

International trade in Ukraine since 1991: goods traded, trading partners, government policies

Tatyana Dubovyk
e-mail: dubovyk@econ.umn.edu

Outline

- Introduction to Ukraine
- Some definitions
- Absolute/Comparative advantage for goods Ukraine imports/exports
- Change in trading partners between 1991 and 2002
- Government policies that affect international trade

Introduction to Ukraine

Location: Eastern Europe, neighboring countries are Russia, Belarus, Poland, Moldova, Hungary, Romania, Slovakia.

Area: 233,000 sq.mi (\approx 4 times Minnesota)

Population: 49 million (\approx 10 times Minnesota)

Independence: 24 August 1991 (from Soviet Union)

Economy (2003):

GDP in PPP = 260.4 billion US\$ (1/42 of US)

GDP/capita in PPP = 5,400 US\$ (1/7 of US)

Growth of Real GDP = 9.1% (2001), 4.8% (2002), 8.2%(2003) (US 3.1% (2003))

Sources: CIA's The World Factbook, <http://www.cia.gov/cia/publications/factbook/>
World Development Indicators 2003, World Bank
National Bank of Ukraine, www.bank.gov.ua




 NATIONAL GEOGRAPHIC marcopolo
EXPEDITIONS
www.nationalgeographic.com/xpeditions



Ukraine

- International boundary
- ★ National capital
- Railroad
- Road

0 100 200 Kilometers

0 100 200 Miles

Lambert Conformal Conic Projection, SP 47N/62N

Boundary representation is not necessarily authoritative.




 NATIONAL GEOGRAPHIC *marcopolo*
XPEDITIONS
www.nationalgeographic.com/xpeditions

Some definitions

Absolute advantage

A person has absolute advantage in production of a good if it takes him/her **less time** to produce the good.

Comparative advantage

A person with **lower opportunity cost** has comparative advantage in production of a good.

An exercise from Econ1101.

Snoop and Ludacris are rap artists that write their music and lyrics.

	Time (in days) required to:		Opportunity cost of one unit	
	Write music for a song (X)	Write lyrics for a song (Y)	X	Y
Snoop	4	4	$4/4 = 1$	$4/4 = 1$
Ludacris	2	4	$2/4 = 0.5$	$4/2 = 2$

Absolute/Comparative advantage for goods Ukraine imports/exports

Goods that Ukraine imports (2002):

Code	Description	Trade Value, Mln USD	% in total
27	Mineral fuels, oils, distillation products, etc	6,653	39.19
	Crude petroleum, natural gas		
84	Nuclear reactors, boilers, machinery, etc	1,816	10.70
	Fuel for nuclear power stations		
87	Vehicles other than railway, tramway	927	5.46
	Automobiles, buses		
85	Electrical, electronic equipment	685	4.04
	Consumer electronics		
48	Paper & paperboard, articles of pulp, paper and board	590	3.48
	Other commodities	6,305	37.14
	Total:	16,976	100.00

Source: United Nations, <http://unstats.un.org/unsd/comtrade>

Reasons for importing goods:

- Internal energy resources of Ukraine cover 15% of annual consumption.
- Ukraine has limited amount of forest suitable for timber production.
- Hence, Ukraine exports crude petroleum, natural gas, and paper products.
Countries that possess certain natural resources have **absolute advantage** in producing crude products from the resources.
- Germany and Japan have **comparative advantage** in producing cars and consumer electronics.

Goods that Ukraine exports (2002):

Code	Description	Trade Value, Mln USD	% in total
72	Iron and steel	5,338	29.77
27	Mineral fuels, oils, distillation products, etc	1,646	9.18
	Gasoline, motor oils		
84	Nuclear reactors, boilers, machinery, etc	1,285	7.17
	Equipment for nuclear power stations		
10	Cereals	998	5.57
	Wheat		
82	Tools, implements, cutlery, etc of base metal	601	3.35
	Other commodities	8,063	44.97
	Total:	17,931	100.00

Source: United Nations, <http://unstats.un.org/unsd/comtrade>

Reasons for exporting goods:

- Inputs to produce "Iron and steel" products: iron ore, coal, labor. Due to relatively cheaper labor, Ukraine has **comparative advantage** in production of these goods.
- Ukraine has **comparative advantage** in goods that we export.

Change in pattern of international trade between 1991 and 2002

Main trends:

- Less trade with countries of Former Soviet Union, more trade with European Union and other countries.
- Ukraine is trying to reduce dependence on Russia in energy resources. More trade with other oil-producing countries: Turkmenistan, Uzbekistan, Kazakhstan.
- Ukraine became more open country in recent decade: the volume of international trade went up.

Trading Partners: Comparison between 1993 and 2002

Source: United Nations, International Trade Statistics Yearbook

Imports to Ukraine

	1993		2002	
	in mln USD	in %	in mln USD	in %
Total Imports	9,533	100.00	16,976	100.00
Russia	4,999	52.44	6,299	37.11
Turkmenistan	1,339	14.05	1,886	11.11
Germany	462	4.85	1,627	9.58
Poland	77	0.81	537	3.16
France	157	1.65	480	2.83
USA	224	2.35	464	2.73
Italy	96	1.01	460	2.71
China	53	0.56	259	1.52
Turkey	12	0.13	195	1.15
Former USSR	7,100	74.47	9,155	53.93
EU	1,099	11.53	4,093	24.11
Eastern Europe	436	4.57	1,172	6.91

Countries are sorted by share in total imports in 2002

Exports from Ukraine

	1993		2002	
	in mln USD	in %	in mln USD	in %
Total Exports	7,817	100.00	17,927	100.00
Russia	3,545	45.35	3,149	17.56
Turkey	142	1.82	1,235	6.89
Italy	141	1.80	839	4.68
Germany	172	2.20	736	4.10
China	271	3.47	667	3.72
Poland	123	1.57	505	2.82
USA	164	2.10	505	2.82
France	30	0.38	313	1.74
Turkmenistan	195	2.49	n/a	
Former USSR	4,701	60.14	4,847	27.03
EU	840	10.75	3,686	20.56
Eastern Europe	647	8.28	2,120	11.83

Countries are sorted by share in total exports in 2002

Government policies that affect international trade

Protectionist policies of Ukrainian government:

Tariff on automobiles imported to Ukraine. **Goal** is to support car-manufacturing industry. **Beneficiaries** are owners and employees of the industry. **Outcome of the policy:** higher prices on cars in Ukraine, consumer surplus went down.

Protectionist policies of other governments:

Steel tariff in the US between March 2002 and March 2003. Tariff on steel imports from countries excluding countries belonging to NAFTA and WTO. Tariff was cancelled because WTO declared it as contradicting to rules of WTO.

Outcome of the policy: higher prices on steel products in USA; shift in trading partners; steel industry in Ukraine is affected.

US Imports of Steel Products from Ukraine

Period	Total Value, In 1,000 USD	Change from previous period, in %
April 2000-March 2001	227,779	
April 2001-March 2002	80,445	-64.68
April 2002-March 2003	35,366	-56.04

Source: U.S. International Trade Commission,
<http://dataweb.usitc.gov/default.asp>

Cars produced in Soviet Union:
Lada 21011 produced in 1976



Lada 2105 produced in 1988



**Cars produced on Zaporozhie Car-
Manufacturing plant as joint venture with
Daewoo:
Daewoo Lanos 2002**



Daewoo Nubira 2002

