The formation of open economies in post-communist countries: historical experience of Ukraine

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Abstract

The main purpose of the article is to identify the place of the Ukrainian economy in the global trading system as a result of post-communist transitions. It is historical and economic research of the specificity of Ukraine’s open economic model, formed in the early period of the country’s independence. Formation conditions of the exogenous model of Ukraine’s economic development in the 1990s – early 2000s are disclosed. It is analysed the political, economic, social and other factors of the country’s increased integration into the global trade space. An assessment of the impact of the high level of functional openness of Ukraine’s economy on the expansion of its foreign economic interaction is carried out. It is revealed that the high level of exogenization of the national economy caused superfluous consequences for the development of the country’s competitive advantages and strengthening of its role on the world markets. The article reveals the peculiarities of Ukraine’s institutional openness development, which required trade liberalization. It is analysed the process of transformation of national customs and tariff regulation in terms of reduction of trade barriers, which became one of the factors of Ukraine’s accession to the World Trade Organization.

Keywords: Ukraine, open economy, export and import activities, customs and tariff regulation.

Introduction

In the Soviet period, Ukraine’s foreign trade depended on the system of centralized export-import plans in terms of non-available state subjectivity. It was an obstacle to the realization of Ukrainian integration potential. Besides, the Soviet policy of export stimulation and import substitution determined the peculiarities of the Republican foreign trade. On the one hand, that policy stimulated domestic production and the strengthening of Ukraine’s positions in the markets of heavy industry through centralized planning, industrialization, and socialist integration. On the other hand, the Soviet foreign trade policy supported the technical and financial country’s dependence on the Union centre and transformed Ukraine into the energy and fuel base for the development of the CMEA countries. Hence, the CMEA countries were the main trade partners for Ukraine, while the Soviet authority restricted the cooperation with the capitalist states.

With the declaration of independence, the Ukrainian government was able to implement its foreign economic policy, guidelines of which were determined by many internal and external terms. Accordingly, in the 1990s, the national economy was depressive and stagnant. The problems of political instability, lack of proper state management, social disproportions complicated the situation. Consequently, such terms required the implementation of the endogenously oriented economic model. Instead, the government implemented the strategy of the economic exogenization in
Ukraine. It not only limited the country’s integration opportunities, but also deepened the existing internal economic imbalances.

**Material and methods**

The low level of the domestic market development, lack of investment, the fall of the state privatization program, the increase of some financial and business groups’ power were the main reasons for Ukraine’s exogenization strategy. V. Heyets and M. Skrynchenko (2003) explained Ukraine’s transition to the exogenously oriented strategy of economic development by the loss of marketplaces due to the destruction of industrial, technological and financial relations with the former Soviet republics. H. Kasyanov (2011) admitted a determinant role of Russia’s monopoly as the main partner in energy trade for Ukraine. O. Ivchenko (1997) focused on Ukraine’s economic dependence on the external sources of financing. V. Olefir (2012) paid attention that in the 1990s, the tendency to increase the economic openness was common to post-Soviet countries. And Ukraine was no exception. V. Sidenko (2011) connected the orientation to foreign markets with an essential stimulus for national economic development in a favorable external environment. As follows, the purpose of this paper is to analyse the role of Ukraine in the global trade system formed under its foreign economic strategy during the 1990s – early 2000s. We make an effort to describe the specificity of Ukraine’s open economic model formation and the determinants of its conflicting nature. According to the results of such a historical and economic analysis, we can realize the main reasons for Ukraine’s weak economic positions in the international sphere nowadays.

**Results and discussion**

At the beginning of the 1990s the Ukrainian government chose a course for the open economy formation in terms of globalization and regionalization, the transformation of the international labour division, the geopolitical pluralism development, and the liberalization of foreign trade and economic cooperation (Heyets, 2000). First, the relevant laws and regulations were adopted, which had consolidated the liberal nature of Ukraine’s international economic policy. Second, Ukraine concluded a lot of free trade agreements with European (e.g., Poland, Hungary, France, Estonia, and Bulgaria) and other countries. In 1992 Ukraine reaffirmed its intentions for European integration by signing the Helsinki Final Act. Besides, Agreement on Partnership and Cooperation between Ukraine and the EU, signed in 1994, documented the country’s status of associate member. The foreign economic cooperation between Ukraine and the former Soviet republics recovered due to the accession to the CIS. In fact, in 1995, Ukrainian enterprises, institutions, and organizations have already cooperated with foreign trade partners from 147 countries (Ivchenko, 1997). Active participation in international organizations expanded Ukraine’s foreign trade relations. On January 1, 1995, Ukraine has already become a member of 37 international and intergovernmental organizations and participated in more than 100 permanent and temporary structures formed within those organizations (Ivchenko, 1997). For instance, it was a membership in the UN, joining the international financial institutions (e.g., IMF, IBRD, IDA, and MIGA), cooperation with the EBRD, work in the Central European Initiative, participation in the Black Sea economic cooperation.

Hence, the process of an open economy formation and the abolition of state protectionism at external and internal markets changed the terms of foreign market access and contributed to Ukraine’s international trade activity. At the same time, it caused the inflow of competitive imports to the country that complicated rather weak market positions of
the domestic producers. It was consolidated the country’s specialization in producing foods and raw materials and strengthened its competitive positions as the exporter of low value-added goods. The process of trade liberalization caused rapid economic development in other transition countries, for example, the Czech Republic, Hungary, Poland, Slovak Republic, Baltic States (Kurnosov, 2010).

**The conditions and determinants of Ukraine’s economic model exogenization in the 1990s – early 2000s**

In the second half of the 1980s, many social, economic, and political conditions prevented collapsing the Soviet Union. It also determined Ukraine’s state subjectivity in the international area. In particular, we can mention the intensive crisis trends of the Soviet economy, macroeconomic imbalances, social and political transformations, and tensions in international relations. The domestic industry was in a crisis position. The agricultural sphere depressed because of the ‘kolkhoz’ system conservation. Social production and national income declined. Corruption, bribery, and shadow operations deepened. The national currency depreciated and inflation rose. There were some negative tendencies in Ukraine’s foreign trade development as well. Only at the end of the 1980s, the Soviet government had destructed the system of state monopoly and allowed enterprises to both enter the international markets and establish direct contacts with foreign firms. However, the population got opportunities for external mobility. As a result, the Republican foreign trade system changed, the international business started to develop, and both speculative and barter trades intensified.

The necessity for adaptation to the terms of the international economic system and further integration into the world economy became important for Ukraine with the declaration of independence. Ukraine has got the opportunity to implement foreign economic policy on its own. The main measures were to increase export base, establish close bilateral and multilateral relations with neighbouring countries (e.g., Poland, Hungary, and Romania), the development of industrial, scientific and technical cooperation with the United States, Canada, and Western Europe, integration to international organizations and regional associations (Ivchenko, 1997). Leading Western European countries had intentions to establish economic and trade cooperation with the former Soviet republics, including Ukraine. Those countries supported the democratic political process in the former socialist states, contributed to the development of market economy and countries’ integration to the global labour division (Donchenko, 2010). In terms of the CMEA collapse, Ukraine had reoriented its foreign trade to the Western European countries. As a result, it contributed to the radical transformation of mutual export-import operations.

At the same time, many unfavourable terms of national development complicated the process of integration into the world economy. In the first years of state independence, there were different negative features in the development of the country’s social and economic spheres like the declining of industrial and agricultural production, the increasing of unprofitable enterprises share, the development of hyperinflation, the falling of national income, the rising of government expenditures, the intensification of import dependence, and the deepening of social differentiation. Ukraine’s difficult economic situation complicated its positions in the international area. The main reason for that situation was a huge, but extremely expendable industrial complex in the military sphere and heavy industry inherited from the USSR. As well, among other reasons, the researchers admit such as the low level of innovative productions, the backwardness of the material and technical base, continued colonial policy of the former Soviet Union, lack of closed industrial and technological cycles in the country (Deshchynskyi, 2004), and the inefficiency of public administration (Ivchenko, 1997).
However, in the early 1990s, the Ukrainian government had launched the program of privatization and development of rental relations, which deepened the crisis. Due to the corruption and lobbying, state property was in the hands of oligarchic structures, so-called ‘new business elite’. Those elite groups, interested only in cheap government loans, subsidies, and public funds, destroyed the prospects for active national growth (Kasyanov, 2011). As a result, industrial and agricultural production declined, and the level of the country’s import dependence increased. In addition, mentioned business groups controlled strategic foreign trade directions like natural resources export. The social differentiation and inequality increased, incomes depreciated, purchasing power decreased, the level of trust in government fell, labour migration spread due to the deepening of the economic crisis, inefficient economic and social policy, the monopoly power of financial and industrial groups.

Since the early 1990s, some endogenous factors influenced the specificity of Ukraine’s international economic relations. We can admit such ones:

- Natural-geographical factors (favourable geographical position, rich natural-resource, and labour potential).
- Socio-economic factors (political regime-changing, the collapse of the communist monopoly, development of democratic institutions, significant military potential, and the availability of appropriate legal framework).
- Socio-economic factors (pluralism of property forms, entrepreneurship and market infrastructure development, liberalization of country’s foreign trade).

However, some exogenous determinants influenced the formation of Ukraine’s open economy. We can talk about such as the development of global economic zones, the creation of international and regional organizations, the CMEA collapse, transformation of the European labour division, and development of internalization. It’s worth pointing out such factors as investment acceleration by the EU, liberalization, and intensification of trade flows between countries of West and East Europe, labour migration, development of the consolidated international monetary and financial market.

**Estimating the main indicators of Ukraine’s economic openness**

The strategy, taken to increase the level of Ukraine’s economic openness and expand its foreign economic activity, didn’t result positively. Comparison of statistical data on Ukraine shows some negative tendencies of the country’s export-import indicators in the 1990s – early 2000s instead of intensifying foreign trade operations (Figure 1).

![Figure 1 – The dynamics of Ukraine’s foreign trade indicators in the 1990s – early 2000s (Current US$).](image)

*Source.* Based on World Bank open data database

There was a negative growth rate of export values by the end of the 1990s, except for 1994–1995 and 1997. The rapid export increase was reached only in 2000 and then maintained until the beginning of the global economic crisis of 2009–2011. We can observe the decline in the national exports by 35.8% in 1999 compared to 1989 and then an increase three times over the period 2000 to 2008. As for imports, the positive dynamics can be observed only in 1993–1995 and 1997. In 1999, compared to 1989, imports to Ukraine decreased by almost 43%, but then increased 3.5 times between 2000 and 2008.
The same trend is for Ukraine’s export-import turnover (Figure 1). Total turnover decreased by 35.3% over the period 1989 to 1999 but increased 3.5 times between 2000 and 2010. We can observe the stable trade deficit by the end of the 1990s. There was a slight excess of national exports over imports from 1999 to 2005. But in 2006–2010, there was both a negative trade balance and a significant increase in the deficit volume. Generally, the analysis of export-import values shows unstable dynamic trends. However, it does not give an idea of Ukraine’s economic dependence on the international market.

The level of Ukraine’s economic openness (Table 1) can be analysed by using the popular Trade-to-GDP approach (Gräbner, Heimberger, Kapeller, & Springholz, 2018).

| Year | Export / GDP ratio (Percent) | Import / GDP ratio (Percent) | Trade / GDP ratio (Percent) | Export growth rate / GDP growth rate ratio (Index) | Import growth rate / GDP growth rate ratio (Index) |
|------|-----------------------------|-----------------------------|-----------------------------|--------------------------------------------------|--------------------------------------------------|
| 1989 | 32,1                        | 32,1                        | 64,2                        | -                                                | -                                                |
| 1990 | 27,6                        | 28,7                        | 56,3                        | 0,86                                             | 0,89                                             |
| 1991 | 26,1                        | 23,9                        | 50,0                        | 0,94                                             | 0,83                                             |
| 1992 | 24,0                        | 22,0                        | 46,0                        | 0,92                                             | 0,92                                             |
| 1993 | 25,9                        | 26,2                        | 52,1                        | 1,08                                             | 1,19                                             |
| 1994 | 35,4                        | 38,6                        | 74,0                        | 1,37                                             | 1,47                                             |
| 1995 | 47,1                        | 50,2                        | 97,3                        | 1,33                                             | 1,30                                             |
| 1996 | 45,6                        | 48,2                        | 93,8                        | 0,97                                             | 0,96                                             |
| 1997 | 40,6                        | 43,6                        | 84,2                        | 0,89                                             | 0,90                                             |
| 1998 | 41,9                        | 44,2                        | 86,1                        | 1,03                                             | 1,01                                             |
| 1999 | 53,7                        | 48,2                        | 101,9                       | 1,29                                             | 1,09                                             |
| 2000 | 62,4                        | 57,4                        | 119,8                       | 1,16                                             | 1,19                                             |
| 2001 | 52,5                        | 51,5                        | 104,0                       | 0,84                                             | 0,90                                             |
| 2002 | 47,4                        | 48,5                        | 95,9                        | 0,91                                             | 0,94                                             |
| 2003 | 54,7                        | 52,8                        | 107,5                       | 1,15                                             | 1,09                                             |
| 2004 | 60,2                        | 53,5                        | 113,7                       | 1,10                                             | 1,02                                             |
| 2005 | 48,7                        | 48,4                        | 97,1                        | 0,81                                             | 0,90                                             |
| 2006 | 44,1                        | 47,3                        | 91,4                        | 0,91                                             | 0,98                                             |
| 2007 | 42,5                        | 48,3                        | 90,8                        | 0,96                                             | 1,02                                             |
| 2008 | 44,4                        | 52,5                        | 96,9                        | 1,05                                             | 1,09                                             |
| 2009 | 43,9                        | 45,9                        | 89,8                        | 0,99                                             | 0,88                                             |
| 2010 | 47,1                        | 51,1                        | 98,2                        | 1,07                                             | 1,11                                             |

*Source.* Own calculations based on World Bank open data database

Thus, in the first half of the 1990s, average Ukraine’s export-to-GDP ratio was almost 28%. It is for this reason; we can say about the low level of economic openness. In the second half of the 1990s, the average export-to-GDP ratio increased to 46% and maximized of 54% in 1999. Hence, we can admit the increase in the country’s economic openness. In the period 2000–2010, there was an increasing export-to-GDP ratio in Ukraine. Generally, it indicates the high importance of international markets in the economy of the country. During a certain period, the export share of GDP was almost 50% averagely with a maximum of 62.4% in 2000 and 60.2% in 2004. The same trend was for the import share of GDP. The data of Table 1 shows a low level of import dependence in Ukraine in the first half of the 1990s. But the indicator has become to rise since 1995. In particular, the import-to-GDP ratio averagely was 28% in 1990–1994 and 47% in 1995–1999. These indicators demonstrate the increase in Ukraine’s economic openness. At the
time of 2000–2010, the average import-to-GDP ratio amounted to 50.7%, which was half of the GDP value. In the 1990s, according to the data of Table 1, the trade-to-GDP ratio was 74.2% averagely with a maximum of 101.9% in 1999. In the 2000s, the trade-to-GDP varied from 90% to 120%. It confirms a high level of Ukraine’s economic openness and characterizes intensive country participation in international trade.

The ratio of export and import growth rates to GDP growth rate allows us to estimate the level of country’s economic dependence on international markets (Table 1). Thus, in the 1990s, the dynamic of foreign trade exceeded the dynamic of national production. On average, the ratio of export growth rate to GDP growth rate was 1.1, and the ratio of import growth rate to GDP growth rate was 1.05. It indicates the increase in Ukraine’s dependence on foreign markets. In the early 2000s, the dynamics of foreign trade and the dynamics of national production were almost equal. On average, the ratio of export growth rate to GDP growth rate was 0.99, and the ratio of import growth rate to GDP growth rate was 1.01. It indicates the prospect of further involvement of national resources into the international labour division.

The weighty point of the research is to focus on the foreign trade indicators per capita, which show the intensity of the country’s trade operations (Figure 2).

Figure 2 presents an unstable trend in exports per capita of Ukraine during the researched period. In particular, in the 1990s, the maximum of exports per capita was $434 (in 1990), and the minimum was $325 (in 1993). On average, Ukraine’s exports per capita amounted to $378 in the 1990s, while we can register an indicator decrease of 33.4% over the period of 1989–1999. Some positive trends can be admitted to the exports per capita growth since 2000. The indicator more than doubled in 2005 compared to 2000 and increased to 55.6% in 2010 compared to 2005. On average, exports per capita amounted to $915.4 from 2000 to 2010 and reached a maximum of $1724 in 2008.

The dynamic of Ukraine’s imports per capita was also unstable during the researched period (Figure 2). In particular, we can observe the indicator decrease of 39.2% in 1992 compared to 1989 but a rapid increase of 50.5% from 1992 to 1995. From 1995 to 1999, imports per capita declined by 34.7%, but we can register a stable indicator growth yearly from 2000 to 2008. It was a further decline of imports per capita caused by the world economy crisis of 2009–2011. The average of Ukraine’s imports per capita amounted to $384 in 1990–1999 and reached a maximum of $470 in 1995. In 2000–2010, imports per capita fluctuated within $365–2054, making an average of $969. The trade turnover per capita declined to 36.8% in 1999 compared to 1989 but increased by four times between 2000 and 2010. An average of the indicator was $762 in the 1990s and $1885 in the 2000s. Thus, there was an increase of 2.5 times. Hence, this analysis can be resulted by the point of a significant intensification of Ukraine’s foreign trade activity from 1995 to 2010.

In addition, estimating the level of Ukraine’s economic openness it is important to focus on analysing the country’s role in world trade (Table 2).
The country’s small share in world trade compared with its share in world GDP in the 1990s – early 2000s.

| Year | The share in world exports (Percent) | The share in world imports (Percent) | The share in world trade (Percent) | The share in world GDP (Percent) |
|------|-------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|
| 1989 | 0.71                                | 0.69                                | 0.69                             | 0.41 |
| 1990 | 0.52                                | 0.53                                | 0.53                             | 0.36 |
| 1991 | 0.45                                | 0.41                                | 0.43                             | 0.32 |
| 1992 | 0.35                                | 0.33                                | 0.34                             | 0.29 |
| 1993 | 0.35                                | 0.36                                | 0.35                             | 0.25 |
| 1994 | 0.34                                | 0.38                                | 0.36                             | 0.25 |
| 1995 | 0.35                                | 0.38                                | 0.37                             | 0.16 |
| 1996 | 0.30                                | 0.32                                | 0.31                             | 0.14 |
| 1997 | 0.29                                | 0.32                                | 0.31                             | 0.16 |
| 1998 | 0.25                                | 0.27                                | 0.26                             | 0.13 |
| 1999 | 0.24                                | 0.22                                | 0.23                             | 0.09 |
| 2000 | 0.25                                | 0.23                                | 0.24                             | 0.09 |
| 2001 | 0.26                                | 0.25                                | 0.26                             | 0.11 |
| 2002 | 0.25                                | 0.26                                | 0.25                             | 0.12 |
| 2003 | 0.29                                | 0.28                                | 0.29                             | 0.13 |
| 2004 | 0.34                                | 0.31                                | 0.33                             | 0.15 |
| 2005 | 0.32                                | 0.33                                | 0.32                             | 0.18 |
| 2006 | 0.32                                | 0.35                                | 0.33                             | 0.21 |
| 2007 | 0.35                                | 0.41                                | 0.38                             | 0.25 |
| 2008 | 0.40                                | 0.49                                | 0.44                             | 0.28 |
| 2009 | 0.32                                | 0.35                                | 0.33                             | 0.19 |
| 2010 | 0.34                                | 0.38                                | 0.36                             | 0.21 |

Source. Own calculations based on World Bank open data database

Our calculations, submitted in Table 2, confirmed Ukraine’s small share in world exports and imports. In particular, the country share in world trade had peaked in 1989: it was 0.7%. In 1990–1999, Ukraine’s share in world exports was averagely 0.34%, and the country share in world imports reached averagely 0.35%. Generally, the trend was the same between 2000 and 2010: the percentage share in world trade amounted to approximately 0.32%. Despite the small share in world trade, Ukraine had been involved in the international labour division rather actively. The comparison of the country’s shares in world exports and world GDP may confirm the point. Thus, in the researched period, Ukraine’s share in world exports exceeded its share in world GDP in 1.5–3 times. On the one hand, indeed, this fact may confirm Ukraine’s enhanced integration into the international trade system. But, on the other hand, this trend may characterize the weakness of the national economy and the domination of raw materials and low value-added goods in the country export structure (Mazaraki, Melnyk, and Iksarova, 2016).

The stages and mechanisms of Ukrainian institutional openness formation

The high level of Ukraine’s economic openness was formed not only through the intensification of its foreign trade activity but also through the implementation of appropriate institutional mechanisms. Formation of the institutional openness required to pursue a liberal trade policy, which, about all things, was reflected in a decline of the customs and tariff regulation. At the beginning of the 1990s, there was transformed Ukraine’s current economic legislation according to the strategy of trade liberalization. For instance, in 1991 there were accepted new Customs Code of Ukraine and the Law of Ukraine ‘On Foreign Economic Activity’ No. 959-XII dated 16 April 1991, and in 1992 there was made the Law of Ukraine ‘On the Single Customs Tariff of Ukraine’ No. 2097-XII dated 5 February 1992. The principles of the liberal trade regime and the terms of trade preferences (e.g., exemption from duty, reduction of customs duties, and duty-free trade) were enshrined in those legislative acts. Mostly, it concerned the countries which had free exchange and free trade agreements with Ukraine.

The Law of Ukraine ‘On the Single Customs Tariff of Ukraine’ No. 2097-XII dated 5 February 1992 enshrined the rules of using the Single Customs Tariff as a collection of detailed information on import duties. Besides, that legislative act established many customs that were allowed to levy, such as ad valorem, specific, combined tariffs, and particular kinds of duty rates (anti-dumping and countervailing duties) as well. At the same time, the first edition of the Single Customs Tariff enshrined a list of ad valorem duties only, the analysis of which evidenced the moderate level of customs and tariffs regulation in Ukraine during the
Our calculations revealed that in 1992 the average duty rate of Ukraine, according to the Single Customs Tariff, was about 12%. At the same time, the average preferential duty rate amounted to 6.3%. Generally, it indicates a rather high level of Ukraine’s institutional openness in the early 1990s. Until 1997, preferential duty rates were granted to 30 countries, for instance, the countries of Western Europe, Canada, the USA, and Japan.

In 1997, the government, making the changes in the customs law, extended the list of countries that were allowed to import their goods at preferential duty rates. It was stimulated by the conclusion of Free Trade Agreements between Ukraine and post-Soviet states. In particular, by 1997, Ukraine had signed Free Trade Agreements with such countries as Armenia, Azerbaijan, Belarus, Georgia, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Turkmenistan, and Uzbekistan. Furthermore, Ukraine granted most-favored-nation status to more than half a hundred trade partners. By 2001, the first edition of the Single Customs Tariff had been changed practically by different legislative acts. Appropriately, the government accepted a new version of The Law of Ukraine ‘On Customs Tariff of Ukraine’ No. 584-VII dated 19 September 2001. That legislative act changed the import duty rates and the list of free trade products.

In 2001–2004’s the average rate of import duties was 10.6% according to the new Customs Tariff. In 2005 the indicator declined to 6.5% (Demyanyuk, 2012). The number of all duty rates in the Customs Tariff was 11247 in 2008 before the WTO accession. Most of those duties were ad valorem, and specific duties were levied on 672 titles that were only 6% (Table 3).

| Duty rates, % | 0 | 0-5 | 5-10 | 10-15 | 15-20 | More than 25 | Specific duties | Total |
|--------------|---|-----|------|-------|-------|--------------|----------------|-------|
| Number of titles | 3495 | 3418 | 2213 | 890 | 393 | 44 | 122 | 672 | 11 247 |
| Share of all tariffs, % | 31,1 | 30,4 | 19,7 | 7,9 | 3,5 | 0,4 | 1,1 | 6,0 | 100 |
| The average rate of the current customs tariff (%) | 6,5 |

Thus, the level of customs duties on imports was a bit low at the time of the WTO accession. In the structure of the Customs Tariff, 61.5% of import duty rates did not exceed 5% of the customs value of the goods; 27.6% of import duty rates did not exceed 15% of the customs value of the goods. A small number of goods (only 5% of the total number) were subject to duty above 15%. Generally, the average rate of the current customs tariff was 6.51%. It confirms a relatively high level of Ukraine’s institutional openness.

It’s worth paying attention to the customs and tariff regulation of export trade. Since the early 1990s, most of the Ukrainian products have been exported at zero rates of customs tariff, but certain groups of goods were taxed with quite high rates of export duties. Thus, in 1993 the Cabinet of Ministers of Ukraine adopted the Decree ‘On export duty in 1993’ No.3-93 dated 11 January 1993. That document established different export duty rates for such kinds of goods as live animals, meat and meat products, fish, dairy, eggs, flour, seeds, oil, sugar, alcohol and non-alcohol drinks, building materials, metals, chemical products, textile, etc. The lowest export duty rate was established at 5% of the customs value of goods, and the highest export duty rate was about 40% of the customs value of goods. The average rate of export duty amounted to 22% of the customs value of goods according to the Decree, which was twice as high as for imports.

In the following years, other laws were adopted for the increasing of customs and tariff regulation of merchandise exports, in particular,
such as The Law of Ukraine ‘On export duties on live cattle and leather raw materials’ (1996), The Law of Ukraine ‘On export duties on the seeds of some kinds of oil plants’ (1999), The Law of Ukraine ‘On export duties on ferrous metal waste and scrap’ (2002). The rates on livestock, raw materials, seeds, ferrous metal waste, and scrap as strategic goods were rather high at the moment of Ukraine’s accession to the WTO. This factor has caused some negative effects on foreign trade and complicated its action (Table 4).

Table 4 – The list of some merchandise export duties of Ukraine in 2008 (before accession to the WTO)

| Title                                      | Duty rates                                      |
|--------------------------------------------|-------------------------------------------------|
| Live young cattle                          | 75%, but not less than 1 500 Euros per 1 ton    |
| Heifers, cows, bulls, oxen                 | 55%, but not less than 540 Euros per 1 ton       |
| Live sheep                                 | 50%, but not less than 390 Euros per 1 ton       |
| Cattle skin                                | 30%, but not less than 400 Euros per 1 ton       |
| Sheepskin                                  | 30%, but not less than 1 Euros per 1 ton         |
| Pork skins                                 | 27%, but not less than 170 Euros per 1 ton       |
| Seeds of sunflower and linen               | 17%                                             |
| Ferrous metal waste and scrap              | 30 Euros per 1 ton                              |

*Source.* Report of the working party on the accession of Ukraine to the WTO. January 25, 2008

One of the most considerable terms for Ukraine’s accession to the WTO was a further reduction of customs and tariff regulation. In the coming years, it became the element of the country’s foreign trade development strategy.

**Conclusions**

This study led us to conclude that, in the early 1990s, Ukraine became the independent subject of international foreign relations in the complicated and contradictory conditions of external and internal transformations. In particular, we admitted such internal circumstances as the economic crisis, collapse of the state privatization programme, lobbying of some business groups’ interests, political instability, the ineffectiveness of state regulations, and social disproportions. We found out, that Ukrainian foreign economic cooperation was influenced by different external factors. They are such ones, as globalization and regionalization, the transformation of the international labour division system, the development of geopolitical pluralism, and the general liberalization of international trade relations. The competitive advantages of Ukraine were determined by some natural, geographic, political, and socio-economic factors. We defined such ones, as favourable geographic position, rich resource and labour potential, development of democratic institutions, pluralism of property forms, intensification of entrepreneur activity, liberalization of foreign economic activities, etc.

The formation of high level functional and institutional openness of Ukraine’s economy caused contradictory results for its economic development. The lack of balance between economic openness and the level of internal market development deepened national economic problems. Ukraine integrated into the international trade system by the external financial and credit resources, the liberalization of import regulation, and the selective character of export policy. We found out that the economic openness caused the intensification of Ukraine’s foreign trade and, as a result, more participation in the international labour division system. On the other hand, we confirmed the formation of an exogenous-dependent model of the national economy. It led to the imbalance of export and import, an increase in imports, a chronic trade deficit, a decline of national production, and its competitiveness. Despite the intensification of foreign trade relations, their
nature has remained intact. The ineffective strategy of economic exogenization in the 1990s – early 2000s limited realization of Ukraine’s economic potential. Nowadays, the country continues to be a supplier of raw materials and low-tech products.

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