

The export potential of Ukraine: the methodology of assessment and analysis *

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ABSTRACT. On the basis of generalization of research results disclosed in scientific publications, in this article the concept of export potential is considered as a ponderable factor of influence on the economy growth, integration of country into the world economy. The concept of interlinks between export potential of country and the national competitiveness due to the influence of set of factors is explained. The indexes which fully characterize export potential at the level of firm, separate industry, countries in whole are suggested. On the basis of the conducted analysis of structure, dynamics and efficiency of the Ukrainian export, the basic problems of export potential of Ukraine were revealed and suggestions were made as regards development in the nearest future.

KEY WORDS. Export potential, export, export quota, competitiveness, factors of forming of export potential, realisation of export potential, indexes of dynamics, structure, efficiency of export.

Introduction

During the independence years of Ukraine the export-oriented model of development of economy was formed, in which the strategic role of export consists in that it must be the mean of assistance the economic growth the instrument of activation of present and potential competitive advantages with the purpose of overcoming of lag from the developed countries according to basic social and economic parameters. Entering of Ukraine to WTO opens new markets and possibilities of increasing the export volumes for the Ukrainian enterprises. At present about 2/3 international good circulation on a cost is on the prepared products and only 1/3 is on raw material commodities at strengthening of tendency of subsequent increase of part of the finished products diminishing of part of raw material in a world production and international trade. In the structure of the Ukrainian export the situation is opposite, raw material and products of low level of processing prevails. Therefore it becomes acute and especially the actual problem of development and diversification of export potential of country, successes in the decision of which will scale and efficiency of participation of Ukraine in the international division of labor at the terms of strengthening of world

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economy globalization, positively will influence on a dynamics and proportions of development of country's economy.

Forming and realization of export potential is a difficult and multidimensional process, which engulfs both domestic and external economic constituents and factors of multivectorial action. For researching of different aspects of this process at various levels the devoted labours of many foreign and domestic scientists, in particular, M. Porter, P. Samuelson, M. Saifullaeva, R. Butteva, O. Voldakova, V. Mykhaylovskii, B. Rogachov, D. Lukianenko, A. Poruchnyk, L. Antonyuk, T. Tsygankova, V. Geits, B. Kvasnyuk, T. Skornyakova, M. Yakuboskiy and others.

However there are much particular questions of essence of export potential, methodology of its estimation and intercommunication with the competitiveness of country are not enough investigated etc. Taking into account it, there is a realizable attempt to deepen consideration exactly of these questions in this research, completing him the analysis of the Ukrainian export as forms of realization of export potential of Ukraine and by the ground of suggestions in relation to his subsequent development.

Conceptual bases of export potential of country

Export is considered as took out outside the country of commodities for realization of them at the oversea market or as an amount and cost of the commodities¹ taken out abroad. However, if to consider an export as substantial factor of influence on the economic growth, on integration of country in a world economy, then it gets trait of potential that means the hidden ability to provide achievement of the set purpose and decision of certain problem of community development.

Such dualistic look at essence of export has an important value for deepening of methodological basis of directions lay-out of its development, increase of possibilities of positive influence on the economy of country. Samuelson and Northous determined an export as commodities and services which are produced inside a country and are for sale abroad. An export consists of export of goods and services.²

The concept of export can be considered through the prism of regulatory certificates of foreign economic activity. According to Law of Ukraine «About government control of foreign trade activity» the export of commodity is considered as took out to the commodity from custom territory of Ukraine without an obligation about a reverse import. Analogical definition of export is in the Custom Code of Ukraine with clarification of the mode is the custom mode according to commodities are taken out outside

¹ *Slovyk inshomovnykh sliv* [Dictionary of foreign words / Comp.: S. M. Morozov, L. M. Shkaralupa. - K.: Naukova dumka, 2000. - p. 192.]

² Samuelson P., Nordkhaus V. *Ekonomika* [Economy: Trans. from English. - Moscow: BINOM, 1997. - p. 699.]

custom territory of Ukraine for a free appeal without an obligation about their returning on this territory and without establishment of terms of their use outside custom territory of Ukraine³.

Academician L. Abalkin considers economic potential in relation to the economy of the country, its industries and individual enterprises, how to produce their ability products, commodities, services, to satisfy the necessities of population and company all in all, to provide development of production and consumption.⁴ On the basis of this determination separate research workers draw conclusion, that basic maintenance of economic potential is a production function⁵. However in this determination it is marked also on providing of necessities of the company, development not only production but also consumption, it is related to the processes of realization of products on internal and external markets. Therefore, there are grounds to examine export potential within the framework of economic potential as its constituent possibilities of economic system to be integrated into economic worldwide are represented. From this point of view economic potential engulfs most aggregate constituents (Fig. 1).

Economic potential	
Production	Selling
Industrial potential Agricultural potential Potential of other sectors	Potential of internal market Export potential

Fig. 1. The structure of economic potential
(the highest level of aggregation)

The problems of realization of export potential arose up on the different stages of economic development of many countries of the world. The special actuality they purchased in countries with a transformation economy, where realization of own external economic policy became the most important condition of economic and political self-determination of the state and including of it in the world economic system on rights for equal partnership. Presently the active motivational factor of development of export potential was become by strengthening processes of globalization, which overcame the almost entire countries of the world.

For Ukraine the ponderability of export potential development, except above mentioned already, related to the features of transitional period, when in the

³ *Mytniy kodeks Ukrainy* [Customs Code of Ukraine. - Kyiv: Istyna, 2004 - p. 74.]

⁴ *Ekonomicheskaya entsiklopediya* [Economic Encyclopedia / L. I Abalkin; Inst of Russ. Acad of Science. - Moscow: "Economy" Publishing, 1999. - p. 432.]

⁵ *Promysloviy potentsial Ukrainy: problemy ta perspektyvy strukturno-innovatsiynnykh transformatsiy* [The industrial potential of Ukraine: problems and prospects of innovative structural transformations / V. Kindzerskiy. - Kyiv: Institute of Economics and Forecasting of Ukrainian NAS, 2007 - pp. 27-28.]

conditions of the protracted cutback of economic activity and reduction of demand at the internal market an export acted part retentive factor, preventing crisis development of events.

Export potential is determined variously by research scholars, but in each of definitions general signs are present. For instance, the team headed by professor A. Azrilyan under export potential considers possibility of industry, all combined production of certain country to produce the necessary amount of the competitive commodities for an oversea market⁶. According to M. Seifullaeva and V. Kapitsyn the basis of export potential of region is its resource and raw material base and state of economy. It provides to this region with scientific and technological, industrial, social and cultural development, which allows to attain the proof rates of export production growth and high standard of living of population taking into account present and ex ante market conditions⁷.

V. Mikhaylovskiy considered export potential of territory as main potential resource of increase of efficiency of foreign economic activity in a region. From his point of view, export potential of territory should be described as system of quantitative and high-quality items (units) which characterize a region from position of its fixing on world commodity markets and getting of maximal currency profit yield in a long-term prospect. In general external economic potential is determined the competitiveness of the goods and services produced in a region in the world market and possibilities of the use of technological, labour, integral, natural and other resources of territory in the structure of world co-operation connections. The level of realization of external economic potential of region is characterized the state of its export complex⁸.

The other Russian authors consider export potential of country, region, as its potential possibility to export present for it or produce by its resources, products⁹. Export potential of enterprise is determined as dynamic constituent its economic potential the organizational and technical structure of which submits a mission and aims of enterprise taking into account the action of factors of external environment and internal state and provides the stable volumes of sales with the set level of profitability on the markets of in the CIS countries and outside of the Commonwealth of Independent States¹⁰.

⁶ *Bolshoy ekonomicheskii slovar* [Great economic dictionary / ed.by A. N. Azrilyan. - Moscow: «Prayovaya kultura», 1994. - p. 478.]

⁷ *Seifullayeva M. E., Kapitsyn V. M. Eksporny potentsial rossiyskikh regionov v usloviyakh globalizatsii mirovoy ekonomiki* [The export potential of Russian regions in a globalizing world economy // Marketing. - 2001. - № 1. - p. 6.]

⁸ *Mikhaylovskiy V. P. Formirovaniye novoy paradigmy razvitiya vneshneekonomicheskoy deyatel'nosti regiona*. [Formation of a new paradigm for the development of region's foreign economic activity. Author. of the diss for the degree of doctor of economics: 08.00.05 [Russ. Economics. Academy] - M., 2003. - p. 10.]

⁹ *Arkipov A. YU., Chernovets O. V. Vneshneekonomicheskaya deyatel'nost rossiyskikh regionov* [Foreign economic activity of the Russian regions / Series "External Education" Rostov AN / AD: Phoenix, 2005. - p 46.]

¹⁰ *Volkodavova Ye. V. Eksporny potentsial promyshlennykh predpriyatiy: teoriya, metodologiya, praktika: Monografiya*. [Export potential of the industry: theory, methodology, practice: Monograph. - Samara; Samar. State. Economic University Press, 2007. - p. 14.]

Considerable attention is spared the problems of export potential in-process domestic researchers, thus in them, as well as the Russian authors, determination of this category, contacts with the different after levels subjects of economy such as country, a region, industry or type of activity, individual enterprise, and also with the competitiveness of commodities or competitive edges.

D. Stechenko considers that export potential is the volume of blessings, which a national economy can produce and realize after the limits, and also its ability, to reproduce the competitive edges on the world economy scene¹¹.

T. Golikova considers export potential as basis of determination of competitive edges of country and its strategic areas of manage, to which belong, above all things, economic basis of country. That export potential is the certain index (criteria) of estimation which determines the location of country in the internal and international division of labor and specialization of economic activity¹².

According to V. Rogachev export potential is ability of national economy, its sectors, industries and enterprises, to produce competitiveness in the world market commodities and services on the basis of the use of present comparative national advantages which are based on achievements of scientific and technical progress (STP)¹³.

T. Skornyakova determines export potential as ability of economic subject to produce competitive products in the world market which can overcome existent export barriers and be effectively sold for a border¹⁴.

T. Gordeeva formulates definition of export potential as maximal possibility of enterprise at this level of technical and economic base to produce competitive products on national territory and to realize it in the world market¹⁵.

Consequently, it is possible to do from the resulted determinations of export potential two conclusions at least: firstly, export potential is inherent the economic subjects of all levels such as an enterprise, industry or type of activity, region inside a country, national economy, groupment of several countries, which will realize potential by development of foreign trade, foremost, to the export. That export potential of country consists of export potentials of individual industries, by the first turns of industry as the most

¹¹ Stechenko D. M. *Rozmishchennya produktyvnykh syl i rehionalistyka: Navch. posibnyk* [Placement of the productive forces and regionalism: Textbook// 2nd ed. - K. Vicar, 2002. - p. 295.]

¹² *Stratehichni vyklyky XXI stolittya suspilstvu ta ekonomitsi Ukrainy: V 3 t.* [Strategic Challenges of the XXI century society and economy in Ukraine: in 3 vol. / Ed. by V. M. Heytsya, V. P. Seminozhenko, B. E. Kvasniuk. - K.: Phoenix, 2007. - Vol. 3: The competitiveness of the Ukrainian economy. - pp. 126-127.]

¹³ Rogachov V. V. *Eksporny potentsial Rossi: sostoyaniye, oriyentiry i usloviya razvitiya* [The export potential of Russia: state, landmarks and the terms of development // The external economic newsletter. - № 5. - 2004].

¹⁴ Skornyakova T. V. *Eksporny potentsial obrobnoi promyslovosti Ukrainy: upravlinnya protsesom formuvannya: Monohrafiya.* [The export potential of Ukrainian manufacturing sector: managing and forming process: Monograph. - K.: Nauk. svit, 2006. - p. 9.]

¹⁵ *Upravlinnya mizhnarodnoyu konkurentospromozhnistyu v umovakh hlobalizatsii ekonomichnoho rozvytku: Monohrafiya: V 2 t.* [Management of international competitiveness in a globalizing economic development: Monograph: In 2 volumes - D. G. Lukianenko, A. M. Poruchnik, L. L. Antonjuk. etc. - Kyiv: Kyiv National Economic University, 2006. - p. 275.]

important producer of the finished products. And export potential of industry consists of export potentials of individual enterprises. Secondly, export potential is objectively related to the competitiveness of products, intended for realization in the world market. Taking into account, that a national competitiveness has the three-leveled structure: country, industry, individual enterprise¹⁶, it is possible to assert that close intercommunication is between the increase of competitiveness of domestic products in the world market and increase of export potential of national economy. Connection between potential of economy as possibility to produce goods, that has demand on internal and external markets, and traced the competitiveness of national economy in determinations of category of competitiveness of many authors. V. Novytskyi considers the competitiveness of national economy as integrated concept, which includes ability to produce goods, which have demand on world markets, attract foreign capitals due to a favorable enterprise climate, to the attractiveness of national territory for the vital functions of person presence of high-skilled specialists¹⁷.

A. Galchynskiy, V. Geyets, A. Kinakh, V. Semynozhenko determine a competitiveness how to produce ability of national economy and consume commodities and services in the conditions of competition with commodities and services produced in interests of other countries, here the result of competition must be growth of living standard of population at the observance of international economic standards¹⁸.

In an economic encyclopedia the competitiveness of country is given as ability of economy of one country to compete with the economy of other states on the level of the effective use of national resources, increase of the productivity of national economy and providing on this basis high and constantly growing of living standard of population¹⁹.

Therefore, the concept of competitiveness is correlated with the modern understanding of export potential of country²⁰.

To our opinion, export potential is the independent subsystem of country's foreign-economic activity the mission of which is providing of competitive edges of national products and increase of its presence on oversea markets. Determining a national competitiveness as proof state of economy of country or its enterprises on internal and external markets, O. Shpinko underlines its conditionality the action of economic, social and political factors. So the competitiveness of country is estimated at

¹⁶ *Konkurentospromozhnist ekonomiky v umovakh hlobalizatsii* [Competitiveness in a globalizing economy / Zhalilo Y. A., Bazyluk Y. B., Belinska Y. V etc. - K.: NISD, 2005. - p. 348.]

¹⁷ *Novytskyi V. Mizhnarodna ekonomichna diyalnist Ukrainy: Pidruchnyk* [International economic activity of Ukraine: Textbook. - Kyiv: Kyiv National Economic University, 2003. - p. 507.]

¹⁸ *Innovatsiyina strategiya ukrainskykh reform* [Innovative Strategy of Ukrainian reforms / Halchynskiy A. S., Heyets V. M., Kinakh A. K., Semynozhenko V. P. - K.: Znannya Ukrainy, 2002. - p. 109.]

¹⁹ *Ekonomichna entsyklopediya. T. 2* [Economic Encyclopedia. Vol. 2 / Ed. by S. V. Mocherny. - K.: Akademiya, 2000. - p. 814.]

²⁰ *Shvydanenko O. A. Globalna konkurentospromozhnist: teoretychni ta prykladni aspekty: Monografiya*. [Global competitiveness: theoretical and applied aspects: Monograph. - Kyiv: Kyiv National Economic University, 2007. - p. 77.]

the unit of inherent the concrete national economy of factors which are able to provide suggestion of goods and services which are acceptable to international trade after correlation price — quality. As a result from the action of this aggregate of factors must be growth of issue of products, employment and factor profits and also strengthening of positions of national economy, in the world market²¹.

Factors which influence on the competitiveness of national economy also act on forming and development of export potential. For describing of these factors it is followed to select internal and external. Export potential has dual nature, as it is based both on the national approach to determination of manufacturability and on the accommodation of competition conditions of world market in relation to realization of the produced export products. Therefore to the internal factors, foremost, ought to take resource and raw material potential, possibilities of industrial production and skilled providing scientific and investment, innovation potential, legislative and normative base and activity of public institutions. The external factors are factors of market action the capacity and state of affairs of market and condition of competition on it and institutional factor in as a system of international institutes from co-ordination of world trade flows (Fig. 2).

The subsequent levels of aggregation factors of export potential forming are related to detail elaboration each of the mentioned industries, types of activity, levels of development and management, territorial distributing (regions) and others.

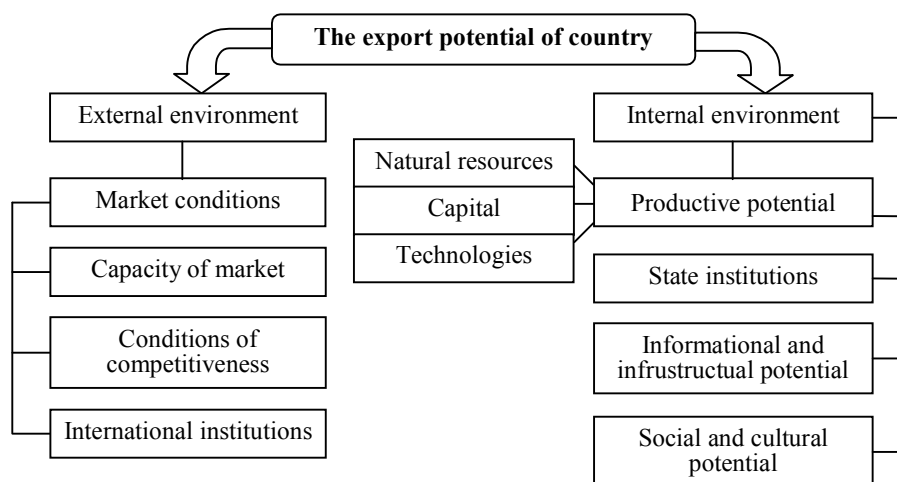


Fig. 2. Internal and external factors of forming and realization of export potential (first levels of aggregation)

²¹ Shnytko O. S. *Natsionalna konkurentospromozhnist: sutnist, problemy, mekhanizmy realizatsii.* [National competitiveness: the nature, challenges, implementation mechanisms. - K.: Nauk. dumka, 2003. - pp. 13-14.]

Production potential as the factor of forming of export potential foremost covers potential of process and extractive industry, and also as factor of producing of raw materials sources, for the separate types of industrial activity within the framework of agricultural sector. In production potential the centre of increase of product competitiveness is incarnated, because the combination of investing in new technologies and equipments, developed scientific base and realization of scientific developments directly in a production and the proper level of qualification of shots provides possibilities to growth of issue of new highly technological and scientific products, modernization of «old» traditional production.

State institutions personifies in the activity providing of legislative environment for national producers and exporters, and also for the importers of products, necessary for a production. To their competences is belonged the development of Civil, Economic, Tax, Budgetary, Custom Codes, laws and legislative acts for separate questions of economic activity subjects and making alteration to it.

An institutional factor is determining in development and realization of public economic policy, foremost industrial, foreign trade, monetary and credit. This factor can promote, and in certain periods and to brake development of export potential, in particular during its adjusting by facilities of monetary policy.

Informative and infrastructural potential as part of internal environment acts as series that links all constituents of export potential, including eventual implementation of commodities phases, lines and reverse copulas between all participants of processes of production and realization of products. An informative constituent provides possibility of prognostication of development of export potential and separate markets, ground of long-term strategies of demand and supply balancing, conquest of new niches in the world market and maintenance of old positions.

To the internal environment of forming of export potential is includes social and cultural potential. To our opinion, the last one is the environment of forming of human capital, that physical health, high cultural and educational level, professional skills of workers, which are morally orientated on conscientious labour and patriotism. Fully just is assertion, that the socially joined company of such workers in a certain country creates it enormous human capital and influences on formation of competitiveness²².

An external environment carries out influence on export potential and it is presented by the conjuncture of markets which are priority for exporting country and their capacity and terms of competition.

²² *Stratehichni vyklyky XXI stolittya suspilstvu ta ekonomitsi Ukrainy: V 3 t.* [Strategic Challenges of the XXI century society and economy in Ukraine: in 3 vol. / Ed. by V. M. Heytsya, V. P. Seminozhenko, B. E. Kvasniuk. - K.: Phoenix, 2007. - Vol. 3: The competitiveness of the Ukrainian economy. - pp. 395—396]

Summarizing the consideration of essence of export potential and factors which influence on its forming, it is necessary to underline that it is realized in the actual volume of foreign trade, the competitive edges of national economy show up in it. At the same time export potential and foreign trade are the instruments of advancement of national interests in the scales of world economy and indicators of competitiveness of products in the world market.

The methodological approaches to assessment of export potential.

Research of the methodological approaches to assessment of export potential allows to assert that the generally accepted method of its determination is absent. As a rule, research of export potential is ended with prognosis developments of export commodity and particular branch structures, which is precede the analysis of its retrospective dynamics, commodity and geographical structure. From our point of view, it is constrained with impossibility of quantitative estimation of export potential through some subjectivity of this concept by absence of direct dependence between potential and market position of firm, and the more with countries. In addition, economic, production, industrial or export potential does not have the proper analogue in foreign literature. During the examining of this category the American and European researchers use such terms as potential possibilities of firm, possibility of exportation, etc²³.

Separate methodical approaches touch the theoretical aspects of estimation of potential of activity of business subjects at the foreign market²⁴. These approaches are based on assertion that underlying structure of potential is determined by composition and correlation of different structural potentials.

The constituents of export potential (ExΠ) are:

- 1) potential of internal resources;
- 2) potential of target foreign market;
- 3) exit conditions to the market.

Potential of internal resources (ΠBP) is determined as a function from technical and technological base (ТБ), efficiency of human resources (K), methods of management (M), finance (Φ), that $\Pi BP = f(\text{ТБ}, K, M, \Phi)$.

Except for internal resources, the estimation of export potential is complemented potential of target foreign market, which must equal potential of internal resources, otherwise activity at this market will be inadvisable, that:

²³ Branch A. E. Element of Export Marketing and Management. — Second edition. Charman and Hall, 1990. — 316 p.; Cateora P. R. International Marketing. — IRWIN, Homewood, IL, 1966. — 784 p.

²⁴ Tsyhankova T. M. *Mizhnarodniy marketyng: teoretychni modeli ta biznes — tekhnolohii: Monografiya.* [International marketing: theoretical models and business technologies: Monograph. - Kyiv: Kyiv National Economic University, 2004. - pp. 137-143.]

$$\text{ExII} \rightarrow \Pi\text{BP} = \Pi\text{3P},$$

where Π3P is potential of target foreign market.

Exit conditions to the market (YBP) engulf national conditions (HY) (trade policy of country, system of support of export production) and external ones (3Y) (trade regime of country of exportation):

$$\text{YBP} = \text{HY} + 3\text{Y}.$$

A presence of export potential of business subject bit is conforming to of potential of internal resources the requirements of foreign market and favourableness of exit conditions to the target foreign market, such:

$$\text{ExII} = f(\Pi\text{BP}, \Pi\text{3P}, \text{YBP}) \text{ on condition that } \Pi\text{BP} = \Pi\text{3P} \\ \text{and } \text{YBP} \rightarrow \max,$$

where ΠBP is potential of internal resources;

Π3P is potential of target foreign market.

Warning at the use of this model touches such:

- ✓ to investigate potential of internal resources track only in relation to a certain market and exit conditions on him;
- ✓ to determine potential only after one commodity or top-level group;
- ✓ to provide comparison of constituents of potential of terms at times their estimations;
- ✓ to arrive at multi-variant approach of comparisons of internal potential of subject of manage and market potentials.

Taking into account the results, it should be noted that this methodology can not be applied to more aggregative levels, in particular to the levels of industry or country in general.

Concerning the determination of export potential of individual industries it is considered possible to get its quantitative estimation in those types of activity, which are based on the resources limited in number. For example, export potential of food industry it is suggested to determine on a prognosis period coming from the presence of lands of the agricultural setting, namely areas of plough-land. A presence and efficiency of its use directly influences on a volume and assortment structure of potential of agricultural production. The model of calculation of export potential of food industry on a prospect has such kind²⁵:

The sign of availability of an export potential of a business-subject is correspondence of the internal resources potential to requirements of the foreign market and favourability of the conditions for coming onto a targeted foreign market, of the following:

²⁵ *Kyrychenko O. M. Derzhavne rehulyuvannya eksportnoho potentsialu kharchovoi promyslovosti* [State regulation of the export potential of food industry: Author. of PhD in Economics spec. 08.07.01. - Research Economic Institute of the Ministry of Economy and European Integration of Ukraine. - K., 2002. - pp. 9-10.]

$$\text{Ex}\Pi = f(\Pi\text{BP}, \Pi\text{3P}, \text{YBP}) \text{ providing that } \Pi\text{BP} = \Pi\text{3P} \\ \text{and } \text{YBP} \rightarrow \max,$$

where: ΠBP — the internal resources potential;

Π3P — the foreign market potential.

When using this model one should bear in mind the following:

- the internal resources potential should be studied only concerning a specific market and conditions of coming on it;
- the potential should be defined due to one product or a nomenclatorial group;
- there must be provided comparability of the potential components due to the time of their assessment;
- there must be achieved a multivariance of the comparisons of the internal potential of a subject and those of the market potentials.

Taking into consideration the above said, there should be noted that this methodology cannot be applied to more aggregated levels, in particular to the levels of a branch or to those of the country on the whole.

As for defining the export potential of separate branches is concerned, it is supposed to be possible obtaining its quantitative assessment in the kinds of activities, which are based on quantitatively limited resources. For instance, the export potential in the food industry for a predicted period is suggested to be defined, supposing there is available land that can be used for agricultural purposes, and namely the area of the tillage. Availability of that and efficiency of its utilisation t directly impact the volume and assortment structure of the potential of the agricultural production. The model for calculating a prospective export potential of the food industry is as follows¹:

$$\text{E}\Pi t = \Pi\text{P}o * \Pi\text{P}/t * \text{E}o * \text{I}\text{E}t * a_o * \text{I}a t * (1+R)/d * S * \text{K}o * \text{I}\text{K}t,$$

where: $\text{E}\Pi t$ — the export potential of the food industry during the t — period, millions of dollars of the USA;

$\Pi\text{P}o$ — the tillage area for the basic period, millions hectares;

$\Pi\text{P}/t$ — the index of the change of the tillage area, a unit part;

$\text{E}o$ — efficiency of the tillage utilisation during the basic period, hryvnias hectarea;

$\text{I}\text{E}t$ — the index of the efficiency of the tillage utilisation, a unit share;

a_o — the part of the products of agriculture that was to be processed during the basic period, a unit part;

$\text{I}a t$ — the index of the change of the products part that is to be sent for processing, a unit part;

R — the profitability level of the food industry products, a unit part;

S — the foreign exchange rate of the national currency relatively to the dollar of the USA, USD/UAH;

K_0 — the coefficient of the export orientation of the branch during the basic period, a unit part;

IK_t — the index of the change of the branch export orientation, a unit part.

According to the objective guidelines of the prediction, the indicators ΠP , IE , Iat and IK_t set up as norms. All the other indicators are defined due to the reported data, or they are calculated.

We think that a similar approach can be used to estimate the export potential of the mining industry, where the main factors of its formation there can be reserves of the corresponding mineral resources during the basic period and the perspective utilization efficiency.

A methodological approach to the estimation of the export potential of the i -country there can be the ratio of the export quota Ex/GDP and number of the population (ΨH):

$$Ex\Pi_i = Ex_i/GDP_i/\Psi H_i.$$

Due to our estimations on the base of the data from the State Statistical Committee of Ukraine, Ukraine's export potential calculated per head was as follows: in 2004 — 1.3 %; 2005 — 1.1 %, 2006 — 1.0 %.

For a comparison: in the countries with the population rate of 5—10 million people $Ex\Pi$ is equal to 8.5—5.0 %, in the in the USA — 0.1 %, in France, Great Britain, Korea (having the population rate comparable with that one in Ukraine) that ratio is 0.5 — 0.6 %². On this ground, the strategic direction in the development of Ukraine's economy there should be improvement of its competitive capabilities and the development of the domestic market, gradual replacement of about a half of the export quota of the goods produced for meeting the needs of the population and of the society on the whole.

The study of the importance of the export in the economic development of the country demonstrates, that the traditional export potential is characterised by a complex of indicators on the base of the analysis of which its assessment grounds. Those are as follows:

- the ratio of the exports of the goods to the GDP and its dynamics during some years;
- the ratio of the exports of the main goods (commodity groups) to the GDP;
- the ration of the exports of the goods of a specific branch (kind of the economic activity) to the production volume in this branch (kind of the economic activity);
- the ration of a part of the exports of a specific kind of products to the part of the world exports of this product that enables defining the level of the country's specialisation;
- the cost of the exports per head of the country's population rate.

We suppose it is reasonable to add to this list the below given indicators:

The coefficient of the country's participation in the international labour differentiation which is defined as the ration of the country's part in the international exports to the country's part in the world's GDP. The calculation of the coefficient is done using the formula

$$KMP\Pi_i = \frac{Ex_i / Ex_c}{BB\Pi_i / BB\Pi_c},$$

where: GDP_i — the gross domestic product in the i -country;

Ex_i — the exports in the i -country;

Ex_c — the global exports;

GDP_c — the world's gross domestic product.

If the $KMP\Pi_i > 1$, that is $Ex_i/Ex_c > GDP_i/GDP_c$, then it means an active participation of the country in the International division of labour (IDL). However, a significant exceeding of the Ex_i/Ex_c of the GDP_i/GDP_c can also mean that the economy is weak and a hypertrophied development of the raw-exporting sector³.

The coefficient of the export efficiency of the i -country that is to be calculated using the formula

$$EEx_i = \frac{Ex_i / \text{ЧH}_i \cdot Ex_i / GDP_c}{Ex_c / \text{ЧH}_c \cdot Ex_i / GDP_i} \cdot 100,$$

where: Ex_i — the efficiency of the i -country's exports;

$Ex_i/\text{ЧH}_i$ — the i -country's exports per head of the population rate;

Ex_i/GDP_c — the share of the i -country's exports in the world's DGP;

$Ex_c/\text{ЧH}_c$ — the global exports per head of the population rate;

Ex_i/GDP_i — the share of the i -country's exports in its GDP (Ukraine's GDP in dollars of the USA).

The indicator of the efficiency of the i -country's exports shows a relative value of the proceeds per head of the population rate from each exported per cent of the GDP in comparison with the average world's value that is accepted for 100 %.

The study outcomes have demonstrated that the coefficient of the efficiency for the developed counties is equal to 450—550 of the percentage points, that is their exports is by 4.5—5.5 times more efficient than the average world's value.

The indicator of the identified relative advantage (or comparative advantage):

$$K\Pi_{ij} = \ln [(Ex_{ij}/Im_{ij}) / (Ex_i/Im_i)],$$

where: $K\Pi_{ij}$ — the indicator of the comparative advantage of the i -country for the j -commodity product;

Ex_i, Im_i — the i -country's exports and imports;

Ex_{ij}, Im_{ij} — the i -country's exports and imports of the j -commodity product.

If the $K\Pi_{ij} > 0$, then for the j -product it means that the i -country has a comparative advantage in exporting to other countries.

If the $K\Pi_{ij} < 0$, the foreign partners have a comparative advantage in the export of the j -product⁴.

The analysis of Ukraine's export of goods made with using the above said indicators permits to characterise its actualised export potential.

Besides, there should be noted that, as we suppose, a more realistic estimation of the value of Ukraine's export potential can be made by comparing its main indicators with those for other countries, and primarily with the indicators for the countries which are main trade partners.

Characteristics of Ukraine's export: its dynamics, structure and efficiency

Beginning from 2000 Ukraine is having an economic growth accompanied by unstable traces of the movement of the GDP, products of agriculture, investments, consumers expenditure and the foreign trade indicators (Table 1).

Table 1

**Dynamics of the main macroeconomic indicators for Ukraine,
actual changes as a percentage in relation to the previous year**

Indicators	2002	2003	2004	2005	2006	2007
GDP	5.2	9.6	12.1	2.7	7.1	7.6
Gross industrial production	7	15.8	12.5	3.1	6.2	10.2
Gross agricultural production	1.2	- 11	19.7	- 0.1	0.4	- 5.6
Investments into the fixed capital	8.9	31.3	28.0	1.9	19.0	29.8
Consumption of goods and services	9.5	11.5	13.1	20.6	14.4	17.1
Exports rate	10.4	28.5	41.6	4.8	12.1	28.4
Imports rate	7.6	35.6	26	24.6	24.6	34.7

Source: The State Statistical Committee of Ukraine.

The data in Table 1 show that the rate of the change in the exports correspond to the increase of the GDP value, while the decrease of the rates of its augmentation in 2005 are very much associated with an abrupt decrease in the exports deliveries under conditions of a rising political non-stability in the country.

The estimation of the investment of the foreign trade into the process of the economic growing is very contradictive, since between 2005 and 2007 the economy's losses due to the negative balance amounted to \$ 18.5 milliard,

and according to a forecast for 2008 that value is expected to be at the level of \$ 12.5 milliard (Fig. 3).

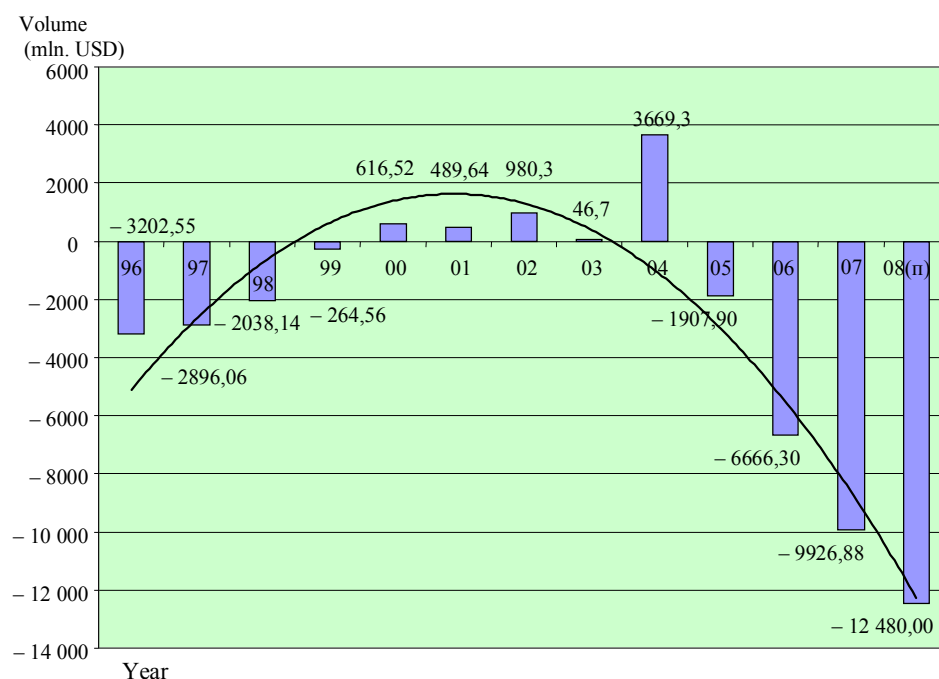


Fig. 3. Ukraine's balance in the foreign trade

Source: The National Bank of Ukraine (NBU).

A weak link in Ukraine's foreign trade is the exports structure, in which 3/4 is the raw materials and the primary processing products. Because of delay in the restructuring of the economy, the most important exporting opportunities are still concentrated in traditional industrial and raw materials branches. The largest commodity groups in the structure of the exports of the industrial products there are the basic metals (42.8 %), minerals (10 %), chemicals (almost 9%) and other raw materials products (12%) (Table 2).

The structural dynamics of Ukraine's industrial exported products shows that the movement of its separate positions contradicts the world trends. For instance, in the exports structure there is rising of the share of the basic metals, while this in the world has a decreasing dynamics. On the contrary, the share of machines, apparatus, transportation means goes down, despite its intensive rising in the global trade.

Table 2

Aggregated structure of the exports of the industrial products, %

Goods	Exports			
	1996	2000	2005	2006
Base metals	32	44	41	42.8
Chemicals	12	11	9	8.8
Minerals	9	9	14	10.1
Other raw materials	15	12	12	12.3
Machines, apparatus, transportation means	14	13	13	12.9
Other finished products	18	11	11	13.1

Source: The State Statistical Committee of Ukraine

The competitive advantages of the national producers are accounted for by the availability of specific natural resources, in particular, of the iron-ore raw materials, a developed transport infrastructure, favouring geographical location, low costs of the labour force, low level of the expenditures on the upgrading and renovation of the fixed production funds. Wearing of the fixed funds in Ukraine's industry is over 50 %, while in the basic export-oriented branch — metallurgy — it amounts to 65 %. Moreover, in this branch almost a half of steel is melted by using the Martin process, while in the world that process is used for production of only 2.5 % of steel.

It is metallurgy that the problems of Ukraine's economy and its exports are associated with. The study shows that the external demand for the products of this industry in fact defines the prospects for the economic growth on the whole, as metallurgy makes a significant share of the commodity exports.

Calculations demonstrate that during 1997 — 2005 the GDP and exports dynamics determined the variation of the multiplication coefficient by approximately ± 1 %, that is 1 % of the decrease or increase in the exports of the metallurgical products was associated with about 1% of a decrease or an increment of the GDP (Fig. 4).

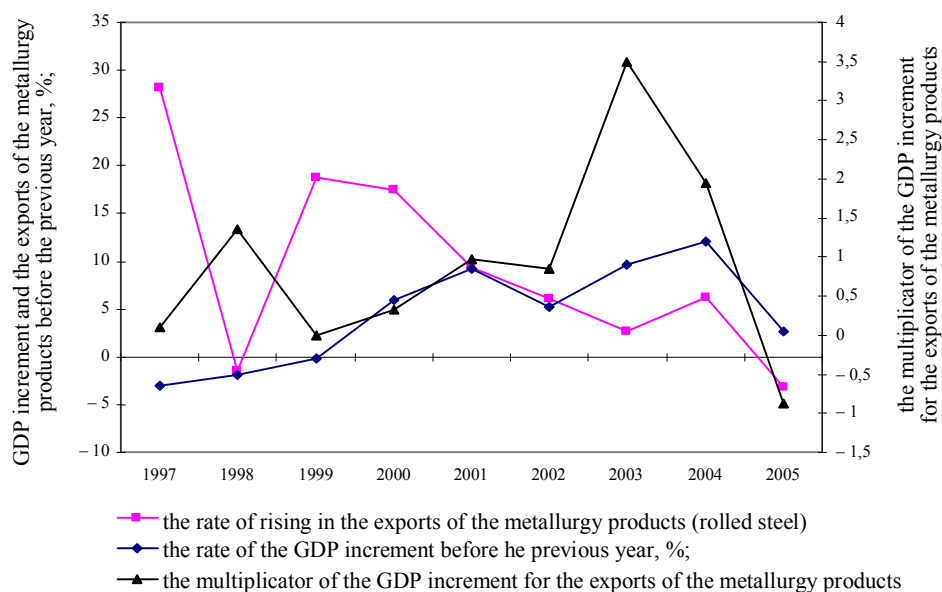


Fig. 4. Effects of the dynamics of the metallurgy products on the GDP

Source: the State Statistical Committee of Ukraine, Steel Statistic Yearbook, 2006

An analysis of the states of the global markets made it possible to identify the set of the products the demands for which have been rising incessantly for more than decades. The market dynamics of these goods remains even at the present time, which is proved by the indicators of their dynamics and the share in the global exports (Table 3).

The global exports of the above given goods rises in average annually by almost 13 %, while their total share in 2006 amounted to 22 % of the total volume of the exports. According to some data, this share in the exports of some countries, for example, the Republic of Korea, Taiwan, is till larger. Due to our calculations, these goods made only 3.7 % in the structure of Ukraine's exports, though their share rose by almost twice as compared to the level in 2002. The share of the exports of machines for automatic data processing, as well as that for the office equipment components, transistors and semiconductors is very insignificant. It is these kinds of products that are most characterised by the highest rate of the growth (15—16 % annually) and by their importance concerning their share (4.0—3.4 %) in the structure of the global exports, which is typical for the modern informational economy.

Table 3

**Exports rising of the most dynamical 19 commodities
on the world's markets and their share in Ukraine' total exports**

SITC	Goods	Increment in the global exports of the products, %		Share in the global exports of the products in the total global exports, %		Exports of products from Ukraine, x \$ 10 ⁶		Share of the products in Ukraine's exports, %	
		2002	2006	2002	2006	2002	2006	2002	2006
776	Transistors and semiconductors	14	16	4.3	4	19.6	29.2	0.1	0.1
752	Machines for automatic data processing	15	15	3.5	3.4	4.1	25.4	0.0	0.1
759	Components for the office equipment and automatic data processing machines	10.5	14.6	2.5	2.3	3.6	19.1	0.0	0.1
871	Optical instruments	10.2	14.1	0.3	0.3	15.3	10.3	0.1	0.2
553	Perfumes and cosmetics	8.5	13.3	0.5	0.5	17.4	58	0.1	0.2
261	Silk	11	13.2	0.1	0.0	0.0	0.0	0.0	0.0
846	Knitted jersey underwear	11	13.1	0.4	0.6	4.3	8.3	0.0	0.02
893	Plastic products	11.6	13.1	1.4	1.2	14.6	76.9	0.1	0.2
771	Electric devices and their parts	10.9	12.9	0.7	0.6	55.4	246.3	0.3	0.6

898	Musical instruments and recordings	10.5	12.6	0.7	0.7	1.4	1.8	0.0	0.0
612	Leather products	10.5	12.4	0.2	0.1	3.0	6.9	0.0	0.02
111	Beverages	10.2	12.2	0.3	0.1	2.8	41.4	0.0	0.1
872	Medical tools	10.1	12.1	0.5	0.4	6.1	9	0.0	0.02
773	Electric power transferring equipment	10	12	0.8	0.7	84.1	332.8	0.5	0.9
764	Telecommunication equipment and its components and parts	10.9	11.9	3.3	3	71.7	200.2	0.4	0.5
844	Textile underwear	9.8	11.9	0.4	0.3	20.8	36.6	0.1	0.1
655	Knitted jersey products	9.7	11.7	0.3	0.3	1	5.6	0.0	0.02
541	Pharmaceuticals	12	11.6	2.5	2	4.7	14.9	0.0	0.04
778	Electric equipment not included in the other groups	10.9	11.5	2.1	1.7	80.9	185.2	0.5	0.5
Total	Most dynamical 19 products	12.05	12.8	24.8	22.2	410.8	1307.9	2.2	3.72

Source: Calculations of the author himself basing on the data from the *UN Comtrade*

Table 4

Ukraine's foreign trade of products of the electronic industry in 2006

SITC	Goods	Exports of goods from Ukraine, x \$ 10 ⁶		Share of the goods in the total exports, %		Imports of the goods to Ukraine, x \$ 10 ⁶		Share of the goods in the total imports, %		Foreign trade balance, x \$ 10 ⁶	
		2002	2006	2002	2006	2002	2006	2002	2006	2002	2006
751	Office equipment	0.2	1.1	0.001	0.003	13.2	35.4	0.078	0.079	- 13	- 34.3
752	Automatic data processing machines	4.1	25.4	0.023	0.066	90.1	156.2	0.531	0.347	- 86	- 130.8
759	Components for the office equipment and automatic data processing machines	3.6	19.1	0.020	0.050	28.5	41.7	0.168	0.093	- 24.9	- 22.5
761	Television apparatus	0.1	0.8	0.001	0.002	3.3	85.0	0.019	0.189	- 3.2	- 84.2
762	Radio sets	0.2	2.7	0.001	0.007	5.3	22.5	0.031	0.05	- 5.1	- 19.8
763	Sound equipment and photographic	0.3	0.6	0.002	0.002	6.4	61.4	0.038	0.136	- 6.1	- 60.7
764	Telecommunication equipment and its components and parts	71.7	200.2	0.399	0.522	244.5	875.0	1.44	1.944	- 172.8	- 674.8
774	Electric devices for medicine	42.8	6.3	0.238	0.017	25.3	90.0	0.149	0.2	17.5	- 83.7
776	Transistors and semiconductors	19.6	29.2	0.109	0.076	50.1	160.3	0.295	0.356	- 30.5	- 131
	Products of the electronic industry Total	142.6	285.7	0.794	0.745	466.7	1527.9	2.74	3.39	- 324,1	- 1242,1

Source: Calculations by the author himself on the base of the data from the *UN Comtrade*

The performed analysis shows that Ukraine has non-prospective positions on the global market, for the raw materials oriented exports and an insignificant share of the goods being on growing demands results in losing profits and worsening of the conditions for trading. The structure of the commodities exports of the electronic industry products include computers, office equipment, television-sets, radio-sets, transistors and semiconductors, which in 2006 amounted to 3.4 % and exceeded the cost value of their exporting by 3,3 times as compared to that in 2002 (Table 5).

From these tables it is evidently that the increase of export of these highly technological wares is accompanied growth of negative balance through exceeding of volume of import of the resulted positions of analogical foreign wares, that in a transformation period it is possible to consider positive. However, the absence of structural reforms of the Ukrainian economy can result in irretrievable lag from main direction in the globalizing world: wider use of high technologies able to produce scientific products with high maintenance of surplus value.

Creation of the technical base for forming of high technologies in all industries of national economy requires the use of effective measures of structural and scientific and technical policy of countries, the result of which adjusting of domestic production of microelectronic components and electronic wares, which are characterized high maintenance of value-added and became the source of the economy growing of Korea, Japan and other countries.

Except for industrial sector Ukraine has ponder able agrarian sector. Its potential of which, unlike the traditional participants of world markets of agrarian products (The USA, EU, Canada), yet is not outspent. According to the estimation of specialists, there is involved only third of productive forces of nature and company in Ukraine. Agrarian products of Ukraine are competitive on world markets and entering to WTO, in our view, will not entail substantial problems in this sector. At the favourable state of affairs the volume of export of basic types of agrarian products in 2006 was increased against 2005 in a value term on 315 million dollars and arrived at almost 2,5 milliards of dollars even at diminishing of his volumes in natural indexes (table. 5).

However braked development of agrarian sector is through the lacks of pricing on an agricultural produce. Foreign firms which comes to the national market on the Uruguayan agreement buy in an agricultural produce on low regional prices, and difference between them and allows to appropriate not only export but also natural (absolute), rent world prices.

Table 5.

Export of products of agrarian sector of Ukraine in 2005-2006

Indicators	2005	2006
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	Ths. ton	mln. USD	USD/t	Ths. ton	mln. USD	USD/t
Cereal crops	12492,8	1383,1	110,7	11021,1	1353,7	122,8
Vegetables and root crops	206,0	39,3	191	316,4	86,7	273,9
Sunflower's seeds	35,0	9,8	281	229,0	58,2	254
Oil	851,0	545,5	641	1625,0	919,7	566
Sugar	41,7	13,6	326,1	22,5	8,8	393,3
Meat and subproducts	64,0	154,3	2411,6	15,3	33,2	2171,9
Total	13690,5	2145,6	x	13229,3	2460,3	x

Source: It is expected from data of State Statistics Committee of Ukraine.

From above-explained it is possible to come to the conclusion, that Ukraine was not yet able to occupy the own reliable niches of supply of the prepared commodities in the world market, but not raw material and low-technological products. Overwhelming part of its most point-of-sale partners on the indexes of GDP and export on one person are at considerably higher level (table. 6).

Ukraine substantially falls behind on the noted indexes not only from the developed countries but also from many countries of the CIS — Russia, Belorussia, Kazakhstan, Azerbaijan, passing ahead Armenia, Georgia, Moldova, Turkmenistan only. Thus Ukraine accepts active enough voice in the international division of labor due to a higher export quota. The coefficient of international division of labor, expected as a relation of part of country in a world export to its part in world GDP, exceeds this coefficient of other countries of the CIS, except for Belorussia, Kazakhstan and Turkmenistan, which have a considerably higher export quota. However accompanied this active voice is the proper level of efficiency of export activity.

The low index of efficiency of export, which shows a profit yield per capita from every exported percent of GDP by comparison to average world one, accepted after, testifies to it 100%. Than greater is an export of country in a calculation on one person and than less is the exported part of GDP, the higher will be economic efficiency of export. After our calculations, efficiency of export of the developed countries is 40 times more high from average world one, to Poland — at the level of average world one, and among the countries of the CIS only Russia after efficiency of export exceeds a middle world level. Ukraine is characterized by very low efficiency of export, that it is constrained, foremost, with its deformed commodity structure, lacks of the institutional adjusting, decline of science and technology, disparity of

methods of organization and management, in all industries the requirements of contemporaneity.

Table 6.

**GDP, export per capita, indexes of openness of economy
of Ukraine and basic point-of-sale partners in 2006**

Country	GDP per head, \$	Export per head, \$	Export quota, %	Coefficient of international division of labour	Coefficient of export efficiency
Poland	8801	2873	32	1,31	1,08
Germany	34 954	13450	38	1,55	44,96
Italy	31 439	6982	22	0,89	14,74
France	35 375	7756	22	0,88	19,05
Great Britain	39 207	7383	19	0,76	19,52
Hungary	11 133	7307	65	2,64	0,93
Ukraine	2286	824	36	1,45	0,09
Russia	6876	2126	31	1,25	2,33
Belorussia	3792	2026	53	2,15	0,08
Moldova	875	269	31	1,24	0,001
Georgia	1746	224	12	1,29	0,001
Armenia	2128	333	15	0,63	0,002
Azerbaijan	2361	758	32	1,29	0,016
Kazakhstan	5043	2642	52	2,11	0,22
Turkmenistan	1326	1077	81	3,27	0,007

Conclusions

For development of export potential of Ukraine it is necessary in the nearest prospect:

— to promote the competitiveness of the Ukrainian producers on the basis of activation of structural reformation of economy, foremost export-oriented sector;

— to carry out the high-quality changes of specialization of Ukraine in the world division of labor on the basis of development and realization of complex export strategy, oriented to the increase of part in the export of the innovative and traditional Ukrainian products with the high level of value added, increase of grant of highly technological services:

— reorient the imported strategy in direction of providing of complex decision of problems of modernization of national industry and active policy of import substitution (limitation of import of the imported commodities is during intensification of analogical production in Ukraine);

— to solve the problem of dispartate of purchase and imported prices on the products of agrarian sector.

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