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THE CURRENT STATE AND PROSPECTS OF UKRAINIAN ENTERPRISES EXPORT ACTIVITY DEVELOPMENT ON THE EUROPEAN MARKET OF CABLE PRODUCTS

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Abstract. The article summarizes and investigates of the current state problems of foreign trade of Ukrainian enterprises in the cable industry goods. The state of the cable production market in the European Union countries is considered. The emphasis is on the modern quality standards and the complexity of certification procedures. Analysis of the cable products producers export activity of Ukraine is carried out on the example of the public joint-stock company “Odeskabel”, which is the leading producer of cable products in the South of Ukraine. The export’s efficiency indicators of OJSC “Odeskabel” are analyzed, the economic effect of the enterprise’s product export is calculated, the dynamic of total sales and product exports over the last five years is determined. The method of SNW-analysis have been used for enterprise’s internal environment analysis. It was determined, that the “Organization of General Management” sphere is inefficient, the “Production” sphere is one of the strongest at the enterprise, the “Marketing” sphere is not sufficiently developed at the enterprise, in the “Finance and Accounting” sphere there are both strengths and weaknesses, and the “R & D” sphere is well developed. The political and economic macroenvironmental factors have the greatest impact on the enterprise, and the main risks in his activity are political instability in Ukraine, a sharp change in exchange rates and devaluation of the national currency, crisis phenomena in the economy of Ukraine, in the EU countries and the world, which have influence on the whole global market and the requirements tightening for cabling wiring products and changes to European quality standards. Possible prospects for the cable products export development by Ukrainian enterprises, in particular PJSC “Odeskabel”, in the conditions of degree integration deepening of national economy into the common EU market and provisions of the Free Trade Zone, are given.

Keywords: cable industry; European Union; common EU market; Free Trade Zone; export; foreign trade; public joint-stock company “Odeskabel”; quality standards; the export of cable products.

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СУЧАСНИЙ СТАН ТА ПЕРСПЕКТИВИ РОЗВИТКУ ЕКСПОРТНОЇ ДІЯЛЬНОСТІ УКРАЇНСЬКИХ ПІДПРИЄМСТВ НА ЄВРОПЕЙСЬКОМУ РИНКУ КABELЬНОЇ ПРОДУКЦІЇ

Уханова, І. О. Сучасний стан та перспективи розвитку експортної діяльності українських підприємств на європейському ринку кабельної продукції // Вісник соціально-економічних досліджень : зб. наук. праці (ISSN 2313-4569); за ред.: М. І. Зверякова (голов. ред.) та ін. Одеса : Одеський національний економічний університет. 2018. № 3 (67). С. 36–42.

Анотація. У статті узагальнено та досліджено проблеми сучасного стану зовнішньої торгівлі українськими підприємствами товарами кабельної промисловості. Розглянуто стан ринку кабельного виробництва в країнах Європейського Союзу. Акцент робиться на сучасних стандартах якості та ускладнені процедур сертифікації. Аналіз експортної активності виробників кабельної продукції України здійснюється на прикладі ПАТ “Одескабель”, який є провідним виробником кабельної продукції на півдні України. Проаналізовано показники ефективності експорту ПАТ “Одескабель”, розраховано економічний ефект експорту продукції підприємства, визначено динаміку загального обсягу продажів та експорту продукції за умов останніх років. Для проведення аналізу внутрішнього середовища використано метод SNW-аналізу. Визначено, що сфера “Організація загального управління” є неефективною, сфера “Виробництво” є однією із найсильніших на підприємстві, сфера “Маркетинг” на підприємстві розвинена недостатньо та не справляється із поставленими завданнями, у сфері “Фінанси та облік” є як сильні, так і слабкі сторони, а сфера “НИОР”
СОВРЕМЕННОЕ СОСТОЯНИЕ И ПЕРСПЕКТИВЫ РАЗВИТИЯ ЭКСПОРТНОЙ ДЕЯТЕЛЬНОСТИ УКРАИНСКИХ ПРЕДПРИЯТИЙ НА ЕВРОПЕЙСКОМ РЫНКЕ КАБЕЛЬНОЙ ПРОДУКЦИИ

Уханова, И. О. (2018). Современное состояние и перспективы развития экспортной деятельности украинских предприятий на европейском рынке кабельной продукции // Вестник социально-экономических исследований: сб. науч. трудов (ISSN 2313-4569), под ред. М. И. Зверякова (глав. ред.) и др. Одесса: Одесский национальный экономический университет. 2018. № 3 (67). С. 36–42.

Аннотация. В статье обобщены и исследованы проблемы современного состояния внешней торговли предприятий Украины товарами кабельной промышленности. Рассмотрено состояние рынка кабельного производства в странах Европейского Союза. Акцент делается на современных стандартах качества и сложности процедур прохождения сертификации. Анализ экспортной деятельности производителей кабельной продукции Украины проводится на примере ПАО «Одесскабель», которое является ведущим производителем кабельной продукции на юге Украины. Проанализированы показатели эффективности экспорта ОАО «Одесскабель», рассчитан экономический эффект экспорта продукции предприятия, определены динамика общего объема продаж и экспорта продукции за пять последних лет. Для проведения анализа внутренней среды использован метод SWOT-анализа. Определено, что сфера «Организация общего управления» является неэффективной, сфера «Производство» является одной из сильнейших на предприятии, сфера «Маркетинг» на предприятии развита недостаточно и не справляется с поставленными задачами, в сфере «Финансы и учет» есть как сильные, так и слабые стороны, а сфера «НИОКР» развита хорошо. Наибольшее влияние на предприятие оказывают политические и экономические факторы макросреды, а основными рисками в его деятельности являются политическая нестабильность в Украине, резкая смена курсов валют и девальвация национальной валюты, кризисные явления в экономке Украины, странах Европейского Союза и мира, которые имеют влияние на весь глобальный рынок, ужесточение требований к кабельно-проводниковой продукции и внесением изменений в европейские стандарты качества. Приведены возможные перспективы развития экспорта кабельной продукции украинскими предприятиями, в частности, ПАО «Одесскабель» в условиях ужесточения степени интеграции национальной экономики в общий рынок ЕС и действия положений Зоны свободной торговли.

Ключевые слова: кабельная промышленность; Европейский Союз; общий рынок ЕС; зона свободной торговли; экспорт; внешняя торговля; ПАО «Одесскабель»; стандартизация качества; экспорт кабельной продукции.

JEL classification: F140

1. Introduction

The world is developing at a faster pace. It’s no secret that the production and export of high-tech products with greater added value is more profitable. Information technologies have transformed communications, information, transport and energy supply into means of strategic importance. This led to the rapid growth of the demand for cable-conductor products and wires with the beginning of the so-called era of the information society. Thus, the largest share in the export of Ukraine among high technology goods is the products of the cable industry, which belongs to the electrical field. Cabling and wiring products, equipment for metallurgy and other components have become key products of Ukrainian engineering and machine-building industry supplied to the European Union countries for the past decade.
2. Literature review, shortcomings and problem statement

There are numerous of native scientists who studied the competitiveness of enterprises in the cable industry, among them: R. Kostyrko, V. Kostiuchenko, T. Momot, N. Tertychnaya, V. Shevchuk etc. N. Gakhovich, M. Zavgorodnaya [1] considers a very topical problem of the directions of reducing risks and losses from the operation of the Association Agreement with the EU for engineering as a result of the implementation of normative acts on the introduction of technical regulations of the EU, and N. Kukharskaya [2] gives the macroeconomic impact of the action of the Deep and Comprehensive Free Trade Areas (DCFTA), which is envisaged in accordance with section IV of the Association Agreement between Ukraine and the EU countries. D. Zakharova [3] analyzes the problems of the machine-building industry and suggests ways to improve competitiveness and improve the condition of enterprises in the machine-building industry.

The purpose of the article is to determine the current state of cable market and to detect the prospects of developing export activity of Ukrainian enterprises to EU.

3. The main material research

Generally European market is not the easiest one to enter for Ukrainian enterprises mostly because of the numerous certificates and other requirements. For example, the recent update – from 1 July 2017 all cables used for construction works (e.g. buildings, roads, and bridges) in the EU must be clearly CE marked [4]. Only cables with CE mark are allowed into the EU market. This is further specified in the CPR – the Construction Products Regulation (EU 305/2011) [5]. So if Ukrainian enterprises are importing cables to the EU, they must:

– ensure the cables carry a visible CE mark;
– ensure the cables have a correctly filled in DoC (Declaration of Performance) for reactance to fire and release of dangerous substances. The DoC should be filled in by the manufacturer.

One important change is that the manufacturers’ in-house tests are no longer a sufficient basis for CE marking. Final testing must now be done by or under the supervision of accredited labs.

Another obstacle for Ukrainian companies to enter the European market is really high competition. On the fig. 1 you can see key cable makers in the EU-28 in 2017.

But nevertheless Ukrainian export to EU is increasing. A feature of the export of engineering products to the EU is that it is based on components, not the final product. The key drivers of the growth of domestic exports to the European Union is the growth of automobile and telecommunications sectors in the EU. So more than 50% is accounted for by cable products for cars, telephones and other electrical appliances. And in the future the situation will be quite positive for Ukrainian companies.

In 2017 Ukraine has increased the export of wires and cables – these products account for about 3% of all exports, with most of it being supplied to the EU.

From the very beginning of the free trade zone, exports of insulated wires and cables began to grow significantly. In 2016 the growth was by 7.5%, and already in the first half of 2017 – by 16.3% [7].

Market leaders of cable products in Ukraine are PJSC “Odeskabel” (the largest producer of copper and fiber optic cables) and Kharkov’s PJSC “Yuzhacle” (the largest producer of aluminum cables and wires). The major cable plants have a slightly different specialization. But now, for the sake of reducing the cost of production, they are forcibly increasing production volumes. Therefore, large enterprises tend to directly reach the ultimate corporate buyer, competing with each other, as well as with large and small wholesale traders, and enter foreign markets.
Fig. 1. Top cable companies with the biggest production shares, US$ million

Source: compiled by the author [6]

Analysis of the main components of enterprise activity for SNW-analysis shows that such sphere as the “Organization of General Management” in PJSC “Odeskabel” is quite ineffective. At the enterprise, there is insufficiently organized organizational structure, which provides interaction of various structural divisions, but not at the best level, because of undeveloped system of tracking and information exchange, which is essential at this enterprise. At the enterprise, there is a clear division of rights and duties of the staff, which has a positive impact on the work coordination of employees. The organizational climate of the society is favorable and highly stable, and there is also a high organizational culture. Among the consumers of the production, as well as partners, PJSC “Odeskabel” has a positive image.

The “Production” sphere is one of the strongest at the enterprise. The business card of the factory today is modern equipment, the technology is constantly being improved, and the professionalism of the specialists is confirmed.

During the years of the factory’s operation, was carried out an intensive modernization of production, which had a positive effect on the return on use of equipment. The material base have been improved, the level of automation of production capacities, their flexibility and adaptability to changes has increased.

PJSC “Odeskabel” is a leader in the production of FOC and LAN-cable in Ukraine. In the capacity of production and quality of telephone and fiber-optic cable, the factory takes a leading position in the markets of the CIS countries. The high quality of the company’s products is confirmed by tests in the international specialized laboratories, as well as the implementation within management system of the international standards of quality, although it needs to be updated.

The “Marketing” sphere at the enterprise is still underdeveloped. The “Odeskabel” trademark has been known to consumers for more than half a century, primarily because it is related to the telecommunication systems. Among the methods of distribution and stimulation of PJSC “Odeskabel” pays special attention to the exhibition activities. Today PJSC “Odeskabel” is confidently working on the domestic market of Ukraine and is increasingly announcing its products on the international market.
In the “Finance and Accounting” sphere there are both strengths and weaknesses. The overall financial position of OJSC “Odeskabel” is characterized by low stability at the end of 2017. The reason for this – is the unstable economic and political situation in the country. More than half of the current assets of PJSC “Odeskabel” is its accounts receivable. The growth of inflation rates reduces the purchasing power of cash, it is beneficial to debtors and it is a great damage to the company. However, in spite of low financing rates stability through significant investments, the company achieved rather high capital turnover and business activity. Having settled up with its obligations in the near future, the solvency of the factory will increase. However, at this stage in the period of reconstruction and modernization of the enterprise and the impact of the economic crisis, there is a lack of free funds. There is implemented an effective accounting system, at the enterprise.

The “R & D” sphere of PJSC “Odeskabel” is well developed. Today, the factory on the crest of modern technologies, this gives it the importance of successfully working with numerous domestic and foreign customers, supplying their products to public and private companies in the near and far abroad.

The company has implemented an effective system of staff recruitment and its training, but the motivation system requires some improvements, as in some departments, the managers of the company do not have obviously expressed ability to direct the staff. The disadvantage for a foreign trade of an enterprise is a language barrier for the top managers. Staff turnover is insignificant, which has a positive effect on the stability in this sphere.

Every year PJSC “Odeskabel” demonstrates the best indicators. So, there is an increase in sales of products from 648 million UAH to 1500000000, as well as the growth of exports up to 2017 from 135 million UAH to 484 mil. (Fig. 2).

![Fig. 2. The dynamics of total sales and exports of PJSC “Odeskabel” production for 2013–2017, million UAH](source: compiled by the author [8])

It also should be noted that the share of exports in total sales is increasing. In 2013, the share of exports was 21%, in 2014 – 24%, in 2015 – already 31%, in 2016 the share of exports decreased up to 25%, but in 2017 it again increased up to 31%.

PJSC “Odeskabel” exports about 25% of its products both to CIS countries and to European countries (France, Germany, Poland, Slovenia and Bulgaria). The company plans to expand the range of sales in Europe and strengthen its position in Africa. The company also plans to conquer new markets and increase exports to EU countries.
Let’s have a look at fig. 3, where you can see the volume of sales of PJSK “Odeskabel”. PJSK “Odeskabel” exports quite a large number of cable products to Europe, but only 2% is exported directly to the EU.

![Fig. 3. The share of PJSK “Odeskabel” sales in the EU and other countries in 2016, %](image)

Source: compiled by the author [8]

The largest share of sold products abroad are LAN-cables and fiber-optic cables. The demand for these cables is growing with the development of telecommunications.

The sales volumes of cable and wire products are expected to grow by 7–10% per year in the near future. The main and most solvent part of cable buyers are construction and installation organizations, mostly small and medium-sized, as well as government institutions.

Among the new trends in the world cable technology, attention should be paid to the creation and production of cable products for high-speed transport and new types of cars.

The market of cables and wires for rail transport is quite large too. At the same time, the length of the railways increases, and the prospects for the development of the market in this area looks attractive. And growth in Europe is projected to increase by 2 times, and in other countries of the world by 4–5 times.

We calculate the economic effect of exports, using the formula (1), for the period from 2013 to 2016, in order to track the dynamics of the development of international trade.

The economic effect of export

\[ E_e = H_e - B_e \]  

where, \( H_e \) – export earnings in hryvna, which are calculated by transferring of foreign exchange earnings in hryvnias according to the NBU rate at the day of inflow of foreign exchange earnings, UAH;

\( B_e \) – the total costs of the enterprise for export, UAH.

According to the economic content the indicator of effect corresponds to the concept of profit.

\[
\begin{align*}
E_{e2013} &= 135123,852 - 122613,745 = 12510,107 \text{ (th. hrn.)} \\
E_{e2014} &= 161340,431 - 185807,620 = -24467,189 \text{ (th. hrn.)} \\
E_{e2015} &= 313489,587 - 345148,870 = -31659,283 \text{ (th. hrn.)} \\
E_{e2016} &= 310396,086 - 308462,179 = 1933,907 \text{ (th. hrn.)} \\
E_{e2017} &= 484376,990 - 497453,081 = -13076,090 \text{ (th. hrn.)}
\end{align*}
\]
The results show that in 2017, the company inefficiently performed its foreign economic activity, cause the efficiency indicator is less than one, and therefore the sale of goods on the foreign market was less profitable compared to domestic sales, unlike last year, when the indicator was more for a unit. Obviously, 2014 was the worst year during the reporting period. As it is seen, despite the fact that the export effect and efficiency in 2015 were negative and even less than 2017.

4. Conclusions

Thus, it should be noted that during the analyzed period the enterprise of PJSC “Odeskabel” received positive results from the economic activity. Having analyzed the effectiveness of exports, it can be seen that although the indicator of economic efficiency of exports for an enterprise is generally lower than the efficiency of domestic sales, this does not mean that it is expedient to reorient the company completely to the domestic market in order to achieve the maximum possible profits. The results show that in 2017, the company inefficiently performed its foreign economic activity, cause the efficiency indicator is less than one, and therefore the sale of goods on the foreign market was less profitable compared to domestic sales, unlike last year, when the indicator was more for a unit.

Political and economic factors of the macroeconomic environment have the greatest impact on the company, and the main risks in the activity of PJSC “Odeskabel” are political instability in Ukraine, a sharp change in exchange rates and devaluation of the national currency, the crisis in the economy of Ukraine, EU countries and the world, the strengthening of cable requirements – conductor products and changes to European quality standards.

Despite the association with the EU, for the majority of domestic machine-building enterprises this market is still closed. The main obstacles to access to the EU market are high competition and a complex and costly product certification procedure.

At this stage, the potential of Deep and Comprehensive Free Trade Areas between Ukraine and the EU is not fully used, since non-tariff barriers are hindering exports. Therefore, further priority of the government’s activities is the continuation of reforms to increase the access of Ukrainian goods to the EU market.

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