyto-sanitary control measures is one of the highest in the world and is much higher than in Ukraine. Activities that ensure food safety encompass the entire food chain from the health of plants and animals to food products labelling.

It should be noted that food of animal origin is allowed to be brought into the EU only if it comes from approved enterprises in selected (included in the relevant list) exporting countries. Imports on meat of animal origin during the use of the growth hormones for their feeding, meat machining and the use of special materials to reduce the risk of transmission spongy encephalopathy are banned in the EU, as well as the use of antimicrobials for food of animal origin. Before the WTO entrance the use of antibiotics and growth hormones for cattle feeding was not prohibited in Ukraine; after Ukraine's accession to the organization imports on meat and meat products with the use of growth hormones have been resolved. Mechanical boning consisting of meat and bones residues is imported to Ukraine and used as cheap low-quality raw materials for meat processing industry.

Unlike the EU, Ukraine does not use and has pledged not to use export subsidies for agricultural products. The EU actively exports subsidies for the promotion of its products on foreign markets, and during the economic crisis it resumed export subsidies for milk and dairy products. The EU uses special protective measures (SPM) under the Agreement on Agriculture of the WTO to protect their producers from import volume growth and price reduction. 23.8 % of tariff lines of agricultural products of the EU are protected by such measures. Ukraine as a new WTO member is not entitled to use the SPM to protect domestic producers. Under any conditions specified in the negotiations a weaker partner is always at risk than a stronger one. Even the EU protects its agriculture in the FTA agreements with other countries and groups of countries. All FTAs established between the EU and other countries and groups of countries include exceptions related to agriculture. It is explained by the role of the industry in ensuring food and agricultural safety as well as the dependence of agriculture on the natural environment.

As far as Ukraine is WTO member Ukrainian producers of agricultural products cannot withstand the pressure from more developed agriculture which is also subsidized at a much higher level. Agricultural FTA prospects with the EU are about the same as in the case of the WTO.

There is an issue of Ukrainian foreign-trade relations formation with the countries of former Soviet Union in terms of the country's accession to the WTO and the forces of free trade with the EU. The operation of the Common Economic Space started in Russia, Belarus and Kazakhstan from January, 1, 2012.

It is obviously that the main factors determining the superiority of Ukraine's integration into the Common Economic Space are deeper integration within the CES of Russia, Kazakhstan and Belarus due to the development of trade relations, industry cooperation and technological level alignment that create conditions for an additional annual increase of total GDP in these countries; possible increase of the joint GDP of the CES countries with significant development in both manufacturing and agro-food sectors under Ukraine's accession to the CES with a common development strategy, technological convergence levels and growth of cooperative relations, phyto-sanitary restrictions removal of Ukrainian agricultural products. Joining the EEA means that Ukrainian certificates for agricultural products will be valid throughout the territory and recognized by all member countries of the EEA.

Customs Union countries are one of the main trade partners of Ukraine. Foreign trade turnover with these countries is more than 70% of the foreign trade turnover with CIS countries and 20% of total foreign trade in agricultural products.

The balance of foreign trade in agriculture of Ukraine with the countries of the Customs Union is one third of the total surplus in the area. Products with high added value are traditionally supplied to these markets such as cheeses and yoghurts, chocolate, oil, alcohol, confectionery, beer and wine. However, due to the restrictive measures introduction to the products of Ukrainian origin by Member States of the Customs Union during the first half of 2012 exported goods have slightly decreased that are traditionally supplied to Russian, Belarusian and Kazakh markets: restrictions on the part of imports of hard and soft cheeses of Ukrainian production; partially restricted importation of Ukrainian livestock products to the Russian market (Ukrainian enterprises have the right to export that were inspected by Russian Agricultural Inspectorate and have an appropriate permit); Russia has introduced a three year custom (until June 2014) with a total sum of 294,1 USD. U.S. per 1 tonne for caramel products of Ukrainian origin; protective duties introduction in September 2011 by Kazakh Government on caramel imports (30 % but not less than 0.27 euro per 1 kg) and chocolate (49 % but not less than 0.8 EUR per 1 kg) for 3 years; the introduction of beer imports licensing of Ukrainian origin by Belarus in 2011.

Conclusions. The inclusion of the agro-industrial complex of the country into the world economy on the basis of FEA activation is a positive factor of domestic producers. It is necessary to ensure the implementation of the following measures under increasingly globalization and integration processes of agricultural sector FEA activation: it is advisable to develop and formally adopt foreign economic strategy that identified promising areas of foreign economic activity of the studied area, as well as the strengths and weaknesses of domestic producers, their opportunities and threats; FEA effective mechanism development as an inconsistent and unwarranted use of foreign trade state regulation, including supported tools for the export activities and support for the promising industries with significant added value is not conducive to long-term exports expansion; the establishment of FEA database in order to study and predict market conditions, find and select foreign partners as well as the diversification of sales agents (firms, regional associations and others).

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Влияние внешнеэкономической политики стран мировых производителей сельскохозяйственной продукции на агропродовольственный рынок Украины

О.М. Варченко

В статье проанализированы современное состояние и тенденции развития экспортно-импортных операций с агропродовольственной продукцией в Украине. Установлено, что развитие отечественного сельского хозяйства сейчас характеризуется усилением направленности на крупнотоварное экспортоориентированное производство продукции растениеводства: зерна, рапса и подсолнечника (масла). Одновременно нанесенный радикальными преобразованиями ущерб животноводству не позволяет обеспечить наращивание его экспортного потенциала. Выявлены и охарактеризованы основные тенденции современного этапа развития экспорта в системе макроэкономических параметров и в контексте его географической диверсификации.

Доказано, что украинские производители сельскохозяйственной продукции после первых лет пребывания Украины в ВТО, объективно не могут выдержать давления более развитого сельского хозяйства, которое к тому же субсидируется на более высоком уровне. Считаем, что перспективы формирования зоны свободной торговли с ЕС для сельского хозяйства примерно такие же, как и в случае с ВТО. В условиях вступления страны в ВТО и формирования зоны свободной торговли с ЕС возникает проблема формирования внешнеторговых отношений Украины с бывшими странами постсоветского пространства.

Систематизированы современные формы и инструменты регулирования экспорта и макроэкономические мероприятия инфраструктурного обеспечения развития национального экспортного потенциала. Определены внешнеторговые приоритеты современной интеграционной стратегии Украины, идентифицированы ключевые дисбалансы и асимметрии ее экспорта. Обоснованы пути и средства развития украинского экспорта на традиционных и новых сегментах мирового рынка.

Ключевые слова: аграрный сектор, рынок агропродовольственной продукции, конъюнктура, процессы глобализации и интеграции, внешнеторговый оборот, ВТО.

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