



УДК 339.9(477)

MAIN TRENDS OF UKRAINE'S FOREIGN TRADE IN GOODS OF LIGHT INDUSTRY

ОСНОВНІ ТЕНДЕНЦІЇ ЗОВНІШНЬОЇ ТОРГІВЛІ УКРАЇНИ ТОВАРАМИ ЛЕГКОЇ ПРОМИСЛОВОСТІ

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Abstract. The article identifies the main trends in the development of foreign trade in light industry goods of Ukraine under the influence of the manifestation of crisis phenomena caused by military operations on the territory of Ukraine. It is shown that the light industry has a powerful production potential, capable of producing a diverse range of consumer and industrial goods. Foreign trade is a source of economic development of the state, ensuring the growth of gross domestic product, efficiency and competitiveness of domestic producers.

Export indicators largely reflect the quality of domestic goods and services, their recognition in world commodity markets.

The dynamics of exports and imports of light industry goods of Ukraine, the shares of exports of light industry products by geographical macroregions and the share of major exporting countries in total exports are analyzed. Factors that will contribute to the effective development of international trade in Ukraine and measures that should be implemented to support the light industry sector are considered.

Key words: light industry, foreign trade, export indicators, export-import operations.

Introduction. Trade plays an important role in the economy of many countries of the world, including Ukraine. The effectiveness of Ukraine's economy depends on the degree of its integration into the world economy, establishing ties and globalization of relations between countries.

With the beginning of the full-scale invasion of the Russian Federation on the territory of our state, significant changes took place in the structure of Ukraine's foreign trade, especially in relations with the EU. Even before the start of the war, Ukraine expressed its desire to join the EU, which became a key trading partner. During the war period, the EU's role as Ukraine's trade partner grew rapidly. Of course, the country still receives most of its foreign exchange earnings from the trade in raw materials.



There are still problems with the export of ore, metals and agricultural products. At the same time, the volume of sales of goods with deep processing (and, accordingly, with high added value) almost did not change. However, their share in the structure of domestic exports is insignificant [1].

The situation in the manufacturing industries is unstable. Against the backdrop of a 37% drop in industry in 2022, there is little or no recovery. The negative balance of foreign trade amounted to about 38 billion dollars in 2023 and this negative trend continued in 2024.

Light industry is a basic strategic branch of Ukraine's economy, a complex for the production of a wide range of consumer goods capable of satisfying the population's demand. It is one of the few sectors of the economy with rapid turnover of capital. In light industry, where the capacity of the domestic market is 200 bln. hryvnias, the presence of imports - from 80 to 90%. That is, Ukraine is losing tens of billions of hryvnias for creating jobs not at home, but abroad.

With the beginning of the full-scale invasion, light industry enterprises showed a greater drop in production than other industries. To some extent, this is due to the difficulties of providing logistics and entering new markets. Due to expensive financial resources and logistics, the position of some European countries, Ukrainian exporters lost profits and personnel potential. However, light industry enterprises relatively quickly adapted to the prevailing conditions and reoriented themselves to military orders. As a result, a significant share of light industry enterprises had an increase in their production. It is worth noting that small and micro enterprises were more adaptive and dynamic.

However, if Ukraine wants to move away from the status of a raw material appendage of Europe, then we should develop trade in goods with high added value. That is why the issue of export of light industry goods is relevant and requires further research.

Review of recent research and publications. The problems and prospects of the development of foreign trade are of interest to many domestic and foreign scientists. Thus, in the work of Batrakova, T., Fomenko, S. the current state of Ukraine's foreign



trade in conditions of economic instability was investigated, the international trade market and the formation of economic and industrial relations with the world's leading countries were examined [2]. In the work of N.I. Dulyab, V.P. Dalyk. the development of Ukraine's foreign trade in conditions of global instability is considered and it is emphasized that measures to improve the Ukrainian economy should be aimed at stimulating the development of processing industries, supporting the export of domestic products with high added value [3]. The work of Dulyab, N., Palisa, A., Dulyab, O. focuses on the problems of the development of foreign trade of Ukraine in the conditions of domestic and global socio-economic challenges. [4]. In the article Mitsenko N.G., Kabatsi B.I., Fedorenko A.O. current problems of the development of foreign trade of Ukraine in the context of its impact on the country's economy are considered [5]. Special attention in the work of Sokolovska O.M. devoted to the problems of foreign trade of Ukraine and its regions in the context of the global crisis [6].

The purpose of the article is to determine the main trends in the development of foreign trade in light industry goods of Ukraine under the influence of the manifestation of crisis phenomena caused by military actions on the territory of Ukraine.

Presentation of the main material. The branch of light industry has a powerful production potential, capable of producing a diverse range of goods of wide use and industrial purpose. The light industry of Ukraine includes 23 types of economic activity, grouped into three main groups:

- 1) textile production (weaving, production of knitted fabric, carpets, ropes, ropes, non-woven materials, other textile products, except clothing, etc.);
- 2) production of clothing (work clothes, bottoms, outerwear and accessories, production of fur products, knitted and crocheted clothes, hosiery products, etc.);
- 3) production of leather, leather products and other materials (shoes, leather tanning and finishing, fur trimming and dyeing, production of road products, bags, etc.).

The industry also includes the production of toys, accessories, tableware, etc. Raw materials for the light industry of Ukraine are natural, artificial and synthetic fibers. Both domestic (linen, leather, fur, chemical fibers, wool) and imported (wool, cotton,



textiles) raw materials are processed.

Full-scale aggression and hostilities on the territory of our state led to the loss of markets for goods and services, a decrease in domestic demand due to the huge number of forced migrants, the outflow of specialists, the destruction of supply chains, the destruction of production and warehouse premises, equipment. More than 66% of Ukrainian micro, small and medium-sized enterprises continued to work even during the war, and hundreds of enterprises started their activities precisely during the time of large-scale Russian aggression.

According to analytical research by EasyBusiness, in the pre-war period, micro, small and medium-sized enterprises accounted for more than 99% of registered enterprises in the country and were the main engine of economic development and innovation [7].

The development of micro, small and medium-sized businesses in Ukraine faces numerous challenges, especially during a full-scale war. Export of goods from Ukraine abroad remains a possible point of growth [8].

Export indicators largely reflect the quality of domestic goods and services, their recognition on global commodity markets. Foreign trade is a source of development of the state's economy, ensuring an increase in the gross domestic product, efficiency and competitiveness of domestic producers in the world market.

According to the study of the European Business Association, about 14% of the surveyed representatives of micro, small and medium-sized businesses plan to expand the geography of their activities and enter other markets. The Council of the European Union finally approved the one-year extension of the duty-free trade regime for our country. This regime was introduced in June 2022 and will be in effect until June 2025.

On the one hand, exports to the European Union face many difficulties. On the other hand, our services and electricity are cheaper, taxes are lower, which makes it possible to successfully compete on the EU market [7].

If we consider Ukraine's export-import operations, it can be seen that the amount of imports for the period 2018-2023 exceeded exports by several times, and as of the end of 2023, imports exceeded exports by more than 6 times.



2021 was the most productive year for international trade. The amount of exports of targeted goods fell during 2018-2020, however, 2021 returned exports to the level of 2018. During the period from 2022-2023, the years of full-scale war, exports fell by more than 70%: from 1,223 to 484 million US dollars. Imports suffered much less. During 2018-2021, it grew, experiencing a slight decline in 2020. A full-scale invasion in 2022 did not significantly affect imports in the industry. From 2021 to 2023, the import of light industry goods fell by only 12% – to 3,147 million US dollars.

If we consider the dynamics of the amount of export and import of light industry goods, it becomes obvious that the import of light industry products significantly outweighs the sale abroad (Table 1).

Table 1 - Dynamics of the amount of export and import of light industry goods, million US dollars

Indicator	Year					
	2018	2019	2020	2021	2022	2023
Export	1 221.87	1 187.21	1 081.30	1 223.55	950.98	484.37
Changes to the previous year, %		-3	-9	+13	-22	-49
Imports	2 662.69	3 121.70	2 964.38	3 535.93	3 295.46	3 146.52
Changes to the previous, %		+17	-5	+19	-7	-5

Source: compiled by the authors based on [9]

During 2019-2021, the share of the EU in the total merchandise exports of Ukraine fluctuated at the level of 40%, and in 2022 it fluctuated from 81% in April to 81% at the end of the year. As for the export of light industry products, the indicators are relatively stable here (Table 2).

Table 2 – Dynamics of the share of exports of light industry products by geographical macro-regions, %

Macro region	Year					
	2018	2019	2020	2021	2022	2023
Europe	89	90	88	88	92	84
Asia	9	8	9	8	5	11
North America	1	1	2	2	2	3
Africa	<1	<1	1	1	<1	1
Oceania	<1	<1	<1	<1	<1	<1
South America	<1	<1	<1	1	<1	<1
It is unknown	1	1	<1	1	<1	<1

Source: compiled by the authors based on [9]



Thus, in 2018, the share of Ukrainian light industry exports to Europe was 89%, and in 2023 – 84%. The largest share – 92% falls on 2022.

The second place among destinations is occupied by Asian countries, where the share of exports increased from 9% in 2018 to 11% in 2023. Over the course of this period (2018-2022), the share of exports of light industry products to North American countries also increased from 1 to 3% of the total amount.

However, the amount of exports to all regions suffered a sharp drop with the start of a full-scale invasion. We record the biggest drop in the countries of South America, where the amount of exports in 2022 fell 7 times. Exports to European countries suffered the least in 2022, however, in 2023, the amount of exports to this macroregion fell by more than half. In other macro-regions in 2023, the amount of exports mainly increased.

If we consider the share of exports of the main exporting countries from the total exports, then the largest export is to Poland, where 20% of export products worth 94.80 million US dollars were sold as of the end of 2023 (Table 3). It is worth noting that before the beginning of the full-scale invasion, the first place in the purchase of goods was occupied by Germany, the amount of exports to this country in 2023 decreased by 4 times compared to 2022: from 164 to 48.65 million US dollars. It is also possible to note a decrease in exports of light industry products to Romania.

Table 3 – Dynamics of the share of the main exporting countries in total exports, %

Exporting country	Year						
	2018	2019	2020	2021	2022	2023	
						%	million dollars USA
Poland	17	17	17	17	18	20	94.80
Denmark	8	7	8	9	9	11	54.40
Germany	19	19	19	15	17	10	48.65
Italy	9	8	6	7	7	8	40.17
Romania	12	11	10	9	11	6	27.64
Turkey	1	2	2	1	2	5	23.49
Moldova	1	1	1	1	2	3	14.96
Switzerland	<1	<1	<1	<1	<1	3	14.67
Finland	1	<1	<1	2	2	3	13.35
USA	1	1	1	2	2	2	11.92

Source: compiled by the authors based on [9]



Turkey is the main country in Asia to which Ukraine will export targeted products as of the end of 2023. Over the past five years, the share of exports there has increased from 1% to 5%.

Also, during the full-scale invasion, the share of exports to Italy, Moldova, and Finland increased. In 2023, 3% of exports of light industrial goods were exported to Switzerland, although before that exports were less than 1%.

Exports to CIS countries during 2018-2023 did not exceed 11% of all exports of light industry products. In 2022, exports decreased to 5%. However, as of 2023, the share of exports to CIS countries has increased to 9%. The main exporting country among the members of the Commonwealth is Moldova. Since the beginning of the full-scale war, Belarus and the Russian Federation have completely disappeared from the list of destination countries for light industrial goods.

Successful export requires not only financial infusions, but also comprehensive support of entrepreneurs at all stages of entering international markets. It includes educational programs aimed at increasing competence in the field of international trade, marketing support and legal support.

It is difficult for small companies to succeed on their own, so businesses need to join export alliances. Stakeholders who wish to help expand the country's export potential should also join.

An important issue is logistics. State and international investments in the improvement of logistics routes, in particular rail and sea, are of strategic importance for ensuring fast and efficient transportation of goods abroad.

The main obstacles to the activity of light industry companies remain problems with access to electricity, which causes loss of working time. Larger companies have the opportunity to ensure their work at the expense of imported electricity, but it is more expensive and therefore less accessible to light industry enterprises. Buying generators makes industry companies less competitive compared to foreign companies. Therefore, as a result, there is an increase in the prices of raw materials and manufactured goods.

The biggest obstacle to the activity of light industry enterprises was the lack of



labor due to the mobilization and/or departure of employees.

Ukrainian entrepreneurs, especially micro, small and medium-sized businesses, have great potential for export development, but an impetus is needed to convert it into export contracts. It can be provided by the cooperation of the state, international organizations that help rebuild Ukraine, and the private sector.

Factors that will contribute to the effective development of Ukraine's international trade are:

- elimination of technical barriers for exporting products to EU countries and increasing export quotas for duty-free supply of products to EU markets;
- an effective method of representing Ukraine's international interests in the world;
- informational assistance to exporters for greater awareness of entrepreneurs about financial opportunities;
- increasing the quality of transport infrastructure, reducing the customs value of goods.

The large-scale implementation of the «Made_in_Ukraine» idea, which is relevant for providing the Armed Forces of Ukraine, in particular with uniforms and shoes, textile products, other items of personal property and personal equipment, the range of which can be almost entirely produced by national manufacturers, is promising. In addition, in wartime, this is a significant segment of the domestic market for manufacturers of light industry, an opportunity to maintain employment, including women, and load production capacities in different regions of Ukraine, introduce technical innovations and replenish the State Budget, in particular for defense needs.

In 2023, light industry enterprises resumed increasing investments in equipment – more than 62 million. dollars US or 156% by 2022, (in 2021 – 73.5 million USD) and paid more than 3.7 billion USD to the Budget. UAH of taxes, which is one and a half times more than in 2022 and 1.8 times more than in 2021.

70% of Ukrainian garment factories continue to work during the war. In particular, 2.5 thousand light industrial enterprises, of which more than half are micro-enterprises, have experienced a shortage of personnel and need access to financing since the beginning of the full-scale war. The government offers grant opportunities



for starting or developing a business and vouchers for training skilled personnel.

To support the light industry, the following should be introduced:

- stimulation of digitization and investment attractiveness of light industry;
- spread of requirements regarding the share of localization for public procurement of industry products;
- determination of the mechanism of the state portfolio guarantee for loans for the modernization of production of enterprises and financing of equipment imports;
- export credit program;
- detinization of the turnover of finished products of light industry;
- ensuring the participation of enterprises in international exhibitions;
- effective use of state budget funds in the field of training and retraining of personnel for light industry.

Imports are very likely to outpace exports in value in 2025, as domestic production continues to be constrained by military threats and logistical constraints, as well as a slowdown in world prices, while economic recovery needs drive increased demand for imported goods.

Conclusions. In order to preserve human capital in Ukraine, stop labor migration, increase the employment of IDPs and increase GDP, it is necessary to invest efforts in the development of innovative industrial production. One of these industries is the light industry of Ukraine. Even in wartime conditions, the sector has proven its viability, the ability to quickly rearrange and master the production of new types of products, relocation and restoration in de-occupied territories, training/retraining at factories. Light industry has real opportunities to become an economic driver. Improving access to finance, introducing new financing instruments, increasing human capital and labor market flexibility, as well as developing strategies for job creation and wage growth are essential for the successful development of the industry. It is worth introducing targeted initiatives to support the war-affected population and increase the competitiveness of micro, small and medium-sized businesses through investments in technology and the development of export opportunities. All this will play an important role in the formation of policies and mechanisms for supporting Ukrainian micro, small



and medium-sized enterprises, which will contribute to their recovery and growth in the post-war period.

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