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ROLE OF UKRAINIAN MACHINERY INDUSTRY IN EXPORT DIVERSIFICATION

Export diversification becomes one of the main indicator of success of foreign trade. Organisation for Economic Co-operation and Development [5] reported, that 80% of the world's value added is generated in production and trade chains, controlled by corporations. The speed of economic development, the volume of foreign trade and the place in the world division of labor depend on the volume of orders placed by transnational corporations in a given country [5]. Therefore, it is important for countries to participate in global value chains. To activate involvement in GVC, any country should pay attention to diversification of export.

To understand the perspectives of participation in GVC for separate country the starting point is analyze dynamics and structure of export. As about structure of Ukraine commodity export, in 2020 country sold abroad agriculture products (35% of total export), metals – (18,7%), machinery products (9,1%), chemical products (4 %) [4]. Due to represented data it is clear, that Ukraine need balanced strategy for export diversification.

The Growth Lab at Harvard University created an Atlas of economic complexity, which is based on calculation of Economic Complexity Index (ECI) [1].

The dynamics of ECI ranking for selected Eastern Europe countries is shown at figure 1.

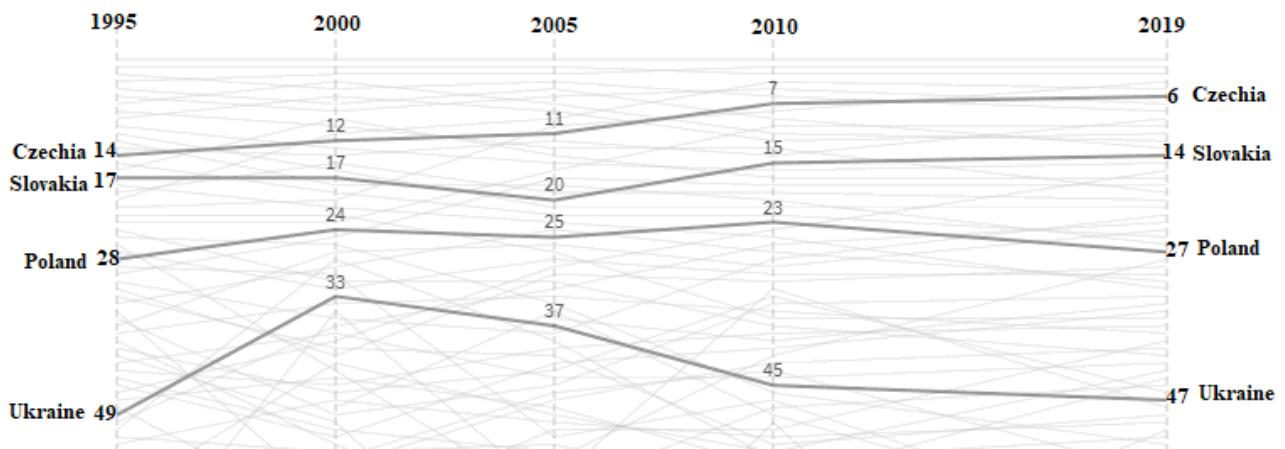


Figure 1 – The dynamics of ECI ranking for selected countries

Source: [1]

Due to represented data, Czechia and Slovakia increased ECI level, Poland remain at stable position, but Ukraine has loose about 10 positions during analyzed period. The leaders of ranking due to Growth Lab calculations are: Japan (1st rank), Switzerland (2nd rank), Germany (3d rank). Ukraine's stagnant complexity has occurred alongside the falling diversification of its exports. Moving forward, Ukraine is positioned to take advantage of many opportunities to diversify its production using its existing level of knowledge.

Ukraine's export dynamic in 2015-2019 has been driven by Metals. But global exports in Metals have fallen. As a result, economic growth in Ukraine has been hindered by concentrating in a declining sector of global exports. Another selected Eastern European countries during 2015-2018 increased complex machinery and electronic products equipment. So, Ukraine increased export of less complex products then other selected countries, and this define less ECI value. Poland, Czechia and Poland concentrated on increasing export of machinery and electronic components [1]. To diversify export structure, Ukraine need to pay special focus on

production of complex products, like machinery industry, that has a great basis in country.

Machinery industry in Ukraine consists 4500 enterprises, 7,6 % of industrial output sales, 16,7 % employees hired, but only 2,4 % of Ukraine's Gross Value Added [2]. 2/3 of machinery Gross Value Added originated from vehicle manufacturing, in particular, aircraft and spacecraft, related parts and equipment. Ukraine has a long and unique history in the field of aerospace technology going back to the early decades of the 'space race' in the 20th century. Ukraine is one of the few nations with a developed aerospace industry, involving a full cycle of design, production and operation of advanced civil, military and cargo aircraft, as well as supplying space technology [3].

Such way machinery and especially aerospace industry can be a perspective direction to export diversification and activization of involvement in global value chains.

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