

# JOINT ENTERPRISES IN FOREIGN TRADE ACTIVITY OF UKRAINE

Viktoriia Petrenko<sup>1</sup>, Alla Karnausenko<sup>2</sup>

Kherson State University, Ukraine

**Abstract.** *The purpose* of this work is to analyse the main indicators of foreign trade in goods in general in Ukraine and in the context of joint ventures, and an analysis of changes in absolute indicators of foreign trade activity of a joint venture in the dynamics of economic activity of the joint venture in the foreign trade of Ukraine. *The methodology* of the research in this paper is based on the analysis of statistical data on the share participation of joint ventures in the foreign economic activity of Ukraine and consideration of the geographical structure of export and import of joint ventures for 2010–2016. The paper presents *results* of research on the share participation of joint entrepreneurship in the structure of foreign trade in goods both in Ukraine as a whole and in the regions, in particular, the study of the geographical and regional structure of foreign trade activity of joint entrepreneurship in the context of export and import components. A detailed study of the geographical structure of export and import trade in the countries of far and near abroad with goods currently produced by joint ventures is presented, as well as a detailed analysis of the commodity structure of export deliveries and import purchases by joint ventures in the context of food and industrial goods is given. *Practical consequences* are associated with the solution of relevant issues, first of all, the formation of a positive investment image of the country on the world stage, and results of the analysis of participation of joint ventures in foreign trade activities, the geographical, regional, and commodity structure of exports and imports seems appropriate to consider in the development of further policies on activation of foreign trade of Ukraine, including growth and expansion of their export component. *Originality.* The results of the analysis of the share participation of joint ventures in Ukraine's foreign trade activities, geographical, regional, and commodity structure of export and import of joint ventures should be taken into account in the development of further policy to intensify Ukraine's foreign trade.

**Key words:** joint venture, foreign economic activity, import, export, commodity turnover.

**JEL Classification:** F10, P13, R10

## 1. Introduction

The history of joint entrepreneurship in Ukraine has more than 20 years, the formation on the territory of the country dates back to the beginning of 1990. During the period of functioning in the territory of the country of joint entrepreneurship, there have been significant changes in the quantitative and qualitative composition of business structures, in the economic and legal conditions of their activity, state policy in the sphere of joint business. Many aspects of this urgent problem for Ukraine have emerged only in recent years, so the question of the creation, placement, production, and foreign economic activity of joint business requires a deep and comprehensive study.

Effective foreign trade activity of joint ventures is one of the key points of its successful operation in domestic and foreign markets, as it confirms its competitiveness and competitiveness of its products. In terms of exit from an economic crisis, such an approach

should be a priority: it allows finding new markets and segments of manufactured goods, providing an inflow of currency to the country, creates conditions for the purchase of imported raw materials and semi-finished products for the production, saving jobs, attracting highly skilled personnel. Thus, foreign trade activities can be considered as a strategic direction, a necessary condition for the successful operation and development of the enterprise.

Unfortunately, Ukraine's transition to a market economy without concrete state support was not entirely successful: instead of reducing raw material exports and increasing exports of finished products, including high-tech, on the contrary, there was a reduction in the volume and the proportion of the latter and the replacement of it with raw commodities. Therefore, analysis of dynamics of the structure of foreign trade turnover in the whole country, region is a characteristic of the situation, the export market condition, which enterprises, focused on

*Corresponding author:*

<sup>1</sup> Department of Economics, Finance, and Entrepreneurship, Kherson State University.

E-mail: [petrenkovika1986@gmail.com](mailto:petrenkovika1986@gmail.com)

<sup>2</sup> Department of Economics and Finance, Kherson State Agricultural University.

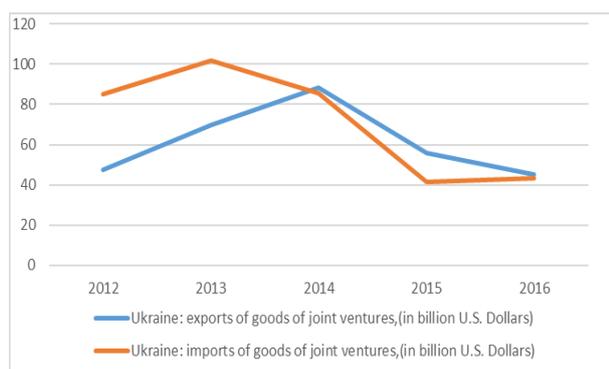
E-mail: [allakarnausenko88@gmail.com](mailto:allakarnausenko88@gmail.com)

the export of products, should consider obligatory. And, the more detailed this analysis is performed, the more informative it is to develop a foreign trade strategy.

In this regard, it is important, in our opinion, to study, generalize, and conduct an analysis of the existing experience of foreign trade activities of joint ventures.

## 2. Foreign trade activity of joint ventures

The study of the development of joint ventures in Ukraine in the dynamics indicates a steady increase in the number of these economic entities. Thus, the number of operating joint ventures at the beginning of 2016 amounted to 39 units and increased by almost 20% compared to the level of 2010 and more than 2 times compared to the level of 2000. Positive trend of the growth of the number of joint ventures created, including a high proportion of the number of operating ones, as well as a combination of the legal framework for their creation and a high level of economic development of Ukraine, were reflected in the achievement by entities of joint entrepreneurship of significant results from their foreign economic activity.



**Fig. 1. Participation of joint entrepreneurship in foreign trade of Ukraine**

So, results of the research on the participation of joint ventures in Ukraine's foreign trade are shown in Fig. 1, showed that the share of their foreign trade turnover at the beginning of 2017 amounted to 18.8% of the total volume of foreign trade in the region as a whole and increased compared with the level of the previous year by 1%.

## 3. Analysis of export activities of joint ventures

In turn, the share of export operations of the joint business in the volume of export of goods in Ukraine as a whole by the results of 2016 amounted to 15.5% and was marked with an insignificant but reduction compared to the level in 2015 and compared to the level of the last three years their activities from 2011 to 2014 inclusive. On the other hand, the share participation of joint ventures in the export deliveries of the region as a whole in 2015 is marked by pronounced growth.

Compared with the level of 2010 and starting from the first years of their creation and operation.

In imported deliveries, the share of joint ventures at the beginning of 2016 amounted to 21.6% of the total import. The analysis of dynamics of specific values of the imported component of the joint venture in the import deliveries in the region, in general, indicates the stability of its growth and the significant advance of the similar component, starting from 2010 to the present day.

On the other hand, the study of absolute indicators of foreign trade activity of joint ventures in recent years has shown that the foreign trade turnover of joint ventures in 2015 amounted to a surplus, the size of which amounted to – 301.9 million dollars, which indicates a significant predominance of the import part over the export. This trend has been traced over the past five years, starting from 2010 to the present day.

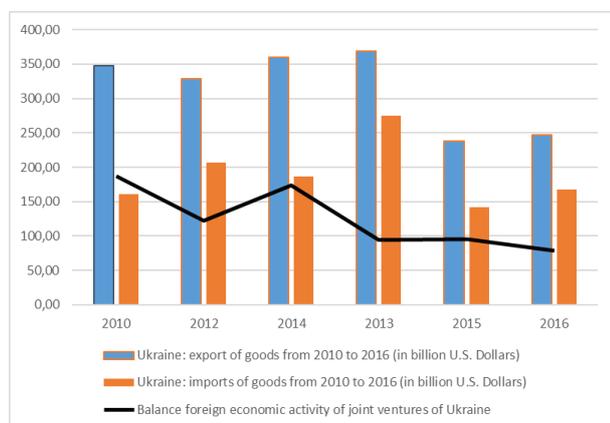
A detailed analysis of results of foreign trade activities of joint ventures for 2015 showed that the volume of foreign trade in 2015 in value terms, although it reached 87.5 million dollars, but decreased by almost 20% compared with the level of the previous year and by almost 40% compared with the level of 2011. At the same time, the volume of export supplies made by entities of joint entrepreneurship in 2015 amounted to 47.8 million dollars, the absolute value of which decreased by more than 33% compared to the level of 2014 and more than 2 times compared with the level of 2011. The results of the above-mentioned study of the results of foreign trade activities of joint ventures showed that it is precisely the advance of the growth rates of imports of goods over the growth rates of exports of goods that led to a negative balance in foreign trade in goods.

In turn, a comparative analysis of the main indicators of foreign trade in goods of Ukraine as a whole and joint ventures, in particular, shows similar problems that are related to the presence of a steady tendency to reduction of both the volume of foreign trade turnover and the volumes of export of goods, and, accordingly, the presence of a negative balance of foreign trade in goods over the past five years. As for the negative balance of foreign trade in goods, the reason for this, in our opinion, is mainly related to the presence of so-called "investment imports". It is assumed that "investment imports" in the near future will turn into export of products (works, services).

Investigation of specific indicators of joint entrepreneurship participation is considered in the foreign trade of Ukraine, the graphic representation of which is given in Fig. 2, showed that the leading position in terms of this indicator is shared by entities of the joint business, located on the territory of Kyiv and Dnipropetrovsk regions, where the share of their foreign trade transactions made respectively 45.7 and 41% of the total volume of foreign trade in the indicated zones in general. The important role in joint ventures' achieving of these regions of the indicated level of

foreign trade played the presence of these regional centres at the intersection of transport flows.

Subjects of the joint venture, located on the territory of Kharkiv and Odesa regions, occupy second positions according to the value of the investigated indicator by the share value of regional joint venture participation in the foreign trade of the specified regions. The study of results of foreign trade activities of entities of the joint business located on the territory of Ukraine indicates a significant decrease in indicators of the share participation of these entities in the implementation of foreign trade in general for joint entrepreneurship for their contribution to the implementation of foreign trade operations in general in the context of these regions.



**Fig. 2. Reflection of foreign economic activity of joint ventures of Ukraine**

Thus, despite the high absolute values of the volume of foreign trade in export and import deliveries by joint ventures in metropolitan areas, their participation in foreign trade of regions is not so significant and amounts to only 11.9% and 2.2% of the total foreign trade turnover of these regions, respectively, a more detailed study of specific components in terms of exports and imports of joint entrepreneurship at the regional level has shown that the leading positions in export deliveries of regions are shared by entities of joint business located on the territory of Kyiv (49.2%), Dnipropetrovsk (21.6%), and Odesa (21.5%) regions. A particular attention should be paid to the fact that the share of export supplies of joint ventures operating in the above-mentioned regions amounts to 26.8% of the total volume of export operations carried out by all business entities of the specified regions and 9.6% of the total volume of exports countrywide in Ukraine. It is necessary to note rather low specific values of export operations received by joint ventures located on the territory of Zaporizhzhia (7.3%), Poltava (13.7%), and Cherkasy (14.6%) regions, the total level of export supplies of which was only 9.4% of total exports of these regions and 5.9% of exports countrywide.

#### 4. Analysis of import activities of joint ventures

With regard to import deliveries, the leaders in this area of activity are joint ventures located in the territory of Odesa and Kyiv regions, and the share of their imported operations amounted to 65.1% and 41% of the total volume of imports in the specified regions as a whole. Subjects of joint venture, located on the territory of the city of Kyiv (22.9%) and with a significant backlog of Kyiv (17.8%), Kharkiv (17.6%) regions, according to the value of the researched indicator, are approximately at the level reached by the region as a whole (21.6%).

The study of the geographical structure of the export trade of joint ventures over the past 2016 year showed that the largest part of them belongs to countries of the near abroad, the main representative of which is Poland, Malta, the Netherlands.

Results of the analysis of the export component of joint ventures in foreign trade with foreign countries showed that the most interest for the latter is represented by partners from Brazil (6.2%) and the Baltic States (3.3%), of which almost 2% are accounted for Lithuania. Countries such as Norway (2.7%), Ireland (2.5%), Germany (2.5%), and Poland (2.5%) are also leaders in trading positions from the far-abroad countries.

The export breakdown of these enterprises is represented by the supply of potash fertilizers to the countries of the far abroad, such as Brazil (6.2%), Norway (2.6%) and others, which account for almost 11% of total exports of joint business entities. Countries of the far abroad (4.5%) are also mainly the main consumers of petroleum products sold by joint ventures for export (5.1%).

The leading position in the commodity structure of exports of goods to countries of the near abroad is the joint ventures' sale of cars (21.9%), as well as parts and accessories for cars and tractors (0.8%), the main representative of which is the United Kingdom (20.9%).

Significant positions in the commodity structure of food exports are taken by sales of joint ventures (6.4%), mainly in countries of the near abroad (6.3%). In another, the commodity structure of exports to the near-abroad countries is represented by the following items of food products: fresh or chilled beef (2.6%) and meat and offal of poultry (1.5%); dried, salted, smoked fish, and fish processed by other means (1.9%), and ready or canned fish and caviar (2.6%); milk and cream, unconcentrated, condensed and dried (5.5%) and buttermilk, yoghurt, and kefir (1.4%); butter (1.9%) and sugar (1.5%).

The range of non-food products exported by joint ventures is represented by such industrial goods as: hosiery (1.9%), furniture and their parts (1.2%); rods and profiles of aluminium (1.7%), and non-porous, non-reinforced, non-laced, without lining plates, sheets,

plastic film (1.6%); non-electric household appliances for cooking (1.4%); insulated wires, cables (1.4%) and plastic packaging (1.2%); metal structures made of ferrous metals (1.4%), and insecticides, herbicides (1.3%), as well as particleboards and fibreboards (0.8%).

The analysis of conducting import purchases by joint ventures showed that the largest part of them belongs to foreign countries (51.7%), the main representatives of which are the Republic of China and Germany, each of them in the investigated period accounted for 15.5% and 5.6% of total imports by joint ventures. It should be noted that joint ventures in 2015 also successfully imported goods from Poland and Italy. Thus, in the investigated period, from these countries, goods are imported in the amount of 445.9 million USD, their share accounted for 4.1% and 2.8% of the total volume of their imports. The share of countries such as Switzerland, the United States, and Norway is, on average, slightly less than 2% of all import revenues by joint ventures in 2015.

The main representatives of countries of the near abroad, which account for 48.3% of the goods imported by the joint ventures in the investigated period, are Estonia and Austria, with a share of 44.8% and 2.6% of total import volume coming to the joint enterprises. The share participation of Moldova and Kazakhstan in import deliveries of this kind of enterprises is insignificant and ranges from 0.3% to 0.4%, respectively.

During the last five years, the quantitative and share values of imports by joint ventures, there is the presence of a steady tendency to surpass the growth rates of imports over the growth rates of exports of goods.

As for the commodity structure of imports, the bulk of import purchases is represented by deliveries to the territory of the region, mainly from the Russian Federation, crude oil, including gas condensate, and petroleum products, the share of which in the period under study amounted to about one third (24.8%) of the total volume of import of joint ventures.

Considerable positions in the commodity segment of imports of these enterprises from far-abroad countries are represented by supplies from China of equipment for the production of paper pulp, paper, and cardboard (3.6%). Medicines packaged for retail sale (13.3%), more than 90% of which are imported from far-abroad countries, occupy a high share in the structure of import of joint ventures.

Commodity structure of import of joint ventures is also represented by imports of fresh or chilled fish (1.2%) and frozen fish (0.9%) into the country, mainly from Norway. Imports of joint ventures cover a wide range of vegetables and fruits (3.1%), represented by imports of fresh citrus fruit (0.3%), apples, pears, and quinces (1.4%), apricots, cherries, peaches, plums (1.1%) etc., to the republic mainly from non-CIS countries.

For a more detailed study of the structural distribution of the product range of import supplies,

one can mention the import of such industrial goods by the joint ventures into the country as steam boilers or other steam generators (1.9%) and equipment for heat treatment of materials (1.6%); centrifuges, equipment and devices for filtering, cleaning liquids or gases (1.0%) and electric transformers (0.8%); communication equipment and parts to it (1.6%) and consoles, panels, tables for electrical equipment (0.9%); insecticides and herbicides (0.7%) and amino-aldehydes, and phenol-aldehyde resins and polyurethanes (0.4%); non-porous, non-reinforced, non-slip, non-lining slabs, sheets, plastic film (0.9%) and rolled flat products made of non-alloyed steel (0.8%), as well as articles of hygiene for adults and children (0.2%).

In our opinion, the participation of joint ventures in import operations is much broader and is determined by a number of peculiarities of the development of the Ukrainian economy at the present stage. Firstly, due to imports in our country, a significant part of the commodity resources of the retail trade is provided, the need for a wide range of consumer goods, especially foodstuffs, is met. Secondly, more and more joint ventures are entering the external market as buyers of the necessary raw materials and semi-finished products to provide production processes, as well as machinery and equipment – to maintain the current level of the growth of technology.

As a result, subjects of the joint venture are able to achieve significant results from production and trading activities, as well as an increase of employment of the country's population is possible.

## 5. Conclusion

Thus, the considered state of joint ventures of Ukraine and certain aspects of their foreign economic activity indicates their significant role in the economy of the region and the priority of further development and is connected with the solution of topical problems, first of all, the formation of a positive investment image of the country on the world stage, and it seems expedient to take into account the results of analysis of the participation of joint ventures in Ukraine's foreign trade activities, geographical, regional, and commodity structure of exports and imports in the development of further policy to enhance Ukraine's foreign trade, including the growth and expansion of their export component.

Foreign trade in joint ventures is characterized by a high share of exports in commodity circulation. Export orientation is important for the economic development of Ukraine. Export of joint ventures is represented by products of food (commodity grain, poultry meat products, dairy products, sugar) and non-food products (hosiery, furniture, rods and aluminium profiles, insulated wires, plastic packaging). At the same time,

the presence of raw commodity groups in exports, both at the regional and national levels, reduces the positive effect of exports, reducing the profit of enterprises and the budget-profit of exported resources. Preservation of a high share of export in the foreign trade of joint ventures of Ukraine, development and re-equipment of productions, aimed at the export of products of a high degree of processing, primarily machine building, will have a positive effect on the economy of the country, its branch structure.

An important source of economic development in Ukraine can be an effective foreign trade with countries not only in Europe but also in the Asia-Pacific region,

aimed at developing the export potential of the finished product of the country.

The situation in foreign trade formed in Ukraine is characterized by the export of resources and preferential imports of finished products. At the same time, the research showed a sharp difference in the commodity structure of exports of joint ventures. One of the directions for increasing the share of export and import of joint ventures in the country's foreign trade is the development of industrial potential for the processing of agricultural products. Creation of joint ventures for deep processing of agricultural products in the country will allow compensating for a reduction in exports.

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