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UKRAINIAN-AMERICAN CONCORDIA UNIVERSITY**

School of Management and Business  
*Department of International Economic Relations, Business & Management*

Bachelor's Qualification Work  
**Financial instruments in facilitating international trade**  
(on the basis of Privatbank)

Bachelor's student of  
Field of Study 29 – International Relations  
Specialty 292 – International Economic  
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Ph.D. in Economics

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## **Abstract**

The work is devoted to the progressive integration of Ukraine's economy into the world economy, the problems of its cooperation with international organizations that are becoming more and more urgent, because they increasingly affect the parameters of the development of the national economy. The work summarizes theoretical approaches to international trade, including economical approaches to the economic interests of Ukraine in the process of transformation of the WTO, taking into account the risks and opportunities in this area as well as methods of evaluating the foreign exchange activity of commercial banks and the impact of international settlements on their balance of payments. The special attention is focused on the structure of Ukraine's commodity exports, because the dynamics of Ukraine's development in this regard, given the variety and level of branching of goods, are significantly different from the world's. Proposals have been developed regarding the steps that should be the basis of the strategy of ensuring Ukraine's economic interests in the context of the transformation of the WTO, first of all, the priority task for Ukraine in the context of participation in the WTO system.

**Keywords:** World Trade Organization, Privatbank, international trade, bank financing, regulation and support of exporters.

## **Анотація**

Робота присвячена поступовій інтеграції економіки України у світове господарство, проблемам її співпраці з міжнародними організаціями, які набувають все більшої актуальності, оскільки все більше впливають на параметри розвитку національної економіки. У роботі узагальнено теоретичні підходи до міжнародної торгівлі, в тому числі економічні підходи до забезпечення економічних інтересів України в процесі трансформації СОТ з урахуванням ризиків і можливостей у цій сфері, а також методи оцінки валютної діяльності комерційних банків та впливу міжнародних розрахунків на їх платіжний баланс. Особливу увагу приділено структурі товарного експорту України, оскільки динаміка розвитку України в цьому напрямку, враховуючи різноманітність та рівень розгалуженості товарної номенклатури, суттєво відрізняється від світової. Розроблено пропозиції щодо кроків, які мають бути покладені в основу стратегії забезпечення економічних інтересів України в умовах

трансформації СОТ, насамперед, пріоритетного завдання для України в контексті участі в системі СОТ.

**Ключові слова:**

Світова організація торгівлі, Приватбанк, міжнародна торгівля, банківське фінансування, регулювання та підтримка експортерів.

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**TASK  
FOR BACHELOR’S QUALIFICATION WORK**

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(Name, Surname )

1. Topic of the work:

**Financial instruments in facilitating international trade  
(on the basis of Privatbank)**

Supervisor of the work ***Tetiana Gordiienko, Ph.D. in Economics.***

(surname, name, degree, academic rank)

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2. Deadline for bachelor’s qualification work submission “23” ***April 2023***

3. Data-out to the bachelor’s qualification work\_

***Materials from internship received during consultation with representatives of the company. Information from open resources in the Internet, official reporting of financial and economic activities of the enterprise.***

4. Contents of the explanatory note (list of issues to be developed).







***There are three main topics a student should develop in this work:***

- 1. Theoretical and methodical bases of international trade financing.***
- 2. Practical aspect of bank financing of international trade in Ukraine on the example of the JSC Commercial Bank “Privatbank”.***
- 3. Propositions of improvement for Ukraine’s integration into world economy.***

5. List of graphic material (with exact indication of any mandatory drawings)

*Graphs and figures for analysis of economical and statistical information on the international trade and its financing, JSC Commercial Bank "Privatbank", its key performance indicators, etc.*

6. Consultants for parts of the work

| Part of the project | Surname, name, position                       | Signature  |   |
|---------------------|---|--|---|
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7. Date of issue of the assignment

Time Schedule

| No | The title of the parts of the bachelor's qualification work | Deadlines         | Notes          |
|----|---|-------------------|----------------|
| 1. | I chapter   | <i>31.12.2022</i> | <i>In time</i> |
| 2. | II chapter  | <i>20.02.2023</i> | <i>In time</i> |
| 3. | III chapter   | <i>11.04.2023</i> | <i>In time</i> |
| 4. | Introduction, conclusions, summary                          | <i>23.04.2023</i> | <i>In time</i> |
| 5. | Pre-defense   | <i>26.04.2023</i> | <i>In time</i> |

Student



Supervisor



Conclusions:

*The Bachelor's qualification work is designed at the high level, and its content and structure fully meet the methodological requirements. The study provided a meticulous analysis of the international trade facilitating as an integral part of Ukraine's integration into the world economy. The work contains all the necessary parts of scientific research with empirical and theoretical recommendations. The paper includes a well-developed theoretical approaches to the international trade and provide analysis of its development through financing and regulation aspects in banking on the example of Privatbank. The practical recommendations were formulated correctly and focused on the main goal and tasks of the work. In general, if successful defense, the thesis can claim to be "excellent".*

Supervisor



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## INTRODUCTION

### **Financial instruments in facilitating international trade**

(on the basis of Privatbank)

Nowadays the interest of scientists is focused on different aspects of financial instruments of facilitating international trade as part of global interaction within an international framework both theoretically and practically [72; 77; 82; 85; 89] and the work of international groups, in particular [18; 41; 42; 77], the World Trade Organization (WTO) as a global organization that deals with international trade rules and seeks to promote free and fair trade between nations, which was established in 1995 due to the Uruguay Round negotiations, taking place from 1986-1994, being one of them [21; 28; 37; 86, etc.].

One of the financial instruments for international trade facilitation is provided by banking system enabling payments and all-aspect financial support, whereas the legal support in the framework of international law is provided by the WTO is an intergovernmental organization with a legal personality, owned by member countries, responsible for deciding on membership and dispute-resolution issues.

With the progressive integration of Ukraine's economy into the world economy, the problems of its cooperation with international organizations are becoming more and more urgent, because they increasingly affect the parameters of the development of the national economy, where banking system should make a necessary response. Banks provide financial instruments for international trade facilitation and play a key role in the process of international payments. At the same time the whole process is enabled by the WTO that has actually turned into a leading international center for shaping the rules of international trade and other related forms of international economic relations.

Great variety of research of the principles and specific features of WTO in different countries, in view of a wide spectrum of issues controlled by this

organization [76; 77], is stipulated by their significance, as it promotes economic growth all over the world, reduces poverty, and enhances living standards [56; 66; 87].

In addition, the necessity of research o this organization and principles of its functioning, it is even much more intensified taking into account high intensivity of global changes that the world currently goes over, while the WTO remains a powerful force in international trade and continues to play an essential role in facilitating global commerce.

Financial instruments undergo research in literature in concern with practical aspects of provision of payments internationally. In addition, for Ukraine, as a member of the WTO, a significant role should be played by various aspects of the institutional development of this organization, especially in the context of the expansion of the spheres of activity of the WTO and the threats and problems that arise in it.

Taking this into account, the main issue, the consideration of which is the basis of this study, is the need to develop a strategy to ensure the economic interests of Ukraine in the context of the transformation of the WTO in the context of significant changes that are occurring and will occur in the future in this organization. The theorists [12; 35; 38; 41; 45; 56; 77; 85] participated in the development of the components of the concept of national interests.

A significant contribution to the development of scientific approaches in the sphere of security the economics of the country was made by Ukrainian scientists [1-5; 84] and others. Many scientists and analysts have studied the problems of Ukraine's realization of its economic interests under the conditions of membership in the WTO.

Among Ukrainian scientists and economists who studied this issue [1-5], mainly on the issues of analysis of advantages and disadvantages of the world trade system, assessment of positive and negative consequences of Ukraine's participation in multilateral trade regulation institutions, peculiarities of individual WTO regulatory mechanisms.



Fundamental issues of WTO development in the context of world trade liberalization were considered by leading foreign scientists [12; 34; 37; 42; 48; 56; 77; 78].

At the same time, the insufficient scientific development of the issues of transformational processes taking place in the WTO and Ukraine's adaptation to them determines the need to solve an important scientific task, which consists in the development of theoretical and practical provisions regarding the provision of national economic interests of Ukraine in the process of transformation of the WTO, taking into account the risks and opportunities in this area.

Through a review of existing literature it is obvious, that the WTO has changed the global trading environment, affected different countries, and shaped economic policies, as well as the financial state and foreign economic activity of the organization. Still, the issues of WTO functioning in some countries remains its importance, as well the study of the instruments of facilitating international trade, where banking plays the key role.

Thus, the *object* of this research is financial instruments of facilitating international trade, which are analyzed in view of joining to the WTO and with the concern of their role in the global trade regulation, that is the subject of the thesis.

The *aim* of the research is the study of financial instruments of facilitating international trade.

The *material* of this research is financial reports of "Privatbank" and the WTO, as well as other annual reports of other international and financial institutions.

The aim and object of research stipulated a series of *tasks* that were formulated:

- to substantiate the types and characteristics of international trade facilitating methods
- to examine functions of the WTO in foreign trade activity, including its main aims and roles;
- to study issues of bank financing importance in international trade the spectrum of methods of assessment of WTO's trade role;

- to examine international trade statistic and trends of financial trade facilitation;
- to analyse the activity of WTO from the point of view of trade finance and funding
- to study the issue of bank financing of international trade on the example of JSC Commercial Bank "Privatbank"
- to analyze the economic activity of the World Trade Organization in Ukraine and prospects for its development
- to suggest the ways of improvement of bank financing of international trade

In accordance with the aim and tasks elaborated, the methodology of the research was suggested. The methods applied comprised the dialectical method of scientific data analysis, including the method of scientific abstraction; a historical-logical method for researching the evolution of the WTO multilateral system, its institutional basis and regulatory mechanisms, a systematic method of analyzing economic phenomena and processes to assess the evolution of the WTO and its impact on the economy of Ukraine.

In the research process, the methods of economic and statistical analysis were used to study the consequences of Ukraine's accession to the WTO and adaptation to the requirements of this organization, comparative analysis to evaluate the results obtained by Ukraine from entering the world trade system, expert evaluations to analyze and evaluate Ukraine's use of the opportunities provided by accession to the WTO, structural and functional analysis to determine the long-term impact of Ukraine's participation in the WTO and a graphical method for processing statistical data, their display in the form of figures and diagrams, the method of correlative analysis and strategic analysis (during the identification of priority directions for the development of Ukrainian trade and economic relations); abstract modeling (for the development of a mechanism for deepening bilateral trade and economic relations).

The study is based on the study of scientific works of domestic and foreign specialists in the field of economic interests, economic security, foreign economic activity, international economy and WTO development; texts of WTO agreements, as well as other WTO materials; legislative acts and national statistical data of Ukraine; publications of leading scientific and research organizations of Ukraine containing analysis of WTO issues.

The *practical significance* of the results obtained, the provisions, conclusions and recommendations formulated in the work is that they can serve as a methodological basis for the development of political and economic measures by financial institutions as banks, government structures, including the formation of the country's official position at multilateral negotiations within the framework of the WTO, in relation to the realization of the national interests of Ukraine in in the context of the further development of the multilateral trade system. They can also be used in the development of mechanisms for adapting the Ukrainian economy to the conditions of functioning within the framework of the multilateral trade system, strengthening the use of opportunities and preventing possible negative effects.

The *scientific novelty* of the results obtained in the study consists in the systematization of the experience of financial instruments of facilitating trade and the WTO in international activities, scientific and methodological approaches to the substantiation of possible measures to use the advantages of Ukraine's participation in the WTO to increase the level of economic security of the state, which, unlike existing approaches, provides for the substantiation of a plan of priority actions, which takes into account the accumulated experience of her stay in this organization, which indicates a shift in emphasis during this period towards active actions aimed at promoting the improvement of the strategically oriented export policy of Ukraine, increased attention to issues of informatization of the field of foreign economic relations and training of high-level specialists familiar with the rules of the WTO will contribute to ensuring the national economic interests of Ukraine.

The aim and the tasks set stipulated the *structure* of the thesis, that consists of the introduction, 3 chapters, conclusions, list of references. The paper contains 8 tables and 8 figures. The list of references includes 94 literature sources.

# CHAPTER 1

## THE POSTULATES OF INTERNATIONAL TRADE FACILITATING

### 1.1. Types and characteristics of international trade facilitating methods

In recent years the term, trade facilitation, has become extremely popular and, therefore, applied to an ever-growing number of activities, that make trade easier or promote it. It involves, in particular, physical infrastructure (improvement of the roads, upgrading port facilities, airports and transportation infrastructure in general) as well as non-tariff barriers and all forms of regulatory asymmetry do prevent the free flow of international trade, and tariff negotiations [Rec 11]. All of those mentioned show the significant impact of the economic problem. Although these issues are high in the international business process, it does not address the concept of economic flexibility as a global understanding or from the private sector [Rec 2].

Thought the issue of trade and its facilitation is not a newly emerged problem of nowadays, as trade was an interest of people from the period of Silk road, in modern era it became more of an international concern and less of an issue of rationalizing a national customs regime.

However, in order to create a single harmonious, consistent and predictable environment for border trade based on customs procedures and practices, trade promotion jointly involves many representatives from the public and private sectors. Integration of core business needs the use of some form of collaboration. Therefore, public and private relations are important to clarify the rights of businessmen and governments and to implement important national or international measures to improve the economy, borders and international payment systems [R 4]. Today, however, with the development of trade agreements between nations as a permanent factor in international commerce, the types of regulation of trade facilitation process has changed.

The most important question of nowadays is: Where does the regulation come from, and is its purpose to reduce or to expand the scope of our lives and economic

activity? The issue presupposes discussing the question of the role of international trade agreement in the modern nation-state system with the aim of reducing uncertainty and unpredictability of the international trade regime, and promoting stability [Rec12].

The biggest source of confusion in today's business world is trade restrictions, a system that creates uncertainty for international traders such as the interests of national groups or the selfishness of people, especially asymmetrical tariffs.

There are several major trade facilitation organizations and initiatives, represented by the activity of several types of trade facilitation bodies. For example, National Trade Facilitation Bodies were set up in many countries during the past 30 years, often in the realm of national and regional trade facilitation projects.

In December 2013, the World Trade Organisation (WTO), Trade Facilitation Agreement (TFA) was signed and with it, WTO members undertook to establish or maintain a National Trade Facilitation Committee [Rec 21].

The three most standardized and fundamental tools of international trade regulation and customs technique are the HS, the Customs Valuation Agreement (Article VII and the Agreement on Implementation of Article VII) and the Agreement on Rules of Origin which determine the tariff classification of an imported product, its country of origin, and its value for duty, and, only then, can the international trader develop a landed cost [R 23].

Harmonized System (HS) is a legal and logical international product nomenclature developed through the World Customs Organization (WCO), formerly known as the Customs Co-operation Council, based in Brussels and introduced by International Convention on January 1st, 1988.

Although HS was developed specifically for the classification of tariffs, it is also widely used in other applications such as identification of goods to be controlled and exported, freight tariffs, applications or avoidance of additional taxes, business statistics and order history. The greatest strength of HS is that it provides a common business language for all public and private actors in the global economy. The

concept of trade facilitation is dependent upon the complete understanding and mastery of the HS [R 8: 42].

Article VII and the Customs Valuation Agreement establish the basic criteria for the valuation of imports for duty purposes. The primary basis for valuation is the "transaction value" of imported goods, which is the actual price paid or payable for the goods. The Agreement outlines allowable deductions and required additions to the "transaction value." [R 9: 11]

The concept of tariff assessment is very modern, and those familiar with the GATT negotiations will recall that an international agreement on this issue was reached at the Tokyo Round in 1979. It is best to come up with a modern idea and strategy. old document. 4 The Agreement provides for special and differential treatment for developing countries that currently clearly need to evaluate technical education and training [R5:62].

The next mechanism is Agreement on rules of origin, which has grown in importance in international trade and customs negotiations in the last ten to fifteen years. This is part of the growth of regional trade agreements around the world. A free business area highlights the exclusive benefits available to members. To record these results, the members created special laws of history. As mentioned earlier, it is the manufacturing world that complicates this model. In the past, all goods were produced in the most expensive place [R 18: 52]. Today, the private sector seeks the lowest production facility for each individual or joint venture in response to the needs of global competition. Almost half of the global economy is now in the middle class. The WTO recently announced that "re-exports", where goods must cross two borders before reaching the final consumer, now represent the fastest growing segment of the economy worldwide. This model creates complex data history and tracking requirements for customs and international companies. The Convention also contains the "common language" of rights that, through its annexes, do not reflect the interests of history [Gilb :31].

Generally speaking, for goods not wholly produced from one country, rules of origin normally provide for determining origin, by way of a tariff shift in the HS,

and/or by calculating regional content. In some cases, such as in the NAFTA, regional value calculations are based on the Customs Valuation Agreement [Gilbert IntTradeAgr].

In addition to identifying and qualifying preferred products, the rules of origin are used to control customs markings, quota systems, trade protection duties, and water tax protection. HS tariff classification and assessment of customs value, sometimes combined with date setting, simply constitute the three main points of international culture and trade.

WTO provisions also affect trade promotion procedures, in particular the Agreement on Import Authorization Procedures, which aims to provide import licenses [R18:82].

Agreement on Technical Barriers to Trade create guidelines for the transparent development of technical standards and regulations. The Agreement on the Application of Sanitary and Phytosanitary Measures is similar in content.

Freedom of Transit is promoted by Article V as well as the Agreement on Trade and Services as it relates specifically to the facilitation of all modes of transportation [Gilb 13: 52].

There are also a series of agreements, facilitating international trade, as the Agreement on Pre-Shipment Inspection, which was originally implemented to prevent the flight of capital and under-valuation of goods. Currently, private PSI companies analyze factors such as price, quality and quantity of products mainly exported to developing countries and establish guidelines for these practices such as non-discrimination, transparency, use of international standards, privacy, objections and resolution [Rec 12].

In addition to legal regulations of trade facilitation process, there are also established international or intergovernmental organizations [R5:31]:

- 1) World Customs Organization (WCO), which was founded in 1953 and features a membership of 142 countries, which activity resulted in taking the followings regulations:



- Kyoto Convention (The International Convention on the Simplification and Harmonization of Customs Procedures), that undergoes now the necessary revision. Its aim is to increase the efficiency and effectiveness of the international customs administration by reviewing customs procedures in cooperation with international customs and sharing the results of these procedures.

- Customs Reform and Modernization Program, that assists the process of customs reform by providing a critical overview of customs institutions, diagnostic study training, or customs needs analysis training, for policy members.

- Declaration of the Customs Cooperation Council Concerning Integrity in Customs (The Arusha Declaration: 1993) – a critical declaration, which aims to address the issue of corruption within customs administrations.

- other WCO Programs, such as Express Consignment Guidelines, the Istanbul Convention or the Customs Convention on Temporary Admission (1993), etc [13].

2) UNCTAD: United Nations Commission on Trade and Development focused on encouraging the developing world to invest in and participate in economic development. Much of UNCTAD's economic support is related to transportation, including port development, the development of an electronic transportation equipment called the Advanced Cargo Information System (ACIS), and input from the National Trade and Transportation Facilitation Committee (NTTFC).

3) The Center for Facilitation of Procedures and Practices for Administration, Commerce and Transportation (CEFACT-UN/ECE), which evolved from the United Nations Economic Commission for Europe's Working Party on the Facilitation of International Trade Procedures, which, since 1960, has been focusing on harmonization and automation of Regulations since 1960 and internationally recognized UN/ECE trade agreements published [R 41:12].

4) International Trade Center (ITC) and the World Bank The ITC works with trade promotion organizations and similar organizations to encourage and facilitate the internationalization of SMEs.

5) The United Nations Commission on International Trade Law (UNCITRAL), that, since 1996 deals with harmonization of customs procedures by means of harmonizing international trade law.

6) Transportation Agencies like International Maritime Organization and the International Civil Organization, which deal with legal and safety issues surrounding their respective modes of transport [Rec 22].

And, of course, one of such international organizations is World Trade Organization, discussed in detail in the next paragraph of this research.

In addition to world organizations and agreements as regulatory mechanisms of international trade facilitation, there are also regional or national trade facilitation initiatives, which are also aimed at the creation of numerous free trade areas [18:41].

The major trade facilitation activities related to this phenomena include:

1) The North American Free Trade Agreement (NAFTA) focusing on the creation of the Shared Border Accord,

2) APEC (Asia-Pacific Economic Cooperation), launched in the framework of the Osaka Action Agenda, in 1996, dwelt with standardizing customs requirements throughout the region [Rec 88:11].

The organization's activities led to the coordination of research on the use of risk management techniques and electronic commerce to eliminate the burden, the use of HS, followed by participation in the Kyoto Convention customs technology and the revision of the Kyoto Convention. WTO TRIPS Agreement and WTO Statistical Assessment Agreement and its implementation. These agreements include the simplification and computerization of customs, free trade information and management, and, where possible, a unified system for customs assessment, which together have proven to form the basis of the transatlantic trade agreement [Rec 72:44].

3) The FTAA (Free Trade Area of the Americas) aims to establish recommendations on the use of e-commerce, establish customs procedures and customs guidelines for importers and exporters, establish and follow a simple and

transparent system of rules of origin. rules and convenience as much as possible. Also, there are different types of economic support in the country [Rec31:55]:

1) PRO-Committees: According to UN/CEFACT Recommendation No. 4, Pro-Committees deal with facilitating eight business processes and analysis and support. problem solving.

2) National Trade and Transport Facilitation Committees: These advisory bodies promote trade facilitation, examine international trade and transport, prepare recommendations and establish transparency between key economic and transport issues.

3) National Trade Facilitation Committee: It is established as a joint body to propose trade facilitation in the country and to implement trade measures.

4) WTO Trade Negotiations Team: Established to support Geneva-based negotiators or capital representatives during WTO Trade Agreement negotiations.

5) WTO TFA National Trade Facilitation Committees: Created on the basis of Article 23.2 of the WTO Trade Facilitation Agreement.

It is worth noting that some countries are also members of regional trade unions, such as EUROPRO (for all European working groups), SECIPRO (for the PRO group for Southeast Europe) or the Economic Committee of the European Free Trade Association (EFTA).

Among the economic incentives, special emphasis is placed on initiating economic development by focusing on the needs of developing economies and 48 less developed countries. These countries without capital are increasingly in the world economic order and through the functioning of various economies [Rec2: 142].

In this global and competitive environment, where both the private sector and the public are looking for ways to reduce costs, the ways to reduce the costs of traders and investors cannot be seen at any customs. Doing business easily can save both governments and merchants. All these and other matters, including the rules and laws of the process, are under the control of business development

organizations, one of which, as mentioned, is in the WTO (World Trade Organization).

## **1.2 The main aims and roles of WTO**

Trade and economic relations of countries occupy a prominent place in the system of international economic relations, not only as important factors in the economic development of any country in the world, but also as those that actively influence the everyday life of people and their activities around the world. International economic relations are a set of relations that arise between subjects from different countries regarding the production of material and spiritual goods and their appropriation in all spheres of social reproduction (direct production, distribution, exchange and consumption) [69, p. 45].

The system of international economic relations is formed as a result of the interaction of three relatively independent subsystems - technical-economic, organizational-economic and socio-economic relations [17; 61]. International technical and economic relations - a form of development of productive forces, relations of specialization, cooperation, combining production, its concentration, exchange of activities that arise between subjects from different countries in the process of world production. International organizational and economic relations - relations between subjects of the world economy regarding the organization of production in certain branches of the world economy [47].

International socio-economic relations – economic property relations that arise between various subjects of the world economy (individuals, companies, institutions, the state, international organizations, etc.) in the process of appropriation of means of production, goods, services, intellectual property products and other objects in all spheres of social reproduction [28].

Forms of international economic relations are closely related, influence each other, creating additional incentives for mutual development. Thus, trade creates conditions for international investment, and the international movement of capital, in turn, stimulates trade relations and labor migration. However, the main and central

link of global economic relations has always been and is international trade. Modern international trade as an exchange of goods and services is the material basis of other forms of international economic relations, which ensures the growing integration of the world economy.

International trade and economic relations unite the entire complex of connections and forms of cooperation between countries, which is based on international trade. International trade, as historically the first form of international economic relations, is the exchange of goods and services between state-organized national economies (states) [71] and a paradigm for the development of trade and economic relations between countries. The theoretical basis of international trade is a number of concepts of international trade, that is, attempts to theoretically understand and explain the causes of international commodity exchange, its dynamics, structure, efficiency and development prospects [7, p.122 ].

In practice it results in organization of such institutions as WTO.

The World Trade Organization (WTO) is a global organization that deals with international trade rules and seeks to promote free and fair trade between nations. It was established in 1995 due to the Uruguay Round negotiations, which took place from 1986-1994. The WTO is owned by member countries, responsible for deciding on membership and dispute-resolution issues [80, p. 34].

The WTO is an organization established between different countries with a legal personality and has three main branches: a dispute Settlement Body, General Council, and Trade Policy Review Body. Each chapter serves different purposes and operates under different rules. All decisions made by the WTO require consensus among members before they can be adopted.

The work of the WTO is funded primarily through contributions from its members regularly according to their share in world trade. It receives additional funds from various sources such as fees for services rendered to members or non-members; sale of publications; income from investments; reimbursements of costs related to consultations with non-members; voluntary contributions received; and

funding provided by international organizations or governments or private entities for projects and programs.

The WTO is an integral part of the global trading system and promotes economic growth, reduces poverty, and enhances living standards. With its membership currently standing at 164 countries and counting, the WTO remains a powerful force in international trade and continues to play an essential role in facilitating global commerce.

The WTO's headquarters are located in Geneva, Switzerland, and it also has regional offices in Geneva, New York City, Washington D.C., Tokyo, and Hong Kong [11]. The organization is supported by a broad material and technical base consisting of staff, premises, libraries, computers, telecommunications equipment, and other facilities. This allows the WTO to carry out its activities effectively and efficiently.

The World Trade Organization (WTO) was established to facilitate international trade and economic development. It is designed to keep business flowing as smoothly, predictably, and unimpeded as possible. The WTO sets international trade rules, provides a forum for negotiations, and resolves disputes between nations. It also offers technical assistance to developing countries and helps build trade capacity. The ultimate goal is to reduce poverty and improve living standards around the world [8-10].

WTO aims to ensure fair competition amongst member countries by removing any distortions in the free flow of goods among trading nations.

To achieve this goal, WTO operates four key roles [90; 14, p. 282]:

- **Negotiation:** The primary role of WTO is to facilitate negotiations between its member countries to lower tariffs and other trade barriers (such as quotas). These negotiations help increase market access for exporters worldwide by reducing non-tariff measures that impede global trade, such as subsidies or dumping practices. By improving market access opportunities through multilateral cooperation rather than relying on preferential deals with

individual states, it can help level out disparities in wealth between countries while also helping open up new markets for businesses everywhere;

- **Administration & Dispute Settlement Mechanisms:** WTO administers various agreements between members providing a transparent framework including standards related to anti-dumping regulations or sanctions against unfair trades practices etcetera which helps resolve conflicts related to international commerce;
- **Education & Training:** The organization provides technical assistance programs – such as seminars – explicitly designed with developing nations in mind so their business community can become equipped with all relevant information about global markets;
- **Research & Analysis:** Through research activities such as economic forecasts, policy reviews, etc., the WTO keeps track of changing patterns regarding international commerce worldwide, which helps governments adjust their policies accordingly using the best available evidence from multiple sources for ensuring long-term success.

The World Trade Organization (WTO) is an intergovernmental organization that regulates international trade and ensures the global free flow of goods and services between its member countries. Its primary role is to provide a forum for members to negotiate their trade agreements, settle disputes concerning these agreements, and pursue the protection of their intellectual property rights. It also works toward economic integration by providing a platform for setting standard trade rules applicable worldwide [23, 27, p. 78].

Since its inception in 1995, WTO membership has grown from 123 members to 164 as of 2021. This increase in membership reflects the globalization of world markets and further indicates the importance of international trade within this era. The WTO estimates that around 90% of all world imports originate from or pass through the Member States during transit across borders. It proves how significant this organization is for encouraging global collaboration and commerce [22].

Other roles performed by the WTO include administering dispute settlement proceedings to ensure parties comply with existing agreements; monitoring national trading policies; settling disputes efficiently without sparking a full-scale trade war; preparing technical assistance reports on developing countries' progress towards compliance with agreed obligations; as well as carrying out research into new issues regarding the international trade (such as climate change impacts on global supply chains etc.) [20, p. 493].

In addition to its various roles, one outstanding achievement credited solely to WTO has been its significant impact on developing nations seeking access to markets abroad - different records show export growth rates for many low/middle-income countries such as Egypt (+592%), Uganda (+841%), Bangladesh (+346%) have seen tremendous success due primarily to accession into WTO since 1995. It is estimated that total merchandise exports from developing countries climbed up 12 times more than before they joined (> USD 3tn in 2017). Furthermore, almost – 80 million jobs were added thanks globally, mainly due to expanded foreign direct investments under regional free-trade areas related institutionally to the WTO agreement system alongside other measures taken by governments worldwide (e.g., GVCs) [7; 36]

Generally speaking, the trend towards reciprocal trading is a positive one that has been seen in recent decades across the world: over two-thirds (69%) of global merchandise exports are covered by such agreements. This number was just 54% in 1995. As of 2018, there were 3,344 bilateral and regional preferential trade agreements around the globe, with more than 200 being concluded since then. (Figure 1.1)



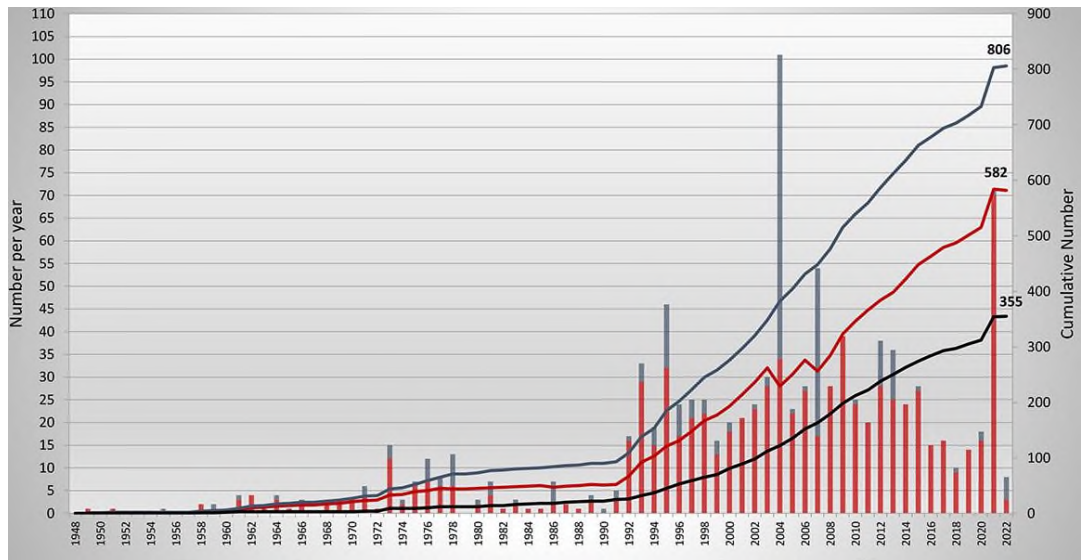


Figure 1.1. Evolution of Regional Trade Agreements in the world, 1948-2022, WTO Charts [94]

From the chart it is obvious the rise of regional trade throughout the period. Though, despite positive role, there are some uncertainties about WTO activity within the framework of globalization processes.

Thus, the existence and development of any international organization reflects to one degree or another the key trends in world development. Since the 1980s, globalization has turned into one of the main factors of economic development. And in this context, in the last quarter of the 20th century, gradually there was an understanding that the world economy is unable to function stably without certain coordination and regulation mechanisms common to all countries.

The implementation and maintenance of the functioning of these mechanisms is entrusted to such international institutional entities as the UN, the IMF, the World Bank and the WTO and other globally active international organizations. Therefore, without an adequate understanding of globalization trends, it is impossible to correctly assess the prospects for the development of the WTO. Globalization processes have become one of the determining factors of economic dynamics and structural changes in the modern world economy, in the views of which there are different opinions on the future [18, p. 84].

The process of globalization in its structure is quite complex, multifaceted and internally contradictory. In particular, globalization is considered as a closer

integration of countries and peoples of the world, which arose as a result of a rapid reduction in transport and communication costs, as well as the destruction of artificial barriers to the movement of goods, services, capital, knowledge and, to a lesser extent, people; the creation of new institutions that function in a cross-border mode [16; 17, c 480].

According to Joseph Stiglitz, globalization carries neither a positive nor a negative character [77, p. 20]. It has the power for positive changes, but for most countries of the world it has not created tangible benefits, which has provoked the emergence of socio-economic currents (anti-globalists) that oppose both the globalization process and the WTO, the organization that promotes this process.

The reason for the negative attitude towards the WTO is that this organization does everything possible to reduce tariff and non-tariff barriers to international trade, that is, it provides greater opportunities for the movement of large capital. According to anti-globalists, this will contribute to the development of the most powerful TNCs and change the balance of economic interests in the system of all economic entities in their favor [13, p. 302].

In addition, in their opinion, this is a threat to the interests of both less developed countries and certain sectors of the economy of developed countries. If the first of them is based on the protection of their young sectors of the economy, which have difficulty competing globally due to technological backwardness, the second fear the oppression of their own small and medium-sized businesses due to their displacement by competitors from countries where the salary level is much lower. The opposition to the WTO is connected with the following considerations [89, p. 290-292].

1. The WTO is considered as a tool to protect the rich, who, from the standpoint of "left" political and economic concepts, will benefit the most from trade liberalization and minimization of government intervention in the economy. It follows that the WTO cannot be an independent and impartial body, but de facto protects the interests of developed countries.

2. The regulatory mechanism of the WTO is not, according to the supporters of this current, fair and does not help less developed countries to improve their situation. In particular, the WTO dispute settlement system, according to supporters of "left political economy", does not take into account the fact that not all WTO member countries are able to use the provisions of WTO laws in order to protect their interests. And separate agreements are written clearly in the interests of corporations of developed countries, which get free access to traditional knowledge in less developed countries (due to the absence of restrictions on their patenting), while the access of less developed countries to new or already existing technologies is largely limited.

3. From the point of view of the left, the WTO is a mechanism of interference in the internal affairs of member countries and is an undemocratic organization, because the rules of the WTO significantly reduce the choices available to democratically controlled governments. The population of the member countries has no influence on the activities of this organization, even enough information about what is happening in it. At the same time, WTO decisions force governments to take steps that have a significant impact on the population of a particular country [89, p. 294].

It cannot be said that the above considerations do not have certain rather serious grounds. However, the stated position is a consequence of conceptual one-sidedness in the interpretation of real processes taking place in the WTO, a violation of the balance in assessing the positive and negative consequences of the processes of liberalization of world trade and the development of globalization.

Another group in opposition to the development of such organizations as the WTO were representatives of groups that defend the issue of the ecology of the planet, which is significantly deteriorating due to the increase in production. However, it should be noted that since the early 1970s, the GATT, and later the WTO, paid special attention to the issues of environmental protection and the study of both the impact of environmental protection policies on trade and the impact of trade on ecology. In addition, the secretariat of the WTO systematically conducts a

comparative analysis of the provisions of the WTO and the provisions of multilateral agreements on the protection of the natural environment for the absence of contradictions between them [87; 86, p. 4].

So, in general, such an organization of the WTO reflects the modern nature of the complex regulation of international economic relations, where various forms of economic relations are mutually conditioned. In connection with the role of the WTO, there are other fears, the essence of which is to oppose the weakening of the functions of the national state, and the emergence in the conditions of globalization of the phenomena of cultural unification and cultural identity, which is considered as a threat to national sovereignty [23; 71].

Also, aspects of the development of small and medium-sized businesses in countries of different levels of development of the world, where competition is intensifying and, as a result, their displacement from the market, are also included in the group of problematic issues of the functioning of the WTO. The main problems of small and medium-sized businesses are the relative limitation of own resources for creating and running a business (compared to large manufacturers), special sensitivity to changes in the regulatory environment, as well as the practical absence of the possibility of lobbying one's own interests in state authorities.

Globalization creates increased threats and risks for participants in the retail sector, banking, insurance and tourism services. These threats consist, in particular, in the possibility of freer entry into the national market of services by regional and global TNCs. And this trend applies not only to developing countries, but also to developed countries [38; 84].

Finally, an important group of opponents of the current globalization in general and the WTO in particular consists of various social institutions that express the interests of farmers in many countries of the world. To the greatest extent, this concerns farmers in many developed countries, whose profitability depends on government subsidies and tariff and non-tariff barriers. Their main argument is that the reduction of subsidies and the removal of trade barriers in the agricultural sector

will lead to the inflow of an uncontrolled mass of foreign agricultural goods, and may cause the country's product dependence.

Most of the social groups that represent the rural population also express concern about the invasion of foreign capital. Thus, the analyzed aspects of the work of the WTO give rise to the following conclusions [93; 94]:

1. The activities of the WTO are organically connected with the need to maintain and develop global trade rules in the context of deepening the process of economic globalization. This led to the formation of a negative attitude towards the WTO on the part of all opponents of the globalization process.

2. The processes of globalization in general and liberalization, as its constituent part in particular, affect the interests of all socio-economic groups of the population and, under the current model of the development of the globalization process, have a far from unambiguous influence, creating a social basis for the spread of anti-globalization sentiments. They, in turn, cause the existence of both the actual anti-globalization movements and the alter-globalist movement, which advocates a radical change in the current model of neoliberal globalization. Accordingly, there are both uncompromising opponents of the WTO, advocating its dissolution, and supporters of the radical reform of this global institution [84].

Still, despite the role of the WTO is dubious, it has reached some significant results proved by the results obtained of the analysis of its economic activity in different countries, as far as the indices of its effectiveness is being monitored according to the annual reports of the WTO.

The main goal of integration is to increase the volume and distribution of the assortment of goods and services based on and as a result of the efficiency of economic activity. Most of the integration associations emerging and developing in the modern world economy have to perform a number of tasks, the main of which are the use of the advantages of the effect of scale, the solution of trade policy tasks, the promotion of the structural restructuring of the economy, the support of young industries of production, the creation of a favorable foreign policy environment, the possibility regulation of socio-economic processes at the regional level [32].

All in all, the World Trade Organization is the only global international body concerned with the rules of commerce between countries. Its primary function is to make trade flow as smooth, predictable, and unimpeded as possible. The role of the WTO is to provide a framework for negotiations and agreements among countries in the field of trade and to settle disputes between member countries. It sets and enforces global trade rules, including removing trade barriers and reducing subsidies and other trade-distorting practices. The WTO also ensures the application and enforcement of trade agreements and provides technical assistance and capacity building to developing countries [85; 87].

The effectiveness of trade and economic relations in global conditions of development depends on the availability of appropriate mechanisms that allow planning and implementation of specific actions - regulatory and legal support, institutional system, tools, forms and methods of regulation.

Modern regulatory and legal support of trade and economic relations is based on the signing of interstate agreements, harmonization of relevant regulatory and legislative acts, development of interstate cooperation programs, create a basis for further activities of subjects of trade and economic relations, determine the priorities of the country and the national market in the import and export of specific types goods and services. The modern institutional system is built on a combination of two types of institutions: national and bilateral interstate.

Thus, the process of international economic integration usually begins with the liberalization of trade and economic relations between countries, the elimination of restrictions on the movement of goods, services, capital, and labor and gradually, under appropriate conditions and with the interest of partner countries, leads to a single economic, legal, and informational space within region

In addition, for each country, the economic effect of joining an integration group will be determined by the ratio of static effects of integration, such as creation and rejection of trade, and dynamic effects that appear later, and can be both positive and negative. The further logic of the dissertation study requires a more substantive consideration of methodological approaches to the study of trade and economic

relations and the development of a general algorithm for the study of trade and economic relations of Ukraine in the context of European integration.

Several metrics can be used to assess the World Trade Organization's (WTO) role in facilitating international trade.

In concern with the understanding of the method as a set of rules, techniques, methods, norms of knowledge and actions and a system of principles, requirements that should guide a person in solving a specific task, achieving a result in any field of activity [Disc 2002,p. 192], in this part of the work we will summarize the experience application of methods for evaluating the activities of such an organization as the WTO. The question of method in every science is reduced to the study of methods and techniques of scientific knowledge of reality and the peculiarities of their practical application. Such knowledge is accumulated and systematized within a special section of any science [80, p. 19].

One of the main research methods is the system method, which is based on the idea that the surrounding reality is a single whole, things and phenomena are related to each other in many ways. The system method is a direction of philosophy and methodology of science, special scientific knowledge and social practice, which is based on the study of objects as systems. The main specificity of the system approach is determined by what it orients research on revealing the integrity of the object and providing its mechanisms, identifying various types of connections of a complex object and grouping them into a single theoretical picture [77].

Scientific analysis of trade and economic relations involves a systematic approach, the essence of which is the unity of the following basic research methods: analysis and synthesis, a combination of logical and historical methods, statistical methods, and economic-mathematical modeling [80].

Further analysis of the methods of research of trade and economic relations involves a more detailed disclosure of the content of the scientific definitions "system" and "system approach". The systematic approach is an established direction of the methodology of scientific knowledge, which directly contributes to the adequate formulation of problems and a logical and consistent strategy for their

solution and consists in a holistic perception of international relations and an understanding of the interconnectedness and interdependence of their elements [82].

The system method is characterized by consideration of a certain set of objects, in the process of which it is found that their interconnection and interaction cause the emergence of new integrative properties of the system, absent in their individual components" [79]. In the study of trade and economic relations, an important place is occupied by a number of economic and mathematical methods - the conventional name of a complex of scientific directions in the study of economic processes by the methods of mathematics and cybernetics. The most important thing in the use of mathematics in economics is the mathematical modeling of an economic phenomenon, situation or process to study a certain aspect in its development [76, p. 83].

The basis of economic-mathematical modeling is a mathematical model - a schematic representation of an economic phenomenon or process, which is obtained as a result of scientific abstraction of the characteristic features of the surrounding economic life and its management mechanism. In particular, the system of global economic relations depends on many, often little-known and changing factors.

The method of correlation helps to study and determine such factors - the central section of mathematical statistics, which is devoted to the analysis of connections between various phenomena and processes that occur in natural and socio-economic processes. Connections play an extremely important role in nature and economic activity. They can have a functional and correlational dependence [80, p. 38].

In addition to the methods of economic-mathematical modeling, which allow obtaining a quantitative interpretation of the studied phenomenon, SWOT analysis should be highlighted, a research method that allows obtaining a qualitative interpretation of the subject of research. This method can be used to analyze the advantages, threats, as well as the strengths and weaknesses of the prospects for creating a free trade zone between countries [33, p. 98].



The presence of disproportions in economic development, asymmetry of foreign trade, crisis phenomena in the economy of states that are subjects of trade and economic relations, makes it expedient to build scenarios for the development of trade and economic relations in the absence of these phenomena in the economy of states. The construction of scenarios or the scenario approach is a method of forming dynamic ideal models of the likely development of international events. It makes it possible to assess not only the most likely course of events, but also the possible consequences of the decisions made.

This method is used as an alternative to linear planning, which often turns out to be ineffective when building strategic plans and forecasts. This is especially relevant in the period of instability and crisis phenomena in the world economy [77].

Characteristics and essence of the stages of scenario development are as follows:

- the starting point for the development of "scenarios of the future" should always be an accurate assessment of the socio-economic system, for which a scenario of potential and actual possibilities of its changes under the influence of internal factors is developed;

- an analysis of the consequences of possible changes in internal and external factors should be carried out. For factors affecting uncertain development trends, special forecasts and assessments by experts must be made;

- a number of alternative "scenarios of the future" should be developed, representing a certain logical picture. At the same time, it is necessary to observe the mandatory condition:

- alternative scenarios should not contain contradictions, including mutually exclusive steps and events;

- developed alternative scenarios must be correlated with each other, the probability of each occurrence determined, on the basis of which the most desirable alternatives and strategies for their achievement are selected;

- selected strategies allow to develop specific goals and measures to achieve them [53; 88].

Only the complex application of the specified methods allows obtaining the most reliable data about the state and development prospects of the object under investigation.

Therefore, on the basis of the analysis of the methodological apparatus for the study of trade and economic relations of countries in the context of world integration processes, we base ourselves on a plan for the study of trade and economic relations of Ukraine as a member of the WTO, which is based on the comprehensive use of general and special research methods, namely: a combination of logical and historical methods, deduction and induction, methods of economic and mathematical modeling of global economic processes, etc.

### **1.3. Importance of bank financing in international trade**

At the current stage of the development of international trade and monetary relations and the integration of commercial banks into the global financial environment, the process of expanding banking activities and entering foreign markets is taking place.

Banks appear as an integral link that connects the subjects of international settlements, namely sellers and buyers. Usually, settlements between two counterparties are carried out in cashless form through a system of correspondent accounts, which are impossible without the participation of banking institutions [4].

The main operations that form the basis of banking activity can be divided into three groups [1]:

- passive operations (attraction of funds for deposit deposits);
- active operations (placement, provision of loans to clients for temporary use with the purpose of obtaining profit in the form of interest);
- settlement operations carried out by banks on behalf of their clients in cash or non-cash form for certain completed works or other financial obligations;
- currency exchange, or currency transactions, which, under the conditions of globalization of the world economic space, undergo constant development.

The overall economic importance of commercial banks on the international market is determined by their ability to perform primarily the role of financial intermediaries, that is, to attract temporarily free funds and the ability to effectively use accumulated resources to meet the financial needs of participants in foreign economic activity. Therefore, it was the implementation of settlement operations that allowed banks to occupy a special place in the process of international trade. The choice of payment forms and settlement currency is carried out independently by the participants of foreign economic activity and fixed in the relevant contracts [12, p. 52].

Thanks to the experience of thousands of transactions, bank specialists can significantly contribute to the smooth flow of such transactions, both simple and complex. Therefore, already at the first stages of the implementation of significant projects, it is recommended to involve a large bank for negotiations and intermediary evaluation. Factors in the development of international operations of commercial banks include [3, p. 44]:

- consolidation of the economic and financial status of developed countries;
- reduction of barriers in international trade, which increases the development of banking operations;
- increase in foreign investments;
- technical progress in the field of transport and communication.

The main functions of banks that carry out international operations include:

- international settlement operations;
- interbank currency transactions on the international currency market;
- crediting of international trade and services;
- maintenance of the international movement of capital and loans.

Settlements in international trade, in which we see the direct role of the banking system, is the regulation of payments for monetary obligations and claims arising between legal entities and citizens of different countries on the basis of economic, political, scientific and technical, cultural and other relations [11].

Settlements are made through banks in a non-cash way. For this, banks use their foreign apparatus and correspondent relations with foreign banks, which are accompanied by the opening of "loro" (foreign banks in this bank) and "nostro" (this bank in foreign) correspondent accounts. Correspondent relations determine the order of calculations, the size of the commission, methods of replenishment of the used funds [8, p.23].

Foreign trade contracts provide for the transfer of goods or goods management documents, which are forwarded by the bank of the exporter to the bank of the importer or the bank of the payer's country for payment within the specified period. Settlements are made using various means of payment that are used in international circulation: promissory notes, checks, payment orders, telegraphic transfers [9, p. 63].

In the international practice of trade relations, there are several variants of settlement forms, which differ from each other depending on the degree of trust of trading partners, as well as on the role that banks are called to play in each specific case in settlements between the seller and the buyer.

The main forms of settlement with firms and organizations of Western countries are letter of credit, collection, bank transfer, settlement by checks. However, each of these forms has several varieties. A feature of settlements in trade with countries with market economic relations is that settlement documents in these countries serve simultaneously as a tool that facilitates the practical implementation of financing foreign trade agreements. This, on the one hand, leads to the use of a wide variety of calculation forms, on the other hand, it requires the accuracy of the wording when defining the calculation forms, as well as the clarity of the wording in the calculation documents and thoroughness in their preparation [12, p. 213].

Since settlements under foreign trade agreements are carried out mainly through banks, which are not only intermediaries in settlements, but also creditors, institutions that finance agreements, banks have taken on control functions to ensure their interests and, depending on the terms of payment, often act as guarantors. Acting as controllers and guarantors, banks can put forward their demands for

settlement terms and forms of payment, which the exporter and importer cannot ignore.

Creditors from foreign trade agreements can be exporters, importers, banks, credit and financial organizations and the state. In practice, financing of foreign trade agreements is directly or indirectly carried out by commercial banks, and the exporter or importer acts as the initiator and responsible person for the timely repayment of the loan and related costs [3, p. 78].

In the international market of loan capital, practice has developed certain customs in the design and procedure of execution of credit operations, which our commercial banks are forced to take into account. Any organization of our country that enters the foreign market, when forming the terms of a foreign trade agreement, must use the existing organizational forms of export or import crediting and, above all, when determining the terms of settlements.

Organizationally, banks have the following opportunities to implement their international operations. They may have international management that specializes exclusively in the implementation of external services and settlements. The bank under such management has several correspondent banks located outside the country, which provide various services [5, p. 132].

Banks may have branches or branches in other countries. In this case, a wider range of services can be provided. This option allows banks to implement a flexible policy and, for example, directly attract contributions, provide loans, make settlements, etc.

Another option is the organization of a representative office abroad, which mainly provides advisory services. The representative office does not directly provide traditional banking services.

The use of computers by banks allows you to monitor their positions in various currencies and transactions with individual banks every minute. In 1973, the International Interbank Organization for Financial Settlements by Telex (SWIFT) was created in Brussels [11, p. 212].

SWIFT is a cooperative society of participating banks, which organized a computerized international communication with the aim of improving the efficiency of bank management and speeding up the transfer of international payments between them. Through SWIFT, computers transmit banking messages, which are divided into three categories: trade transfers, currency transactions, bank transfers. The SWIFT system began operating in 1977. By the end of the 80s, the number of participating banks had grown from 31 to 1,500 [36, p. 198].

In the future, the SWIFT system will serve about 80% of international settlements. With its help, the transaction and transfers are carried out faster, in particular, you can receive confirmation of the receipt of currency on the morning of the next day after the transaction, that is, before the actual transfer to bank accounts.

International automated systems of interbank Settlements for currency transactions and information services through the "Reuter monitor service" are used. The Reuters-dealing electronic system gives banks the opportunity to instantly establish contacts and make deals with interested banks connected to this system. However, expensive electronic equipment is available only to large banks.

A narrow circle of giant banks that have a network of branches around the world and a huge staff of dealers stands out. These banks are able to carry out transactions for large amounts - up to 100 million dollars. (the standard amount of the deal is, as a rule, 5 or 10 million dollars) [4].

Only the largest banks in the world have currency departments of qualified dealers who are engaged in conducting both conversion and purely speculative arbitrage operations. Banks that deal only with the execution of their clients' orders and do not conduct foreign exchange transactions for their own account rarely need qualified foreign exchange dealers.

Banks play a central role in foreign exchange markets because they [2, p. 18]:

a) sell and buy foreign currency, which, of course, is an essential element in international trade agreements;

b) help traders eliminate or minimize foreign currency exposure in a variety of ways.

In addition to the usual operations of commercial banks within the country, most of them provide services outside its borders. In general, international operations include all services that are in demand by customers involved in international trade, investment activities and tourism; in fact, they are the development of services within the country.

Operations with foreign currency are carried out by many banks, but only some of them create and maintain a corresponding market — they maintain a foreign currency position, that is, they keep currency reserves. They are the basis of the international currency market. Banks that have the right to carry out foreign exchange operations are called authorized exchange banks.

Foreign exchange transactions on the foreign exchange markets are mainly carried out through commercial banks, which on a contractual basis perform collection and other payment orders of foreign correspondent banks. Other banks and brokerage offices conduct their foreign exchange operations under the supervision of large commercial banks. Due to the fact that the vast majority of foreign exchange transactions carried out in foreign exchange markets take place in banks and brokerage firms (about 90 percent), the foreign exchange market can be characterized as interbank [22; 32].

The forms of international settlements used differ in the degree of participation of commercial banks in their implementation: the minimum share of participation of banks in bank transfer (execution of a client's payment order), more significant - in collection (control over the transfer, forwarding of goods management documents and their issuance to the payer in accordance with the principal's instructions) and the maximum share of banks' participation in the letter of credit (presentation of the beneficiary of the payment obligation, which is realized when the latter fulfills the main conditions contained in the letter of credit) [Rec 4: 65].

International cash settlements include settlements in the period from the moment of readiness of the imported goods to the transfer of the goods administrative documents to the importer.

The granting of a loan has a corresponding effect on the terms of international settlements. If international settlements are made after the goods have been transferred to the importer's ownership, the exporter credits it, as a rule, in the form of issuing a draft. If the importer pays for the goods in advance, he credits the exporter.

Various forms of settlement are used to connect the opposite interests of counterparties in international economic relations and to organize their payment relations.

Historically, the following features of the application of the main forms of calculations in the international sphere have developed [3, p. 93]:

- importers and exporters, as well as their banks, enter into certain relations related to commodity and payment documents;
- international settlements are regulated by normative legislative acts, as well as banking rules;
- international settlements are an object of unification and universalization of banking operations;
- international settlements are, as a rule, documentary in nature, that is, they are carried out against financial and commercial documents.

One or another form of settlement involves the choice of means of registration, methods of transfer and payment of goods management and payment documents, which are used in international commercial and banking practice. International settlements are divided into documentary and non-documentary forms. The first form involves making a payment after submitting commercial documents to the bank.

In foreign economic activity, standardized forms of payments are generally accepted, which are defined in the Unified Rules of the Paris International Chamber of Commerce, in particular, the most common documentary payments are:



documentary letter of credit and documentary collection [54, p. 23] - a form of settlement under a foreign trade agreement, which consists in the fact that the exporter instructs his bank to receive a certain amount of currency from the importer upon handing over the relevant commodity documents to the latter.

Unlike settlements based on letters of credit, collection operations have more disadvantages for exporters. When performing letter of credit operations, the bank pays a certain amount of funds to a third party on the client's behalf, subject to their fulfillment of the conditions stipulated in the client's letter of credit application. Participants in the letter of credit operation are [6]: the client, who gives an order to open a letter of credit; the payer's bank, which opens a letter of credit; the recipient's bank, which verifies the fulfillment of the terms of the letter of credit; beneficiary - the person in whose favor the letter of credit is opened.

Finance is critical to trading. However, access to trade finance, especially for small exporters, remains a perennial issue and measuring the gap between trade finance demand and supply is an important challenge.

According to the results of the global survey of the International Chamber of Commerce (ICC) "Rethinking Trade and Finance" in 2017, in which representatives of 255 banks from 98 countries participated, in world trade 40.6% of payments are made using letters of credit. In the diagram presented above, we can see that letters of credit outnumber bank guarantees (21.8%) and collection operations (18.8%) by almost two times [7].

This is due to the fact that, of all forms of international settlement, a documentary letter of credit is the least risky and the most effective tool for securing payments. The breakdown of the offered bank intermediation trade finance transaction by type shows that commercial letters of credit (40.6%) are the most common form of trade finance, followed by guarantees (21.8%), collection transactions (18.8%), supply chain financing (11.2%), as well as reserve letters of credit (7.3%) [10, p. 74].

These parameters indicate the direct participation of the banking system in international payments during foreign economic activity, so they are studied as one of the full-fledged participants in the process of international trade.

## **CHAPTER 2**

### **ANALYSIS OF FINANCIAL INSTRUMENTS IN FACILITATING INTERNATIONAL TRADE**

#### **2.1. International trade statistic and trends**

In 2020 and 2021, the scope of international trade of products and services as estimated in terms of nominal dollar decreased by 9.6 %, whereas global GDP decreased by 3.3 %, if estimated in the periods of the most severe recession since the period of the World War II [86, p. 23].

However, at the same time, the system of trade of the world proved to be much more enduring than it was expected by many people and experts as well at the beginning of the global crisis. Despite primarily the pandemic significantly interfered with the international trade flows, there occurred a quick adaptation of the supply chains, that was followed by the continuation of the goods being exported, and multiple economies started to recover and in the opinion of the researchers [...], the global trading system became the source of adaptability, development and strength during the pandemic, helping that governments of the countries manage by providing more convenient access to critical medical supplies, food and consumer goods, and by supporting their economic recovery (see Figure 1 (WTO Report 2021, 2022) [91-94]. Thus, global economic development and income (at the exchange rates) is projected to regain by 5.3 % in 2021 and by 6,4 % in 2022, that highlighted the recovery in merchandise, which is to rise by 8 % in 2021 and by 13 % - in 2022.

However, trade in the sphere of services continued for a certain period up to the end of 2021 to remain depressed.

As The 2021 and 2022 World Trade Report demonstrates, that the international system of trade taken globally is much more vulnerable to the changes, deriving from the crises, but at the same time it emphasized how countries are more economically resilient to shocks of the economic system. The natural disasters such as earthquakes or social as pandemic or wars influence the economics of the countries as well as financial condition of the WTO.

Micro-companies, small-sized and medium-sized ones, that have the tendency of demonstrating worse workforces, suffered from the impact of the pandemic even more in comparison with the bigger ones, due to their restricted access to financial resources, actual and digital infrastructure and to data on risk management control.

The World Trade Organization has projected several economic indicators for 2022. According to their projections, global trade is expected to continue its recovery from the COVID-19 downturn but at a slower pace than before the pandemic. WTO expects world trade volume in 2022 to reach 6.3%, a slight increase from its 2020 level of 5%. Global GDP growth is expected to accelerate slightly to 4.2% in 2022, up from 3.9% in 2021.

Inflation is forecasted to remain low over the next year, with an average rate of 2–3%, while unemployment levels are expected to decrease as economies recover and businesses start hiring again. The WTO also anticipates that investment flows will remain volatile, driven by geopolitical uncertainty and buyers' caution regarding long-term commitments.

The agreement intends to remove any restrictions and internal government regulations in the areas of service delivery that are considered to “barriers to trade.” The strategy, for instance, is to transform education into a tradable commodity. GATS educational agenda has the potential to further privatization to a higher level in education and also opening the door for international competition. The developing countries will be adversely affected in terms of their sovereignty on cultural policy and the quality and accessibility of their public education systems in general [77; 89]. At present, as far as the question of knowledge and technology, the developed countries are net producers and the developing countries are net consumers.

TRIPS raise the price of patentable knowledge for consumers, which in turn will increase rental flows from developing countries to developed countries. These policy changes will limit the right of developing countries to influence the choices of companies operating in those countries. The current agenda of general trade liberalization is likely to undermine self-determination and economic sovereignty as well as narrowing the space for development [78].

For example, more than half of global services exports come from Western European countries, while the largest services exporters, China, services accounts for less than 3% of its total trade.

Earlier, the treaties under the GATT negotiations recognized Special and Differential Treatment for developing countries. However, later on in 1994 the Uruguay Round treaty changed this to a single-tier system of rights and obligations, meaning that developing countries have to implement in full all the rules, seen as *quid pro quo*, for market access in the textile and agriculture sectors, which are highly protected in developed countries. Any autonomous developments will eventually require wider policy choice, which is being limited to developing countries [77]. TRIMS does not permit practices such as local product linkages between foreign and local investors or foreign exchange earning requirements.

TRIPS further encourage privatization and monopoly ownership of knowledge and will severely limit and reverse the initiatives achieved by the public sector in manufacturing and medicine in developing countries.

As a consequence of the implementation of WTO-backed trade and services, liberalization would certainly mean that the developmental option and economic diversification would be shrinking for most developing countries. Even the policies of the recent past to upgrade technologies and structural changes with state active assistance will no longer be available to most developing countries. The options of sovereign decision making and promoting a policy suitable to their specific conditions will be seen as a hostile move by the WTO and international financial institutions. Their key priority is “opening-up markets” and for that they have key international agreements—TRIPS, TRIMS and GATS [86, p. 423-427].

In global terms, of course, problems on the economic level usually have more pronounced impact on the developing countries of the world than on the countries with more advanced economies, and in particular concerns smaller and poorer countries.

These are the issues of trade, trade policy cooperation and the multilateral trading system that contribute to economic endurance, where the term “economic resilience” is applied, treated as the ability of economic system comprising the major households,

companies, and authorities and governments of the countries to get prepared for, manage and overcome the shocks [88], it also concerns the concept of economic opportunities and challenges, and what is more - the ability to foresee, estimate and manage various types of risks.

Despite the fact of existence of a wide scope of strategies and activities aimed at the elaboration of economic resilience, including the ones concerned with the trade policies, that could be applied by the companies, households and governments, one aspect that is important in view of this, is the significance of global trade in the formation and support of economic resilience. The concept is that there is an intrinsic trade-off between international trade interconnection, on the one hand, and economic security of every country taken separately, on the other, and that the search for economic efficiency is not the same and cannot be compared to the process of achieving resilience of economics.

According to the data provided in annual WTO reports [WTO 209; 2020; 2021; 2022], as a result of their comparison, today's hyper-connected global economy, where profound trade connections are of special concern, made the world much more sensible to shocks, but at the same time - more enduring to them. The vulnerability of the countries can be increased in the trading process, as far as it exposes it to the risks by means of economic, financial, digital and other means of connections and processes, including the process of transportation. Though, still, despite everything mentioned above trade remains to be the major factor of productivity and growth of economics, that helps countries to develop the resources they require in order to prevent and avoid risks and get prepared for them in order to face them and cope with the possible shocks and overcome them [91].

Trade has also a crucial role in making the access to goods and services divergent in global perspective; for instance, it makes possible for the countries to manage the shocks by changing suppliers in case of disruption with the settled supply connections, no matter – foreign or domestic ones. Companies, that participate in trading process, especially exports, have a greater probability of overcoming economic falls because of their higher productivity, in comparison with the companies with undeveloped exporting

sector, and, of course, they have access to the variety of goods in the market and multiple markets all over the world.

Interdependence, provided by means of developing trade, especially when dealing with different markets in the global perspective and developing trade links on the global market, can also simultaneously increase vulnerability to sudden changes or disruptions in the supply of goods or demand, as well as exposure to some risks in terms of international transportation networks. Eventually, even insignificant shocks to one connection or link in a chain can block transportation at least for a period of time that can prevent from on time supplies of goods and the work of distribution can be disrupted.

In this concern, in order to enhance trade stability, companies can apply policies to develop global resilience of this chain, by means of, for example, making their sources of supply more diverse, or by means of increasing the stocks of inventory and promoting more flexible type of production in different places.

As the general picture of the global trade development demonstrated at, for example, at the COVID-19 pandemic outbreak impact, the services of logistics and general transportation provide the shipment of supplies and goods, whereas in cases where there are problems with it, it can become even more problematic during the crisis, and what is more, imported health products (that is very important during the pandemic) can take off the problem of domestic supply of resources. So, the enhancement of the productivity of domestic services that makes an impact on trading, also makes an important role in the formation and support of economic resilience. The problem with slow processes and procedures of the customs transfer, including the cases of refusals of passing the goods before the receipt of the full payment, delays in getting information on special tariffs on goods transfer and long and complicated work with documentation as well as complex requirements in this concern, - it all can prevent the goods from being delivered on time. Countries that are landlocked become especially vulnerable to any problems with the delivery and shipment of goods and supplies caused by transit and transportation issues, that proves the significance of global trade and the necessity of making it easier process between the countries of the world.

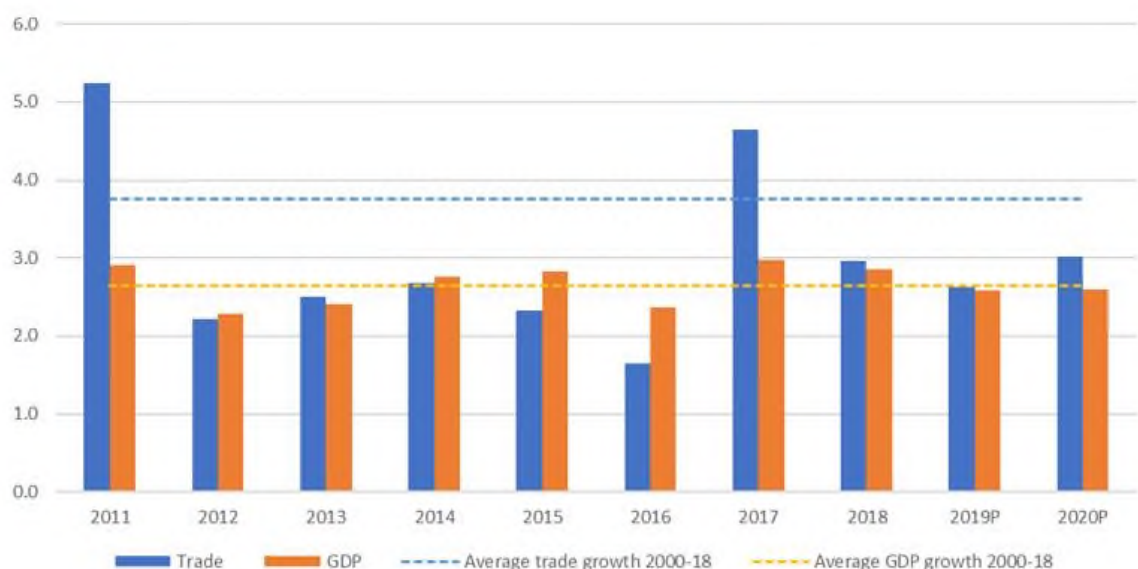
Many countries have already tried to facilitate the rules with the the outbreak of the pandemic of COVID-19, which is aimed in particular at providing the priority for the customs clearance of the goods with the critical necessity like food and medical supplies by means of making the crealance easier by temporary suspension of customs duties, or expansion of the capacity of trade infrastructure.

Trading process also helps to accelerate the way of recovery from economic crises, due to the sustained demand for export and the availability of products and services for import.

Trading process turned out to be resilient that helps the countries recover from the shock created by the negative impact of the COVID-19 pandemic. (Figure 2.1).

Despite the depression of services trade that still takes place, trade of goods has reached already almost pre-crisis level during the year after the outbreak of the pandemic (WTO, 2021c).

GDP overcame the shock faster in the countries having stronger pre-pandemic trade connections to the countries experiencing few cases of COVID-19, that created their mutual support in terms of trade process, and thus, economic growth, as well as tge issues of risk management.

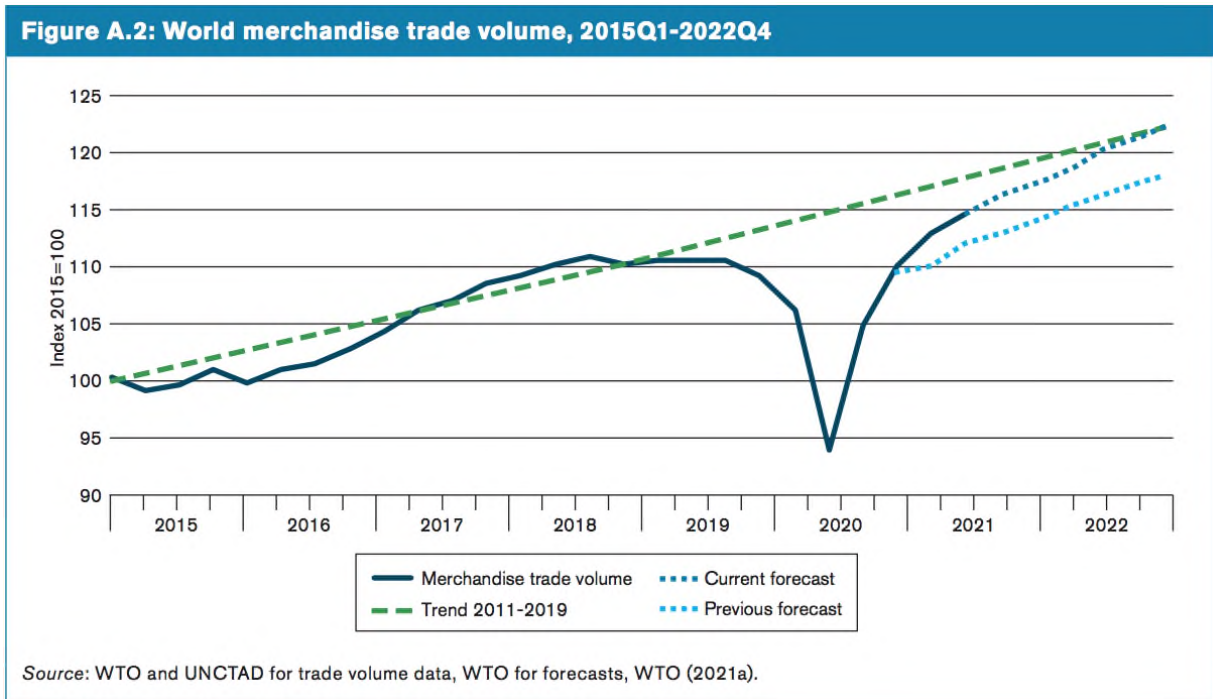


**Figure 2.1. World merchandise trade volume and real GDP growth, 2011-2020**

[WTO report 2021]



Most of the protective measures taken at the beginning of the COVID-19 pandemic could be left soon; and, on the contrary, plenty of trade-opening measures were suggested to improve the role of trade as creating resilience of economics. The period of pandemic also demonstrated the role of digital online trade that created profitable and cost-effective solutions for a faster recovery by means of reducing costs for logistics, storage of goods, leasing and rent payments, etc..



**Figure 2.3 World merchandize trade volume in 2015-2022 [WTO reports 2022]**

As the Figure 2.3 demonstrates, despite the abrupt down movement of the rate of trade volume in 2020 under the impact of COVID-19 pandemic, it revealed relevant level of trade resilience as the most important factor of economic recovery support, in case of more level of economic resilience is necessary, factors and conditions causing vulnerability to shock require to be considered.

The recovery of economy from the problems of the pandemic creates understanding of trade as a key factor in making economic system more resilient to the problems, which were revealed by the pandemic-caused crisis.

In addition, special attention should be focused on the issues of national fiscal and monetary policies in order to facilitate the process of recovery. Policies aiming

at the rise and improvement of economic resilience by means of re-shoring production, as well as promotion of self-sufficiency and trade integration are able to produce an opposite result.

By means of trade restriction and national self-sufficiency promotion and improvement will surely lessen the efficiency of national economy in the long perspective, as far as such actions inevitably increase the price of goods and services, as well as restrict the access to products, their parts and technologies. During the period of reduction of the exposure of national supply to the risks coming from the connection with other countries, they rise the level of vulnerability of own country to provide supplies and require shocks caused by inner country disasters. All in all, economic self-sufficiency becomes a goal of illusion.

Thus, an obvious influence of the crisis caused by COVID-19 on the regions depending on tourism, in particular, is the issue: for example, among the countries it is the least-developed countries, especially those dependent on tourism/traveling industry, have experienced a considerable decrease in the amount of services provided of 39 % in 2020 and the tendency remained in 2021.

Quite similar to it is the situation of possible exports being concentrated in a limited number of export destinations, that when destination-specific demand shock can be observed as recession, it can produce a significant impact on export. One more factor that plays an important role in creating economic resilience is diversification by using different trade routes, as well as different means of transportation, though it might be challenging, especially taking into account high fixed costs generated by entering new markets (in particular, to obtain data) and establishing trade connections with foreign companies.

More than that, in, so-called, knowledge-intensive sectors, unwanted expectation of violation of one's intellectual property or emulation and copying it can prevent the companies with assets of this type from dealing with multiple suppliers. In fact, it is true from the estimated information that there can be only small increase in divergence in the last decades [83].

In the WTO meeting in Hong Kong, and later on in Bali, the developing countries were offered a so-called developmental package that would enable them to build supply-side capacity including infrastructure to promote trade-related activities [76].

The emphasis was also on promoting the cultivation of cash crops in developing countries for export. Of the three major areas of agreement under the WTO negotiations—Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Agreement on Trade-Related Investment Measures (TRIMS), and General Agreement on Trade in Services (GATS)—TRIPS covers protection of trademarks, patents, copyrights, industrial design, etc, and has been in force since 1995 and it imposes a global standard for protecting and enforcing all forms of intellectual property rights (IPR), including those for patents. The TRIPS agreement requires WTO Members to provide protection for a minimum term of 20 years for any invention for a product or process. Prior to TRIPS, countries provided only process and not product patents [75, p. 43].

Product patents provide absolute protection for products whereas process patents provide protection for technology and processes or production methods. In the 1994 Uruguay Round negotiations, an agreement on TRIM was signed. It aims to lower the investment barrier. The agreement aims to provide national treatment by removing internal content provisions.

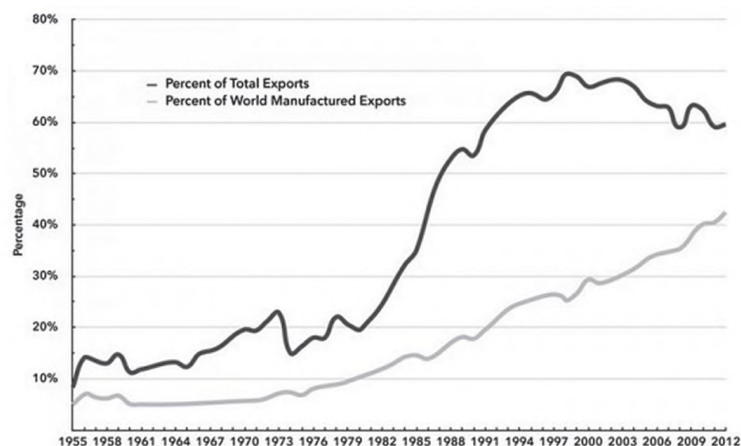


Figure 2.4 Share of Developing Countries in World Exports of Manufactured Goods (Source: UNCTAD Statistical Handbook) [67].

Judging from empirical data provided in the WTO reports worldwide, quite a considerable growth of export demonstrated Asian and African countries [57; 78].

The share of developing countries in world exports of industrial products has been steadily increasing, and that these countries are importing high-tech and industrial products from developed countries. However, East Asian countries have fared much better than other developing countries. The combination of state and market in the region has been used to promote economic development and industrialization.

Recent examples of the Chinese government's intervention to stimulate and promote business and exports cannot be ignored. Public investment in the infrastructure and education sectors has played an important role in attracting foreign capital inflows. Moreover, China controlled the inflow of foreign capital, the government controlled much of trade, and owned heavy industry. On the other hand, most countries in sub-Saharan Africa are heavily dependent on commodity exports. For example, for 18 African countries, goods exports accounted for 70% of export revenue in 2000 [72; 73; 77].

All in all, relying on the data provided for the volume of export and import throughout the world, the conclusions can be made, that, despite temporary fall as a result of pandemic and a series of other minor problems, still emphasized the resilience of the world economics, that revealed the ability to renovate the level of world merchandise recently, at the same time preserving a series of problems initiated by both natural and social environment and in the next chapter the issues of solving them are going to be discussed.

The developing countries need to adopt trade and economic policies that are more suitable to their stages of development, which they face, so as to enable them to achieve higher rates of growth.

Economic development must be at the center of WTO negotiations, and fundamental changes in the culture and behavior of those negotiations may be

required. For now, he seems to be mired in narrow-minded mercantilism rather than a long-term vision of a trading system that benefits most developing countries.

## **2.2. WTO's international trade finance and funding**

The Organisation of World Trade (further – WTO) is widely seen as promoting prosperity through trade, especially favoring developing countries. This is presented so as to achieve “fair trade” and economic growth in developing countries (WTO 2013). A new round of global trade negotiations, the Doha Round, has taken place under the WTO [80]. It is said that increased trade and interdependent goods and services and money markets underscore the importance of international cooperation to contain crises and promote growth. The proponents of trade liberalization argue that multilateral trade negotiations would achieve these goals, and poor countries particularly would benefit from it; while critiques say that trade rules under the WTO and international financial institutions will acquire more power, which could restrict the ability of developing countries to pursue an independent economic policy [33; 81].

The WTO is being presented as the only “development” model available for developing countries. It is also aimed at the enlargement of the markets for global monopolies in the areas of manufacturing, agriculture and services through the Uruguay Rounds of negotiations where it is being referred to as expansion of trade for the development and well-being of everyone, that is, a win–win game for all participants. “Building supply-side capacity” is the key towards higher exports and ultimately higher incomes and employment for the developing countries. However, such policies ignore the economic and political space for self-determination and development based on local realities and needs. Here, it appears that the focus is largely on GDP growth based on Western models [45, p. 65].

As for its financial condition, the budget of the WTO derives its income from annual contributions from its 164 members and miscellaneous income. According to its statute, two years of The WTO activity equals to the succession of two

financial periods that cover each year. For each financial period, the Director-General prepares proposal for a budget that contains estimated future income and expenses of the WTO, together with the comparable figures for the previous period, that enables the analysis of its scope and value, as well as comparison of the parameters with the previous years.

The budget has several sources of contributions one of them being the inflow of the International Trade Centre (ITC) [91-94].

The proposed budget expenditure is financed by income that consists of a Contributions from Members and Observers, participants well as other all income in addition to other contributions paid and made by its Members, (b) the interest obtained from investment and contributions acquired by the Secretariat, which is not demanded at once, as well as (c) income obtained from investments to the Working Capital Fund shall be classed as miscellaneous income, as far as voluntary contributions, gifts or donations from WTO Members and Observers may be received by the Director - General designed in a way that the aim of contributions shall conform with the rules, goals and activity of the WTO, and sustained that the receipt of these contributions involve (directly or vicariously) additional liability of financial concern for the WTO. Voluntary donations and contributions from Non-Governmental Donors can be added to the additional source of income.

In case at the final stage of a certain financial period the Surplus Account demonstrates credit balance, then the Director-General makes proposal to the Committee that may concern the following:

- a) provision of an income in addition to the budget as taken for the second financial period which goes after the one that the surplus concerns, that in such a case is accompanied by the reduction of Members' contributions;
- b) transfer to the Working Capital Fund; or
- c) employment for any other aim agreed on by the General Council.

The government of any country that joins the WTO is obliged to provide the payment to the Fund which is correlated to the scope of contributions that can be provided to the budget for the following year after its joint. The minimum amount of payment to

the Working Capital Fund equals 0.5 % of the main volume of the Fund for each of the country or separate territories having the share of the overall amount of trade of performed by the Members is 0.5 % or less.

There is also so called the Working Capital Fund.

The amount of the budget for 2022, for example, is obvious from the chart (Figure 2.1).

| <b>Table 2: Consolidated budget for 2022<br/>(in thousands of Swiss francs)</b>  |                    |
|--|--------------------|
| <b>Section</b>   | <b>Budget 2022</b> |
| Staff expenditure (including staff remuneration, pension and post employment benefits, health and invalidity insurance, family and international benefits) | 131,565            |
| Temporary assistance (including short-term staff, consultants, panellists and Appellate Body member fees)  | 17,275             |
| General services (including telecommunications and post, contractual services and maintenance, energy and supplies, documentation and publication)         | 15,626             |
| Travel and hospitality   | 7,907              |
| Implementing partners (includes any activity or event partly/jointly/fully funded by the WTO but executed by a third-party organization)                   | 213                |
| Capital expenditure (including procurement of fixed assets and rental and leasing of equipment)  | 3,095              |
| Financial expenditure (including bank and interest charges and building loan reimbursement)  | 2,080              |
| Contributions to International Trade Centre and special reserves (including Building Renovation Fund and Ministerial Conference Operating Fund)            | 19,443             |
| <b>TOTAL</b>   | <b>197,204</b>     |

**Figure 2.1 Consolidated budget of the WTO for 2022 [94]**

As for the recent analysis if the financial condition of the WTO, as all the reports demonstrate, it fluctuated much from the change of the environment.

Thus, the crisis caused by the COVID-19 pandemic that concerned both health issues and economic ones, became a considerable stress examination of the trading

system of the world, by means of providing unprecedented shock-effect to the international supply chains and global trade relations between the countries.

As for the WTO funds, almost 62% of the WTO's technical assistance resources in 2021 were voluntary contributions from donors, while the remaining 38% came from the WTO's regular budget. [93].

Donor funding is essential to continue providing high-quality technical assistance to developing and least developed members and observers so that they can fully benefit from their participation in the WTO and the multilateral trading system.

Voluntary contributions received in 2021 fell to an all-time low of CHF 7.5 million – the lowest figure this century. Finland returned as a donor with non-earmarked donations, while Canada, China, Germany, and Norway abstained from new contributions. However, as technical assistance spending also hit a new low in 2021 due to a lack of in-person training, the decline in voluntary contributions did not affect technical assistance operations [93].

The chart makes the scope of contributions made by the countries within each of the programmes applied, where Sweden, France, the Netherlands take leading positions.

From the annual reports of the WTO, provided on their official site, in particular the results of the year 2020 [91] or the budget for 2022 [93; 94] regular budget performance can be traced. Thus, 2020 was the eleventh year of a, so-called Zero Nominal Growth budget of the WTO, where CHF equals 197.2 mln. The budgetary result of approximately CHF 11.8 million for the year was driven by positive variances of CHF 10.9 million in budgetary expenditure, CHF 3.3 million under miscellaneous income and a negative variance of CHF 2.4 mln in the conditions of the provision of contributions.



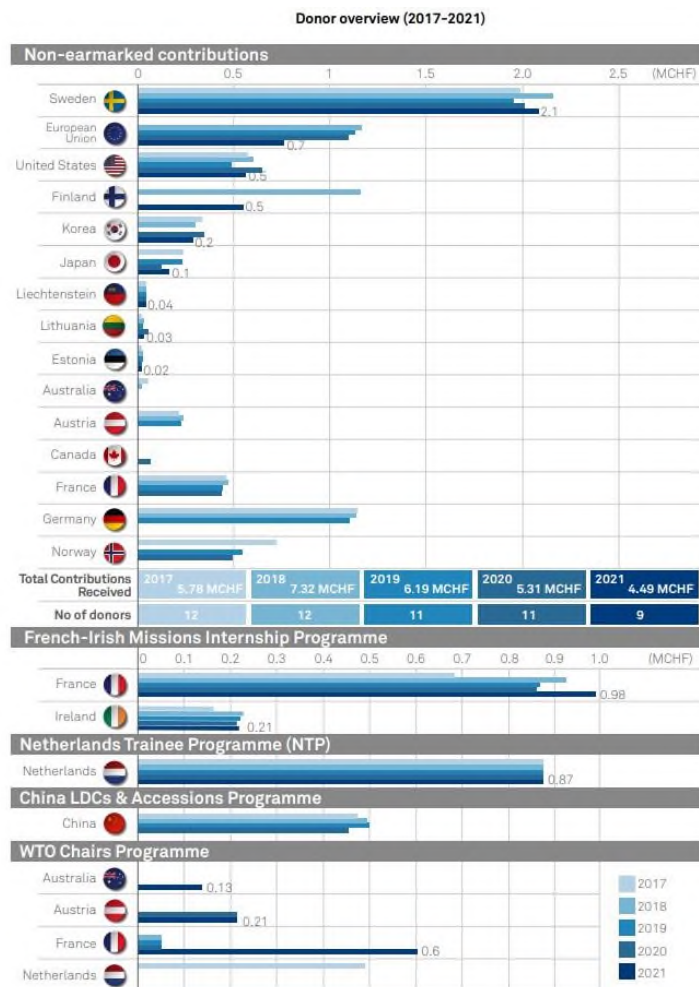


Figure 1.3. **Contributions of different countries** [94]

From the point of view of Extra-Budgetary Performance, the number of contributors to WTO trust funds was similar to that in 2019 though the amounts contributed were lower. Two funds were closed at the end of 2019, bringing the total number of active trust funds to 12. As a result of the pandemic slowing down the Technical Assistance activities, net expenditure in 2020 decreased significantly and according to the reports provided according to the parameters analysed, the situation was very similar in 2021.

The budget of 2021 demonstrated a rise for the year 2022, though with the beginning of war in Ukraine the indices fell and the tendency goes on in 2023.

As for the sources of investments, they can include different ones, enumerated in the table, in 2020 in particular, including contributions of observer countries, royalties, trust funds, refunds, rentals that constitute the budget of the WTO.

The financial result obtained in 2020 is a deficit of CHF 37.1 million. Amongst the largest IPSAS adjustments are the long-term pension and ASHI liabilities making up 75% of the total adjustments, while 2021 demonstrates quite similar situation [90; 93]

**Table 2.1 Budget income of the WTO in 2020.**

| Item  | Budgeted<br>Miscellaneous<br>Income 2020 | Income 2020  | Variance 2020 |
|---|--|--------------|---------------|
| Contributions of Observer Countries           | 600                                      | 624          | 24            |
| Sale of Publications & Royalties              | 270                                      | 119          | -151          |
| Trust Funds - Participation in Indirect Costs | 190                                      | 161          | -29           |
| Refund of Prior Year's Expenditure            | 180                                      | 3,528        | 3,348         |
| Rental of Meeting Rooms & Office Space        | 125                                      | 30           | -95           |
| Profit/Loss on Exchange                       | -  | -1,579       | -1,579        |
| Other   | 339                                      | 2,149        | 1,810         |
| <b>Total</b>                                  | <b>1,704</b>                             | <b>5,032</b> | <b>3,328</b>  |

At the same time, the budget of the WTO as the organization depending on the funds created by contribution of the countries-participants, as well as other sources, it relies greatly on the volume of trade, that in its turn, depends on multiple factors.

The World Trade Organization is the centerpiece of the global trading system and provides a platform for trade negotiations and dispute resolution among member countries. WTO funding is a critical component of the worldwide trading system and helps the organization carry out its mission. Contributions from Member States primarily fund the WTO.

These donations are used to fund the organization's activities, such as: conducting trade negotiations, providing technical assistance to developing countries, and managing dispute settlement mechanisms.

It is undeniable that the World Trade Organization (WTO) plays a pivotal role in global trade finance and funding. According to the WTO's 2019 annual report, international trade accounted for 28.8 percent of the world GDP in 2018- an increase from 19 percent in 1995 when the WTO was established. Moreover, global exports rose by 3.5 percent to reach USD 17.3 trillion – marking the fifth consecutive year of growth

and signaling increased confidence in world economies despite challenging global trade environments [91-94].

This growth can be explained by several different factors concerned with the trade financing and funding. It includes also measures taken by international organizations, governments of the countries of the world, multilateral banks of development, financial institutions of private sector, as well as non-bank players among them being export credit agencies (ECAs).

In terms of specific areas of investment facilitated by these entities [90; 93; 94]:

- Export credits are often used as a means for financing imports into countries with weak currencies or limited access to capital markets;
- Investment funds are commonly employed for infrastructure projects;
- Multilaterals such as The International Monetary Fund (IMF) can provide structural advice on boosting economic output; and
- Governments play a crucial role in providing regulatory oversight over lending practices offered through traditional banking channels or non-traditional lenders such as microfinance institutions which have become more widespread across developing nations due to their wide-ranging impact on poverty reduction initiatives within these countries.

The success stories created through this initiative underline how important it is for governments, international organizations, and other stakeholders alike to ensure that sufficient resources are dedicated to promoting trade finance opportunities worldwide so that businesses continue their upward trajectory regardless of geopolitical tensions or economic volatility levels encountered on a global scale today.

According to data from the WTO's Annual Report 2020, overall financing commitments amounted to US\$588 million in 2019, representing an increase of 12% compared with 2018. Of this amount, US\$408 million was spent on technical assistance programs; by far, the largest recipient country was India, with total spending reaching US\$48 million, closely followed by Ethiopia (US\$35 million) [93].

The small business support have received more attention in recent years: last year, more than 530 projects benefiting small enterprises were approved - up 45% since 2013

– which equates to roughly 3/5ths of all grant-funded programs released in 2019 totaling almost US\$84 million in investments. The remainder of this funding went towards institutional capacity development-related projects (USD 103m), regional integration (USD 71m), and multilateral trade negotiations (US \$95m). Many of these initiatives focus on microfinance organizations that offer easy access to capital or subsidies for developing markets such as Africa or Latin America. There has been a particular focus on increasing accession participation in global value chains among least developed countries, with 86% of these funds being distributed across 20 different nations predominantly located within Sub-Saharan Africa and South East Asia, accounting for 39% and 25%, respectively, combined making these two regions key beneficiaries over any other part globally according to 2019 session's outflows information alone [90; 93].

Overall, it appears that there has been an increased focus on granting technical capabilities instead of solely relying upon funding transfers, yet given current market conditions due COVID-19 pandemic, it remains uncertain if the same trend will hold throughout 2020 or if new approaches will need to be introduced to maximize effectiveness while minimizing resource costs under amidst prolonged period economic downturns worldwide.

A lot of scientists, investigating the issues of the WTO funds and financial sector, focus on different aspects of the problem.

In particular, they emphasize the issues of the sources of budget income [94], the issues of investment flows [24; 29], and the interdependence of the WTO funds with economic growth [30; 56] within the general context of globalization and the overall problems with financial sector [42, p. 32]

Thus, foreign direct investment flows is discussed as having a key role in globalization, that has increased dramatically since the 1990s, albeit with some ups and downs which were quite multiple till 2021 and in 2022/2023 the tendency goes on. Taking into account the necessity of bringing capital, technology, and management to the host economies; rationalizes industrial allocation, and creating supply–demand chains both on the regional and the global level, thus, creating multiple routes of exchange of goods and services, and given that the global economy is in a period of post-

financial/economic crisis recovery and restructuring, it is emphasized that it is crucial to improve the environment for investment in order to facilitate the flows. Efforts to liberalize and facilitate investment flows have been made by the multilateral process and also by the bilateral and plurilateral process (regional arrangements), which are analysed as the ones that can renew the global economic dynamism, that makes it acute and timely for the WTO to initiate a new agenda on investment promotion and facilitation [41; 43].

There have been many theoretical studies that examine the relationship between trade and investment either as substitutes or as complements [38]. The cases of a series of Asian economies are examined with respect to economic growth, trade, and investment connections, and find that it is positively correlated with higher productivity levels in exports and imports [34]. It has shown empirically [39] that investment flows has a positive impact on India's export boom and its effects are much greater than those of domestic capital.

As globalization and regional integration spread rapidly, the level of investments began to show a steady upward trend from 1990 to 2000, the developed economies being the major source of investment flows [37].

All in all, scientists focus on different aspects of the development of financial sector of some developing countries [33; 78].

The WTO funds and financing rely fully on the international agreements that constitute legal framework regulating the trade between different countries, that is dwelt upon in the next part of the thesis.

### **2.3. Bank financing of international trade on the example of JSC Commercial Bank "Privatbank"**

The foreign trade financing system as a key component of the foreign economy can be represented as an interconnected set of three functional subsystems: the financing subsystem of actual trade (operational) activity, the financing subsystem of trade development, and the subsystem of their regulation. This approach makes it possible to take into account, within the framework of the specified subsystems, specific features and problems caused by the use of various

tools and methods of financing, the adequacy of legal norms for their regulation.

Of course, in the process of international trade and other types of foreign economic activity, the role of the banking system is key, as it is responsible for financing processes. Financing of foreign trade under modern conditions is carried out with wide use of various forms of credit. Trade capital in its circulation goes through three stages, the second of which is production, since trade services are produced on it and additional value is created as an economic source of profit formation of trade enterprises and ensuring their self-sufficient financial and economic activity, including active participation in credit relations.

The foreign exchange financing system in Ukraine has gone through several main stages in its development, which can be classified based on the criterion of foreign exchange liberalization as one of the key factors:

- 1991 – 2000 - formation of the foreign trade financing system; dynamic development of the regulatory subsystem based on the creation of a legal framework for foreign trade;

- 2001 – 1st half of 2008 – dynamic development of the foreign trade financing system and its development primarily based on the expansion of trade financing tools and the increase in resource capacity due to the growth of the economy and the number of banks with foreign capital in Ukraine;

- 3rd quarter 2008 until now (2023) - adaptation of the foreign trade financing system to the conditions of the global financial and economic crisis and post-crisis recovery; diversification of foreign trade financing sources.

The separation of these stages reveals a change in the role of foreign trade financing sources: in the pre-crisis period, the role of private capital, including foreign banks, is growing; under crisis conditions, the importance of official sources of foreign trade financing increases - with the participation of the state government (through the mediation of export credit agencies) and international financial organizations, first of all, the IBRD and the EBRD.

Therefore, the largest banks of Ukraine are involved in the process, among which PJSC CB "PrivatBank" occupies an indisputable prominent place as the largest bank of Ukraine.

Commercial Bank "PrivatBank" was established in 1992, which is till now remains to be the leader in the market of banking services of Ukraine, despite the transformations in concern with its recent nationalization in 2016 and its passing 100% to the national ownership.

Today its authorized capital equals UAH 18100740000 with the number of employees - 23,920 persons. It has the right of performing activity of all the types of monetary mediation, support of activities in the field of financial services other than insurance and pensions, mediation under securities or goods contracts. One of these activities, of course, concerns international trade.

According to the plan 2020 – 2024 of PJSC CB "PrivatBank", one of the main goals it pursues, is provision of high-quality financial support and services aimed at strengthening the its position in the market as number one retail bank in Ukraine.

"PrivatBank" JSC is one of the largest Ukrainian banks in terms of assets and is the direct leader of the retail banking market of Ukraine. According to numerous surveys of the country's population, "PrivatBank" JSC is recognized as the most popular and recognizable banking brand. of Ukraine. The client base numbers about 334 thousand corporate clients 347 thousand private entrepreneurs and over 12,5 million accounts of individuals (the data of annual reports of "Privatbank").

In order to estimate the capacity of PJSC CB "PrivatBank" in financing international trade, the main performance indicators were analyzed in the basis of annual financial reports. In the Tanble 2.2 the data are analyzed for pre-war period, as far as its functioning was affected as a reult of war.

Table 2.2

**PJSC CB "PrivatBank" main performance indices (for the period 2017-2021)**

| <b>No</b> | <b>Index</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|-----------|--------------|-------------|-------------|-------------|-------------|-------------|
| 1         | 2            | 3           | 4           | 5           | 6           | 7           |

|    |                                |           |           |           |           |           |
|----|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1. | Assets, mln.                   | 148840,72 | 187918,83 | 212813,00 | 258611,00 | 205183,00 |
|    | Absolute growth, mln.          | -         | 39078,11  | 24894,17  | 45798,00  | -53428,00 |
|    | Increase rate, %               | -         | 26,25     | 13,25     | 21,52     | -20,66    |
| 2. | Liability, UAH mln             | 148840,72 | 187918,83 | 213412,00 | 258611,00 | 205183,00 |
|    | Absolute growth, mln. UAH      | -         | 39078,11  | 25493,17  | 45199,00  | -53428,00 |
|    | Increase rate, %               | -         | 26,25     | 13,57     | 21,18     | -20,66    |
| 3. | Liability, UAH mln             | 130539,96 | 167607,21 | 188317,00 | 231101,00 | 206065,00 |
|    | Absolute growth, UAH mln       | -         | 37067,25  | 20709,79  | 42784,00  | -25036,00 |
|    | Increase rate, %               | -         | 28,40     | 12,36     | 22,72     | -10,83    |
|    | Capital, UAH mln               | 18300,76  | 20311,62  | 25095,00  | 27510,00  | -882,00   |
| 4. | Absolute growth, UAH mln       | -         | 2010,86   | 4783,38   | 2415,00   | -28392,00 |
|    | Increase rate, %               | -         | 10,99     | 23,55     | 9,62      | -103,21   |
|    | Liability share,%              | 12,30     | 10,81     | 11,76     | 10,64     | -0,43     |
|    | Total financial result UAH mln | 1532,76   | 1873,39   | 247,00    | 238,00    | 176238,00 |

|    |                          |       |        |          |       |           |
|----|--------------------------|-------|--------|----------|-------|-----------|
|    | Absolute growth, UAH mln | -     | 340,63 | -1626,39 | -9,00 | 176476,00 |
|    | Increase rate, %         | -     | 22,22  | -86,82   | -3,64 | -74149,58 |
| 6. | Return on equity, %      | 12,30 | 10,81  | 11,79    | 10,64 | -0,43     |
|    | Return on assets, %      | 1,03  | 1,00   | 0,12     | 0,09  | -85,89    |

It is obvious for the figures in the table, that there is a decrease in the total assets of PJSC CB "PrivatBank" in 2019-2020, which corresponds the global economic and financial crisis, that was provoked by COVID-19 pandemic and the fall equals by 20.66%, which demonstrates financial difficulties of the bank in the period, that was represented by the decrease in total liabilities by 20.66% as well, the decrease of the capital of "PrivatBank" by UAH 28,392.0 million or 103.21%.

Though before the period the financial activity of PJSC CB "PrivatBank" was highly profitable in the period of 2016-2019, in 2019-2021 it suffered loss, that produced negative impact on return on capital as well as return on assets, that was



even more negatively influence since 2022 due to the war.

Interest income proved to be the most profitable in the income structure of JSC CB "PRIVATBANK" 62.5% - in 2019, 59.5% - 2020 and 60,2% in 2021. The share of other points in the income structure remained almost on the same level, though in general an overall decrease takes place up to the 2022. And, as we understand even before 2023 finishes that, the situation does not become too more optimistic.

These general indices of financial activity of the bank influence greatly the ability of financing international trade activity. In addition, as far as crediting is the major way of international trade support by the bank, the analysis of the changes in loans and indebtedness of customers should be taken into account. While in 2019 loans were provided in the amount of UAH 96,175,828, in 2020 the index raised to UAH 110,777,037, demonstrating the growth of 15.2%, in 2021 and 2022 it rose to 112,47,012 and 13,735,256 correspondingly.

The analysis of long-term loans increased in 2021 in comparison with 2019 by 21,5%, in 2022- by 22,4%.

All in all in the analysis of various indices of financial activity of JSC CB "PRIVATBANK" in 2017-2022, it became obvious that the main sources of income for the bank included all active and passive operations. In addition, while analyzing the points of income for the bank as well as loans, provided by the bank, a certain part of them concerned external financial activity, connected with international trade.

The peculiarities of international settlements are that certain additional relationships arise, involving importers, exporters, as well as commercial banks, in which they are serviced. The main components of such relationships are the processes of registration, forwarding and processing documents which should mediate goods management operations and transfer payment documents. International settlements are as daily activity of banks which carry out settlements with foreign counterparts on the basis of produced by international community and accepted in the majority countries of the conditions, norms and procedure of

calculations.

Small and medium-sized businesses are the main part of corporate clients served by the bank. At the same time, a significant share of the use of banking products is provided by large financial and industrial corporations. Special attention is paid to servicing companies that have a broad cut structural subdivisions, — network corporations.

After an analysis of the industry characteristics of the bank's client base, it was revealed that a large part consists of enterprises, the main type of activity of which is trade and commercial activity. A significant share among corporate clients is occupied by enterprises in the food, transport, agricultural and construction industries. In table change in the number of the bank's clients in the international financial sphere in 2019-2022 is analyzed.

**Table 2.3**

**Dynamics of customers in international financial activity in 2018-2021**

| Year        | Customers quantity | Customers quality, who demonstrate international activity, | Share of customers performing international activity,% | Growth in the sphere of international activity, % |
|-------------|--------------------|--|--|---|
| <b>2018</b> | 1039001            | 37010  | 3,56   | -   |
| <b>2019</b> | 1039100            | 37995  | 3,66   | 2,66  |
| <b>2020</b> | 1040385            | 38111  | 3,66   | 0,31  |
| <b>2021</b> | 1040386            | 61138  | 5,88   | 60,2  |

Analysis of the data in Table 1 showed that the number of corporate clients is constantly growing every year. Therefore, there is a positive trend towards an increase in the number of clients who carry out international trade (for example, 5.88% of all bank clients are corporate clients). Also, in 2019, compared to 2018, the number of customers performing foreign exchange increased by almost 61%, which may indicate the attractiveness of the offered services, the availability of the bank's tariffs and skillful marketing policy. The data for 2020 and 2021 remain almost on the same level as a result of financial crisis, while in 2022 demonstrating

significant decrease as a result of war and the general decrease in the bank functioning.

“Privatbank” offers its corporate clients a wide range of services for making payments: documentary collection/letter of credit, financing of international trade: import financing before shipment through an irrevocable documentary letter of credit or bank guarantee, deferred payment financing (opening in favor of the seller of a letter of credit executed through a deferred payment or guarantee), post-import financing, as well as modern SWIFT, PayPal, PrivayMoney systems, etc.

When conducting an analysis of the activity of a commercial bank in the field of foreign exchange, it is mandatory to determine the currency position of the bank. This indicator is one of the most common methods of evaluating the foreign exchange activity of commercial banks and the impact of international settlements on their balance of payments. In order to make international payments timely and expediently, banks as a rule maintain the required currency positions in different currencies according to the structure and terms of further payments.

Among the services of the bank, which provides international trade, is lending. The term of lending causes significant differences in the credit methods of financing foreign exchange. Short-term crediting is carried out mainly in the framework of trade financing, long-term - mainly in the framework of project financing, measures aimed at the development of foreign trade.

Trade financing is the financing of short-term foreign trade operations using specific instruments - documentary letters of credit, collection, guarantees, open account (bank trade finance) and commercial credit (non-bank trade finance) and with the involvement of resources on international financial markets. In the process of research, we discovered that pre-export, post-export and post-import financing are types of trade financing that are carried out using letters of credit and guarantees as financing tools. The main instrument of trade financing in Ukraine is a letter of credit.

Financing sources for importers are basically similar to financing sources for exporters, and financing methods include: bank overdraft in national or foreign

currency; loan in national or foreign currency; trading on an open account; financing through commission firm; settlements using an acceptance letter of credit and a letter of credit with payment installments; leasing; forfeiting; loan financing to the buyer, guaranteed by a state institution; counter trade; bank acceptance (similar to loan financing for exporters); bank loan for products, which is repaid from cash proceeds from the sale of export goods by the importer. When choosing a specific form of financing trade operations, an international financial manager should comprehensively analyze a number of risks: geographic, currency, inflation and interest, market, payment, political.

To reduce the risks associated with the implementation of export-import operations, as a rule, the following is used: o letter of credit, which is the bank's obligation to pay for the goods delivered to the importer. The commercial letter of credit is issued by the bank on behalf of the importer.

For short-term export financing, the traditional methods are:

- unsecured overdraft in national or foreign currency. The probability of lending in the national currency increases if the exporter has an export credit insurance policy to reduce the risk of losses in the event of the importer's refusal to pay;
- advances for collection. The bank provides them to the exporter when the latter asks the bank to collect on his behalf. The size of the advance is determined in each specific case depending on the amount of credit risk. As a rule, it is 80-85% of the amount of the draft;
- acceptance credit lines. This is an agreement according to which the bank agrees to accept promissory notes issued by the exporter against security in the form of a commercial bill. The payment term of the commercial bill must be earlier or coincide with the repayment term of the loan bill, which is accepted by the bank.

The advantages of acceptance credits are that bills are recorded at a lower accounting rate than the rate for accounting commercial bills. Therefore, acceptance lines of credit are cheap sources of short-term financing. The disadvantage of this method of financing is a significant amount of acceptance credit - at least 1 million

dollars, as well as the right of recourse to the exporter from the bank.

All these operations are successfully fulfilled in order to finance international trade, the needs for it being increase with Ukraine joining the WTO, which is analyzed in the next chapter.

## **CHAPTER 3**

### **WAYS OF INTERNATIONAL TRADE RECOVERY IN UKRAINE WITH MODERN FACILITATING METHODS**

#### **3.1. Analysis of the economic activity of the World Trade Organization in Ukraine and prospects for its development**

Ukraine's accession to the WTO became the realization of one of the priority tasks of Ukraine's foreign economic policy, which should be considered as a systemic factor in the development of the national economy and the creation of a predictable transparent market environment for this purpose. The process of Ukraine joining the GATT/WTO system began on November 30, 1993, when an official application of the Government of Ukraine was submitted to the GATT Secretariat, and ended on May 16, 2008 with the adoption of the Law of Ukraine "On the Ratification of the Protocol on the Accession of Ukraine to the World Trade Organization".

Despite the seemingly obvious strategic advantage of this step, the attitude towards Ukraine's membership in the WTO among scientists, experts, politicians, business representatives and the public both before and after joining this organization remains ambiguous [2; 3; 5]. This is caused, not least, by the diversity of economic and political interests of various social groups: importers, exporters, trade intermediaries, domestic producers, consumers, political supporters of the "Eurasian" and "European integration" vectors of foreign policy, etc.

As it is demonstrated in the previous chapters, accession to the WTO creates opportunities for the country to improve many aspects of economic development; however, it depends significantly on the WTO acceding country itself whether it will

be able to use these opportunities. In addition, for Ukraine, as a member of the WTO, various aspects of the institutional development of this organization should play a significant role, especially in the context of the expansion of the spheres of activity of the WTO and the threats and problems that arise in it.

Taking this into account, the main issue, the consideration of which is the basis of this study, is the need to develop a strategy to ensure the economic interests of Ukraine in the context of the transformation of the WTO in the context of significant changes that are occurring and will occur in the future in this organization. Obviously, an objective analysis of the use of such opportunities provided by joining an organization can only be made on the basis of identifying long-term trends. However, even our analysis of the experience of Ukraine's participation in the WTO to some extent already reveals some important effects of being in this system on the development of Ukraine.

First of all, it should be noted that in the period preceding Ukraine's accession to the WTO, there were a large number of different expert assessments regarding the prospects that are opened for Ukraine as a result of participation in the WTO. One of the most extensive and comprehensive in this regard was the expert survey conducted by the Ukrainian Center for Economic and Political Research named after Oleksandr Razumkov [1, p. 42]. In general, positive consequences were expected to prevail over negative ones, primarily in terms of Ukraine's use of the institutional advantages created by membership in the WTO. At the same time, the lowest expectations of the expert environment were placed on the possibility of improving the structure of Ukrainian exports.

The results of the analysis of the first ten years of Ukraine's stay in the WTO confirmed the assumptions and showed that joining this organization not only did not change the characteristics of the country's foreign economic positioning in the aspect of qualitative improvement of the export potential structure, but also conserved them to some extent. Ukraine continued to specialize in the export of agricultural goods and goods with a low added value, primarily metals, and a low level of manufacturability (agricultural products).

In addition, there is a high level of export concentration and low diversification, which significantly increases the level of threats to the country's economic security due to vulnerability to fluctuations in the global economic situation. In general, according to the results of the analysis of economic indicators over fourteen years, Ukraine mostly managed to realize the expectations regarding the institutional effect of obtaining membership in the WTO. At the same time, there are still enough tools for the protection of its own producer, allowed by the WTO, which Ukraine did not fully resort to.

It is much more difficult to assess the impact of WTO membership on indicators of foreign economic security and foreign trade activity of Ukraine, because immediately after Ukraine's accession to the WTO, they were affected by the financial and economic crisis, and since 2014, the annexation of the territory of the Autonomous Republic of Crimea and military operations in parts of the Donetsk and Luhansk regions, the COVID-19 pandemic with a lockdown and restrictions in 2019-2020, and from the beginning of 2022 - a full-scale Russian-Ukrainian war on the territory of Ukraine with the closure of roads, significant in terms of the destruction of Ukraine's infrastructure and military actions.

Comparison of indicators of foreign economic activity of Ukraine (according to the State Statistics Service of for 2007, 2018 and 2021) is given in Table 3.1.

To a large extent, the impact of the first years of Ukraine's stay in the WTO can be assessed on the basis of a comparison of the expectations that preceded the accession and the real indicators of foreign trade activity achieved in the period from 2008 to 2010. It should be noted that in the years preceding the accession to the WTO, a number of forecasts were developed regarding the future impact of membership in the WTO, the initial data of which were formed based on the economic situation in which Ukraine was at that time and it was expected that exports and imports would grow in the medium term by approximately 14% [90], although already in 2008, the representatives made an updated assessment, based on new data, according to which the growth of exports and imports in the short term was predicted by 8.1% and 8.3%, respectively.

**Table 3.1 Comparison of the indicators of foreign economic activity of Ukraine for 2007, 2018 and 2021**

| <b>Indicator</b>  | <b>2007</b> | <b>2018</b> | <b>2021</b> |
|---|-------------|-------------|-------------|
| Openness of the economy, %  | 0,87        | 0,99        | 0,98        |
| Export-import coverage ratio, times   | 0,87        | 0,84        | 0,93        |
| The specific weight of the leading partner country in the total volume of exports of goods, %                                   | 25,72       | 7,72        | 10,33       |
| The specific weight of the leading partner country in the total volume of goods imports, %                                      | 27,75       | 14,15       | 17,24       |
| Specific weight of the leading product (commodity group) in the total volume of merchandise exports, %                          | 42,21       | 24,58       | 28,12       |
| Specific weight of the leading product (commodity group) excluding energy imports in the total volume of merchandise imports, % | 19,17       | 20,91       | 26,78       |
| The specific weight of raw and low-grade industrial exports in the total volume of goods exports, %                             | 74,60       | 84,50       | 89,65       |
| The share of imports in the domestic consumption of the country, %  | 0,20        | 0,23        | 0,27        |
| Index of terms of trade (price), %  | 96,20       | 95,50       | 99,30       |

(Calculated on the basis of the State Statistics Service of Ukraine)

**Table 3.2 Comparison of the foreign trade security indicators of Ukraine for 2007, 2018, 2021**

| <b>Indicator</b> | <b>2007</b> | <b>2018</b> | <b>2021</b> |
|------------------|-------------|-------------|-------------|
| Export security  | 41,12       | 45,08       | 49,31       |
| Import security  | 46,01       | 48,53       | 51,63       |

(Calculated on the basis of the State Statistics Service of Ukraine)

But in reality, the situation turned out to be completely different: in 2008, that is, the first year of Ukraine's membership in the WTO, compared to the previous year, exports increased by 35.5%, and imports - by 41.1%. In 2021, there is a 38% increase in exports. To be fair, it should be noted that it is not possible to fully single out the share of this growth caused by the impact of accession to the WTO, because



according to experts' estimates, there was a certain trend of export and import growth regardless of the influence of the WTO system.

At the final stage of preparations for Ukraine's accession to the WTO, a significant number of studies were conducted, which gave distinctly different results. In order to bring the original data as close as possible to the realities that preceded the accession to the WTO, it is possible, in particular, to compare the results of research conducted in 2008 by the Institute for Economic Research and Political Consultation [75], materials prepared in May 2007 jointly by ECORYS (Netherlands) and CASE Ukraine by order of the European Commission [79].

The analysis of these research results, presented in a branch-by-branch section, gives reason to assert that the greatest gain from joining the WTO was expected in such areas as the production of metals and products from them, as well as in the branches of suppliers of raw materials and in agriculture. Among the industries that were expected to suffer some losses due to Ukraine's membership in the WTO, were mechanical engineering, in particular, the automotive industry.

In general, discrepancies between forecasts and actual indicators are largely due to such factors as the impact of the economic crisis of 2007-2009 that affected financial system globally, trends in trade with countries that are not members of the WTO, sharp changes in world prices in the specified period, global trends in changes in the cost of labor and the corresponding indicators of price competitiveness for products of labor-intensive industries (which was especially affected in light industry).

Thus, a significant difference in the forecasts regarding the impact of Ukraine's membership in the WTO on the export of metallurgical products is related precisely to the low prices for this type of product during 2010, while in 2008, compared to 2007, the export of metallurgical products increased by 32, 8%. The above forecasts regarding the impact of participation in the WTO on the economy of Ukraine predicted the most positive impact in the field of trade in agricultural products, and the greatest threats - in the automotive sector.

In this context, we will consider in more detail the impact of the first three years spent by Ukraine in the WTO on these sectors. During the first year of its stay in the WTO, Ukraine almost doubled its export of agricultural products. The financial and economic crisis demonstrated that in the period of a sharp decrease in activity in almost all markets, and therefore negative dynamics of demand for products, the decrease in the volume of agricultural exports compared to the decrease in other industries was insignificant. During the year of 2009 the share of agricultural products among the overall scope of exported ones by the country rose by 6.2 , which is correlated with the data of the previous year (Calculated in accordance with the data of the SSS of Ukraine)

The stage after joining the WTO is specified by the noticeable rise in the amount and part of agricultural products of the overall amount of exports of the country, thus focusing and highlighting the natural orientation of the economy of the country to the agricultural sector. If in the period 2005–2007 the share of agricultural goods did not exceed 9%, in the period 2008–2011 it did not fall below 12%, then in 2014 a quarter of Ukraine's commodity exports were formed by agriculture itself, and in 2015–2021 its share was stable exceeded 30%.

Despite the significant increase in the volume of trade in agricultural products after joining the WTO (if in the period of 2005-2007 the average annual export of agricultural goods amounted to 3.5 billion US dollars, then in the period of 2008-2011 this indicator increased to 8.1 billion USD), there was no significant geographical diversification of exports. The main importers of agricultural products from Ukraine remained and remain to this day the countries of the Middle East.

The market of most developed countries, primarily EU countries, remained closed to Ukraine. To a large extent, this is due to fairly significant non-tariff barriers, primarily sanitary and phytosanitary regulations. These norms did not allow Ukraine to take full advantage of the opening of the EU market in April 2014. as a result of the start of the autonomous preferential trade regime granted to Ukraine. In addition, developed countries have a powerful system of support for their own producers of agricultural products through a significant amount of subsidies. It was

subsidies and non-tariff barriers that did not allow Ukraine to fully benefit from the openness of markets obtained through membership in the WTO.

At the same time, as domestic producers of agricultural products adapted to the rules of the world market, their export volumes of agricultural products also increased. In 2012-2021, the average export of agricultural products from Ukraine amounted to approximately 13.7 billion US dollars.

Important for Ukraine before the beginning of the military invasion of Russia was the issue of facilitating access to the markets of agricultural products, and although today the problem remains relevant, it is also due to military actions and the occupation of a large part of the territories with a developed agricultural component, on others related to for these reasons, which significantly reduces the export of agricultural and other products from Ukraine. That is why the indicators of 2022 and 2023 are not taken into account by us as having a negative impact that is not directly related to the accession to the WTO, so they only distort the picture.

However, the issues of trade in agricultural products are still largely outside the WTO rules. The ideas of liberalization of trade in agricultural products, in particular, expressed in the desire to eliminate subsidies and other measures of domestic support for agriculture, through negotiations within the framework of the Doha Round of the WTO, have not yet brought results. And this really does not allow Ukraine to take full advantage of the benefits of the WTO in terms of increasing its agricultural exports.

At the same time, during the period of Ukraine's membership in the WTO, there was an increase in the import of some types of agricultural and food products, which for the period 2007-2021 amounted to 37.5% and 10%, respectively. However, this increase in imports can only partially be explained by Ukraine's membership in the WTO, because a significant share of the import of these types of agricultural and food sugar products was accounted for by countries that were not members of the WTO. So, the problem lies not so much in the liberalization of the regime of trade in these types of agricultural and food products, but in the inability of the domestic

industry, in the conditions of slow modernization processes, to satisfy domestic demand at a competitive price.

Sharply negative forecast estimates regarding the output of the automotive industry of Ukraine were largely due to the reduction of the import duty on cars in the period from 2008 to 2013 from 10% to 5% (a reduction of 1 percentage point each year).

Instead, Ukraine increased its import duty to 13% during the financial and economic crisis; despite the fact that such a step violated Ukraine's commitments to the WTO, none of the exporting countries appealed to the Dispute Settlement Body of this organization with a complaint against Ukraine. Consequently, the impact of membership in the WTO on the automobile industry was largely distorted due to the fact that the global crisis of financial and economic systems caused a sharp decline in the demand for cars, which could not recover even after the end of the crisis, and after the beginning of the military conflict with Russia, it decreased even more.

At the same time, the analysis of the ratio of imported cars and cars of domestic production for the period from 2005 to 2019 shows that accession to the WTO led to an increase in the share of imported cars in the total number of cars sold in Ukraine. Starting from 2019, the situation began to be affected by the pandemic and the lockdown, which lasted until 2021, which makes export indicators biased, so the period before that is considered.

The tendency for the share of imported cars to grow existed even before joining the WTO, and the increase in the customs tariff on passenger cars to 13%, which was in effect during 2009, did not stop this trend. This indicates insufficient competitiveness of the domestic automotive industry, due to which consumers prefer imported products. This prompted the Government to study the possibility of strengthening the tariff protection of the automotive industry. However, excessive tariff protection of the automotive industry can slow down its modernization and preserve its uncompetitiveness (according to the State Statistics Service of Ukraine).

Thus, despite the above-mentioned deviations, the predictions of the impact of joining the WTO on the domestic automotive industry were justified to a certain extent.

This is due to the fairly significant technical backwardness of the industry from leading competitors, which is demonstrated by the significant share of imports in the structure of domestic consumption. From 2007 to 2018, the share of sales on the territory of Ukraine of cars manufactured in Ukraine decreased from 38.8% to 3.2%.

It should be noted that participation in the WTO does not negate the need for state support for the development of the automotive and other sectors of the economy in terms of production for the needs of the domestic market, if such support is provided in forms compatible with the rules of the WTO. The industry needs deeper modernization, cost optimization and introduction of the latest technical and design solutions.

Without overcoming these problems, state protectionism (which is also a hidden form of preservation of market monopolization) will not help the domestic automobile industry to form competitiveness that will meet the growing demands of consumers on the domestic and world markets.

### **3.2. Transformation of financial mechanisms for regulation and support of exporters**

Ukraine's accession to the WTO and the process of initial adaptation in the multilateral trade system coincided for Ukraine with the formation of prerequisites and the unfolding of the global crisis of financial and economic systems. It had a significant impact on the commodity structure of foreign trade and proved the imperfection of the low-diversified model of export-import operations formed in Ukraine, which makes the economic system critically dependent on cyclical fluctuations in world markets. The commodity structure of Ukraine's foreign trade is changing dramatically under the influence of global trends, while the most noticeable changes are, as a rule, characteristic of the leading commodity items of

Ukraine's export activity. The global crisis of financial and economic systems contributed to deepening the level of dependence of Ukraine's economy on external factors, as evidenced by the increase in the specific weight of the positive balance of trade in traditional raw materials of export (non-precious metals and their products, products of vegetable origin, fats and oils of animal or vegetable origin, wood and wood products) and an increase in the negative balance in trade in mineral products, chemical products, polymer materials, and textile products.

On the global market, Ukraine is a notable player in the export of grains, fats and oils of animal or vegetable origin, and ferrous metals, where its share in world exports in 2018 was 6.57%, 4.84%, and 2.37%, respectively. Also, Ukraine is the world's second exporter of plant materials for wicker products, largely due to the small volume of this market. Table 3.2 shows data on the share of Ukraine's exports in world exports by sector (calculated on the database of the International Trade Center).

As we can see from Table 3.2, only in the export of products of two branches (agriculture and ferrous metallurgy) the share of Ukraine exceeds one percent. It should be noted that the products of these industries do not occupy a significant share in the structure of world exports. At the same time, Ukraine's share is minimal in those industries that account for a significant share of world exports, primarily engineering products. To a large extent, this is explained by the technical backwardness of products produced in Ukraine, which, in turn, leads to low demand for them in the markets of developed countries.

**Table 3.2 Ukraine in world exports of certain industries in 2021**

| <b>Industry</b>   | <b>Share of Ukraine in global industry exports, %</b> | <b>Industry share in global exports, %</b> |
|---|---|--|
| All industries  | 0.24  | 100  |
| Agricultural goods  | 1.61  | 4.97                                       |
| Food products   | 0.5   | 3.28                                       |
| Mineral products  | 0.16  | 14.32                                      |
| Production of chemical and related industries; polymer materials, plastics and products | 0.1   | 13.58                                      |

|   |      |       |
|---|------|-------|
| Wood and products from wood, mass of fibrous cellulosic materials | 0.48 | 2.19  |
| Precious metals and products from them                            | 0.89 | 6.8   |
| Machines, equipment and mechanisms                                | 0.08 | 29.31 |
| Transport equipment   | 0.03 | 10.54 |
| Textile products  | 0.1  | 4.33  |

(Calculated on the basis of the State Statistics Service of Ukraine)

At the same time, the dynamics of the development of the world economy show that developing countries demonstrate the highest growth rates. In these countries, unlike developed countries, the balance of the ratio between quality and price factors when choosing a product is shifted in favor of the latter, which creates certain opportunities for Ukrainian exports in the event of an appropriate offensive export policy.

In this context, it should be noted that with the accession to the WTO, in addition to the opportunity to expand its presence on the markets of WTO member countries, Ukraine got the opportunity to join various groups (coalitions of countries) existing within the framework of this organization. Already in the first year of membership, Ukraine joined the Group of countries that recently joined the WTO. Thus, the analysis of the medium-term period of Ukraine's stay in the WTO allows us to draw the following conclusions:

1. Predictive assessments of the impact of WTO membership on the economy of Ukraine revealed significant discrepancies with real indicators of economic dynamics, which is due, on the one hand, to the deforming impact of the global crisis of financial and economic systems of the period of 2007–2009, and on the other hand, to the limited impact of WTO norms on the qualitative characteristics of Ukraine's foreign economic potential. At the same time, predictions regarding both a positive impact on certain industries (for example, the export of agricultural products) and a negative impact on the production and sales of some industrial sectors.

2. Ukraine's accession to the WTO not only did not change the characteristics of the country's foreign economic positioning in the aspect of qualitative improvement of the structure of export potential, but also conserved them to some extent.

3. The lack of progress in the direction of increasing the share of goods with increased added value significantly limits the potential of Ukraine's presence on world markets. In the sectoral breakdown of world exports, Ukraine plays a relatively prominent role only in the export of ferrous metallurgy products, while in other industries, especially in industries with high added value, such as mechanical engineering, Ukraine's share is practically imperceptible.

Ukraine's accession to the WTO means that the country's strategy is focused on continuing to develop trade relations, the gradual liberalization of trade and the impact of other measures on foreign trade relations, as well as the application of clear and transparent rules. However, the implementation of these reforms will not guarantee China's position in the world economy. After all, the end often depends not only on the WTO rules, but rather on the implementation of the economic development process, which will allow the creation of a modern economy capable of making products competitive and highly priced on the world market. Simultaneously, the benefits of the country's accession to the WTO are determined, ultimately, by the relative competitiveness of the goods and services produced, which so far has a relatively low level in Ukraine.

The reduction of trade barriers has spurred the growth of imports and exports. However, it should be noted that increased shipments due to more products should be considered good in order to produce value-added end products.

When analyzing the consequences of Ukraine's accession to the WTO, special attention should be paid to the fact that in the early stages of transition to the conditions of accession to the WTO, the world financial and financial crisis of 2007-2009 occurred negatively affects the balance of risk and opportunity. It was gained after WTO membership. It also updated the question regarding the need to



strengthen rules to facilitate changes in employment conditions under the WTO framework.

In this context, it should be noted first of all the adoption of the Decree of Ukrainian President which is dated on June 17, 2008 No. 557/2008 "On measures related to Ukraine's accession to the World Trade Organization", Decree of the Cabinet of Ministers of Ukraine dated October 30, 2008 No. 1381 -p "On the approval of the plan of measures to adapt the Ukrainian economy to the requirements of the WTO" [5], as well as the Decision of the National Security Council of Ukraine, put into effect by the Decree of the President of Ukraine dated September 4, 2009 No. 713/2009 "On the decision of the National Security and Defense Council of Ukraine dated 26 June 2009 "On the report of the Cabinet of Ministers of Ukraine on the results of Ukraine's membership in the World Trade Organization".

However, despite this, a clear, consistent and strategically oriented state policy regarding participation in the WTO was never developed. The absence of a strategy for participation in the WTO, and therefore the absence of strategic guidelines for using the potential of membership in this organization, leads to a rather contradictory perception of participation in it by various socio-political and socio-economic groups, each of which proceeds primarily from its own specific vision of this problem, characteristic for a specific field in which this or that group operates or for a specific branch of the economy whose interests it represents.

And in this connection, one can agree with J. Stiglitz, who emphasizes the importance of a purposeful policy and program of actions aimed at obtaining positive results from participation in the WTO [77]. It is obvious that for Ukraine, the strategy of realizing economic interests in the WTO in general, and primarily in the conditions of its transformation, should include clear and consistent steps. These steps should be based on the traditional WTO practice of coalition diplomacy.

The first step should be a clear definition of the tasks that Ukraine seeks to implement through participation in the WTO, as well as its own strategic position regarding the issues that are planned for discussion in this organization.

The second step should be the search for potential allies - groups of member countries whose interests would coincide with the interests of Ukraine in certain areas of the WTO agenda.

The third step should be the development of a common position within the group of WTO member countries and the promotion of this platform by joint efforts within the process of multilateral trade negotiations.

Consistent compliance with these steps will maximize the effect of Ukraine's membership in the WTO. In addition, these steps should be fixed at the legislative level. Ukraine's accession to the WTO was accompanied by the adoption at the state level of a number of important political documents, which laid down separate elements of the strategic vision of using Ukraine's membership in the WTO to ensure the growth of the country's economy and the deepening of Ukraine's integration into the world community

With the accession to the WTO, Ukraine completed the initial stage of integration into the world trade system in a certain way. Further stages should be related to the correct positioning in the WTO system and effective use of the advantages of the multilateral trade system through an adequately constructed national trade policy mechanism.

In this context, it should be borne in mind that accession to the WTO in itself should not be seen as a purely positive or negative factor. As a member of the WTO, Ukraine has received certain opportunities, but whether it realizes them depends primarily on the extent to which the country will be able to modernize its economy in accordance with the realities of global development and global challenges.

WTO rules also create certain opportunities in the field of regional integration processes, because they are basic for trade relations of most countries of the world. They played a particularly significant role in the process of concluding a free trade agreement with the EU and negotiations on the creation of free trade zones with a number of other countries; therefore, membership in the WTO can be considered an effective factor in strengthening Ukraine's geo-economic potential.

At the same time, Ukraine's accession to the WTO limits the possibilities of autonomous actions in the sphere of Ukraine's foreign economic policy, creating certain frameworks, the violation of which will lead to additional costs. The key task of the state's foreign economic policy in the conditions of the country's membership in the WTO, and primarily in the conditions of the transformation of this organization, is to increase the country's export potential, in particular through the creation of an effective export support system.

This task requires the implementation of a set of measures to modernize and increase the international competitiveness of export production, optimization of the existing legal, organizational, economic, scientific and technical, infrastructural and other systems of support for the export-import activity of Ukraine. In this context, in the development of a strategy to ensure the economic interests of Ukraine in the existing conditions of the transformation of the WTO and laying in it the following measures in the field of Ukraine's export policy.

1. Development of the institutional system of export promotion and mechanisms for the protection of national economic interests in this area. It is necessary to create a system of institutions aimed at ensuring national commercial interests in the conditions of activity in a global competitive environment. Practically all leading countries of the world have similar institutional systems. For example, in Germany, state support for exporters, especially small and medium-sized enterprises, is focused on promoting export activities through commercial diplomacy networks [4].

It is expedient to form the export activity support system both by increasing the efficiency and diversifying the existing functions of state bodies, and by introducing fundamentally new mechanisms. The tools of activity of such institutions can be, in particular: participation in bilateral and multilateral negotiation processes on economic and trade issues; mechanisms of representation and protection of the state's economic interests in relevant international organizations; activity of trade, economic missions or commercial representations at the country's embassies abroad; activities of foreign representative offices of

national chambers of commerce and industry and associations. The methods of commercial diplomacy also involve the use of measures of a diplomatic nature to promote Ukraine's participation in systematic international cooperation projects. An important mechanism can be the creation and further development of marketing and service networks in priority foreign markets, as well as the formation of a support network for national manufacturers, primarily small and medium-sized enterprises, in the field of international trade.

Such networks should attract capital and commercial capabilities of reputable local companies and banks with information on the state of the market and relevant commercial contacts. The state could initiate this process through the establishment in the most important markets of trading houses, business centers and technical centers on a joint-stock basis, together with commercial and banking structures of Ukraine.

Another potentially effective mechanism is the creation of regional export promotion centers that would provide consulting services to local producers, disseminate information on the state of relevant markets and requirements for the quality of products and services, help to find potential partners, etc.

2. Identification of priority industries that require state support for the development of export activities. In order to ensure the concentration of national resources in support of the most promising, from the point of view of the potential for growth of international competitiveness, industries, it is necessary at the state level to approve a system of appropriate selection criteria, which, taking into account the accumulated international experience, should include: the dynamics of demand for products on world markets; the level of economic efficiency of product export; degree of scientific content of products; the internal multiplier effect of the development of related industries from the increase in the production of exported products, etc. It is on the basis of these criteria that the newest organizational mechanisms for encouraging the export of products of the most promising industries should be formed..

Such a national program should provide for a radical restructuring of the country's export potential - with the selection of priority export-oriented industries and, on the other hand, with the gradual reduction of the role of some currently "basic" export industries. This applies, for example, to metallurgy, which faces a sharp increase in competition from competitors' higher-quality products.

An important direction is also the stimulation of the development of inter-industry complexes of technologically related industries (clusters), capable of rapidly increasing the export of knowledge-intensive goods and technologies, as well as information and communication, scientific and technical, engineering, business, educational and other high-tech services.

3. Creation of a permanent representation of Ukraine at the WTO Secretariat in Geneva. Building a close dialogue with the WTO Secretariat is one of the main priorities of the foreign trade policy of many countries around the world.

Representatives of WTO missions attend meetings of many councils, committees, working groups and negotiating groups at WTO headquarters. Sometimes experts representing a country are delegated directly from the country to present the vision of the government of that country on certain issues. Thus, we can claim that there is a direct connection between the country's representation in the WTO and the effectiveness of the country's participation in world trade. In this context, Ukraine needs not only to have a representative office at the WTO headquarters, but also to ensure the active participation of employees of this representative office in the work of groups, committees and other organizational structures of the WTO.

4. Participation in trade and economic integration processes with priority partner countries, customs and integration unions, as well as other economic associations. The WTO rules are aimed at implementing the principle of the most favorable trade, which should in principle be equally applied to all member countries. However, the GATT agreement stipulates that in the case of a country's participation in free trade zones, customs unions in relation to partner countries in such entities, exceptions from this regime may be applied. This exception is

currently used by the majority of WTO member countries, as a rule, participating simultaneously in several regional formations.

Unresolved issue regarding the choice of the dominant integration vector had its negative manifestation in the uncertainty for business and investors regarding the future strategic direction of trade policy development.

5. Improvement of customs procedures. An important direction of the positive impact of membership in the WTO on the development of trade and the national economy as a whole is the significant simplification of trade procedures, and therefore the reduction of transaction costs. However, the specified changes in the trade regime do not occur automatically, but due to the implementation of relevant changes by the government of the member country. In Ukraine, such procedures are extremely burdensome both in terms of customs clearance time and the quality of services in general, lack of the required level of automation, etc.

In order to minimize unproductive losses of time and taking into account the need to increase the level of revenues from customs payments to the state budget, it is necessary to take urgent measures to improve the customs legislation, first of all, regarding the methods of calculation and payment procedures of customs payments, regulations for the organization of control procedures, as well as system reform comprehensive control of compliance with customs legislation. In addition, the problem of further harmonization of national customs legislation with EU standards remains relevant.

6. Completion of the reform of technical regulation and standardization systems. The problem of improving national technical, sanitary and phytosanitary standards, which collectively form the so-called technical barriers in trade, in accordance with international practice, is strategically important for the development of domestic exports.

7. Modernization and bringing the state aid system into compliance with WTO norms. Membership in the WTO and steps towards deepening the European integration of Ukraine necessitate the creation of a transparent legal framework for

the regulation of the state aid system, which would fully comply with WTO norms and be harmonized with existing EU rules in this area.

8. Improvement of financial mechanisms for regulation and support of exporters. In this aspect, the following set of measures should be implemented first of all, taking into account the principles and obligations recognized by Ukraine upon joining the WTO:

- implementation of export support programs at the expense of complementary financing from state and local budgets, as well as private sources;

- formation of state programs to support crediting of business entities that carry out export activities and have a high potential for increasing international competitiveness;

- implementation of programs for financing potential buyers of Ukrainian products, in particular by creating a national leasing company, the purpose of which could be to create better conditions for purchases by foreign state and private customers of high-tech goods of Ukrainian production;

- NBU carrying out recalculation of bank bills of exporters, which would allow them to increase the volume of working capital and contribute to the expansion of export production;

- introduction of a system of voluntary insurance of export credits in case of increased losses from exchange rate fluctuations;

- spreading the practice of trade financing of small and medium-sized enterprises.

- implementation of export crediting and export insurance mechanisms through the creation or authorization for these operations of one of the already existing specialized financial institutions in this field

9. Ensuring the transparency of the VAT refund mechanism for export and preventing abuses in this area. Ensuring unhindered VAT reimbursement during export is an absolutely necessary measure aimed at increasing the price competitiveness of Ukrainian exporters and preventing an artificial decrease in their

available working capital. At the same time, the existing fraudulent practice of VAT reimbursement for fictitious export transactions should be prevented.

10. Acceleration of the process of informatization of the field of external economic relations of Ukraine, which involves the introduction of such a set of measures as the creation of a comprehensive information system in the field of external economic relations to ensure the participation of Ukrainian manufacturers in international tenders, exhibitions and fairs, etc., and conducting trainings.

11. Activation of the process of training specialists in the field of WTO activities. The experience of countries that have joined the WTO shows that in order to realize the benefits created by joining this organization, it is necessary to have a highly professional and appropriately organized contingent of personnel competent in international trade policy and WTO norms, specialists in the field of regulatory of the legal framework of the WTO, capable of effective participation in relevant multilateral international negotiations, economists and lawyers.

### **3.3. Improvement of bank financing of international trade**

Despite the fact that, in general, the practice of Ukrainian banks - leaders in foreign trade financing generally meets Ukrainian regulatory requirements and international standards and customs, the research revealed the absence of open, centralized official databases on foreign trade financing in terms of sources of financing, subjects, ways, methods and tools of financing. All this complicates, and often directly makes impossible any analysis of the dynamics of foreign trade financing, the relationship between the effectiveness of financing and the dynamics of exports and imports, and other indicators.

It is worth noting that JSC KB Privatbank is certain obstacles on the way to further successful development of the international payments system in the foreign sphere.

1. Instability of software systems and "Privat24 for business", which, in its turn, impedes continuous conclusion of foreign economic contracts, conducting currency operations;



2. Instability of customer support line functioning (lack of communication with customer support line due to technical failures, long waiting for communication with operator)

A possible solution: to increase the number of highly qualified employees in the field of information technology with the aim of improving software support and better routing of customer calls. A large number of stop factors, due to which some financial operations may be cancelled or require additional documents to confirm payments, which, in its turn, slows down the payment process.

Possible solution: simplification of procedures of foreign economic activity by corporate clients at the expense of improvement of legislation in issues of regulating foreign economic activity of the bank. 4. Outflow of corporate clients to other banks after nationalization JSC CB "PrivatBank" in 2016 due to loss of confidence in bank.

Possible solution: to develop a more justified marketing campaign to increase customer confidence, establish new favorable tariffs for services in the sphere of international trade for corporate clients in comparison with other banks.

Recommendations regarding the development of loans for the foreign trade activities of Ukraine:

- 1) It seems that the formation of a system of bank lending for the export activities of enterprises in Ukraine should, first of all, begin with the development and implementation of the legal framework.
- 2) The first important issue is the determination of the mechanism of lending to exporting enterprises with the participation of the state and directions for the use of financial resources to stimulate exports.

It is worth noting that the task of implementing mechanisms of state support for export activity (crediting, export insurance, guaranteeing the participation of Ukrainian exporters in tenders abroad) was updated at the beginning of the global crisis in 2008, the urgency of the problem was emphasized in the Decree of the President of Ukraine dated April 27 No. 504 of 2012, however, as of mid-2011, the corresponding law had not been developed. In the process of loaning to export-

oriented enterprises, banks should use organizational and economic methods of issuing and repaying loans. The profitability of banking also depends on it.

Currently, as long as Ukraine is in a state of war, before increasing the activity of banks in the field of international trade, the banking system of Ukraine needs a general restoration, which is possible due to the following steps:

Launching a financing plan for the reconstruction of Ukraine's economy with the participation of international partners is an obvious priority of economic policy, which should begin to be implemented even before the end of hostilities, even despite the risks. The receipt and distribution of international aid must take place with the adequate functional participation of national state institutions. This will allow more complete consideration of national interests, which is especially important in matters of revival of industrial potential and ensuring innovative development of the country, to reform the system of profitability of banks for liquidity. The current liquidity of banks is not related to the productivity of the economy or the intermediation efficiency of the banking system, but is mainly caused by the inflow of international aid and emission funds to bank accounts. A well-thought-out structural policy will gradually bring the economy to market conditions and create a diversified, competitive private sector. A separate resource for attracting private foreign capital to Ukraine is found in the part of those transnational companies whose production business divisions have left Russian territory.

To attract investors, it is important to implement projects to restore and develop physical infrastructure. High-quality infrastructure potentially lowers the investor's transaction costs and increases the willingness to invest in business projects. It is important to strengthen the redistributive function of fiscal policy in the matter of fairer distribution of economic income.

This question will become acute after the war, when millions of destitute people will need employment with an adequate level of remuneration, comparable to the minimum acceptable social standards. Introduction of a differentiated system of income taxation, wealth taxation are possible options for strengthening the

redistributive role of fiscal policy. Domestic savings are the main resource for intensifying the development of any economy. Fairer distribution of the economy's income contributes to their more productive use in the country's economic turnover.

The process of improvement of banking system in concern with the development of international trade has to go along together with the development of interantion of Ukraine in the WTO, that also needs corresponding improvement recommentations.

The most significant prospects for the positive impact of Ukraine's participation in the WTO for the realization of national economic interests are related to the opportunity to participate in the development of world trade rules, which take place both during the Doha Round of the WTO and outside it. The conditions under which the country joined the WTO have a significant impact on the country's position in this negotiation process. Taking into account the fact that in the process of joining the WTO, Ukraine made unilateral concessions to the member countries of this organization, achieving significant liberalization of all other markets of the WTO member countries is an important task. This necessity is due to the imbalance created in the accession process, since such an asymmetric system cannot be strategically beneficial for the country.

It should be emphasized that Ukraine joined the WTO by taking on obligations in the "WTO+" format [2], that is, in a format that also includes such obligations that do not apply to the majority of WTO members, primarily those who received membership in the manner prescribed for GATT members. This format was developed specifically to project and forecast the terms of the Doha Round of the WTO, aimed at deeper trade liberalization. However, in the context of the suspension of the Doha Round in the summer of 2006 and a partial revision of its agenda, which should result in a reduction in the volume of new agreements than was foreseen at the beginning of the negotiation process, it means an increased risk that even after the end of the round, Ukraine's obligations will be significantly wider , than the obligations of many other WTO member countries.

Based on this, the primary task for Ukraine in the negotiations within the framework of the Doha Round is to insist on the maximum possible format of agreements and maximum assistance in the development of the program of the next round of negotiations with the achievement of a general level of market liberalization of all WTO member countries at the level of commitments undertaken Ukraine upon joining this organization.

Therefore, there is a need to develop a two-level approach to making demands in the WTO. At the first level, it is necessary to concentrate on reaching the final agreement of the Doha Round. At the second level - after the end of the round - it will be necessary to more purposefully strive to achieve the most beneficial for the country a new agenda regarding the further liberalization of the world trade regime. Taking into account Ukraine's interest in the successful conclusion of the Doha Round, the possibility of selectively supporting the positions of the EU or the USA in certain issues should also be considered. In particular, it is possible to support the demand of the USA to reduce the levels of import duties in the EU for products of the agricultural sector, which would allow to expand the prospects of penetrating the EU market for a greater number of goods from the agricultural sector of Ukraine. Although a possible negative aspect of such support for the US position is the vulnerability of such a position in terms of compatibility with Ukraine's strategic aspiration to join the EU.

It is likely that a more strategically correct step would be a consistent position on the gradual removal of barriers to agricultural exports of Ukraine through the mechanism of the free trade agreement with the EU. However, Ukraine is interested not only in opening up the markets of developed countries, but also the markets of developing countries. Based on this, Ukraine is interested in implementing the demands of developed countries regarding the liberalization of the industrial goods market of developing countries in those positions that open up the greatest export prospects for it.

It should be noted that at the negotiations, this issue is considered primarily in the context of food security, so it is not a subject of particular interest for countries exporting agricultural products, to which Ukraine belongs.

Despite a number of positive factors of Ukraine's accession to the WTO, the entry of Ukrainian manufacturers into new markets, the development of bilateral trade relations with neighboring countries, it must be stated that the global financial crisis and the prospect of depressed economic growth have a negative impact on most sectors of the national economy. At the same time, the low level of tariff protection, in accordance with the terms of accession to the WTO, currently does not allow the national corporate sector to adapt to modern conditions of international competition.

In 2012, due to the large list of tariffs that Ukraine sought to revise, it was unable to use this tool provided by the WTO legal framework, and Ukraine ultimately withdrew its request for revision of concessions. An important institutional effect of Ukraine's membership in the WTO was the opportunity to start negotiations with the European Union on the creation of a full and comprehensive free trade zone, which later became part of the Agreement of Association between Ukraine and the European Union, which was signed in 2014. Along with Ukraine's membership in the WTO, the creation of a full and comprehensive free trade zone between Ukraine and the EU gives Ukraine wide opportunities and prospects for participation in the formation and use of global regional trade rules [3, c. 64].

Since Ukraine has declared the goal of joining the European Union, the country is faced with the need to abandon the use of tariff barriers and pursue an active policy of increasing its own international competitiveness on the European and international markets of goods with high added value and a high level of technology, which is associated with the need for high pace of modernization of many components of the Ukrainian economy. Indicators of the concentration and diversification of export and import of goods will be important indicators of determining the impact of foreign trade on the economic security of Ukraine, which

will be based on the position of ensuring its national economic interests within the framework of the WTO.

The level of export concentration is one of the important factors that serves as an indicator of the country's sensitivity to external shocks in commodity markets [1, p. 23]. Therefore, the dynamics of changes in this indicator allows, on the one hand, to draw conclusions about qualitative changes in the country's foreign economic position under the influence of external and internal factors, and also to forecast the consequences of such influences in the future

The level of export concentration can be calculated on the basis of the Herfindahl-Hirschman indicator, which reflects the level of concentration of certain commodity items in the export structure and takes on values from 0 to 1 (the higher the indicator, the greater the level of export concentration). The study of the rate of the volume of commodity exports from Ukraine, which is performed at the level of classification codes of 3-digit commodity in accordance with the international SITC system, demonstrates that the tendencies in rising the amount of national exports differ significantly from the ones of other developing countries and countries with a transitional economy, with the highest level of correlation to the dynamics of the developing countries.

After joining the WTO, there was a certain increase in the concentration of domestic exports, which is explained by the increase in the volume of exports of traditional types of products for Ukraine. In general, the level of concentration of Ukrainian exports in 2008-2017 remains half as low as that of transit countries. Closer to 2019 and the whole 2020 export situation started to be not so much optimistic globally due to COVID-19 crisis, and since 2022 and 2023 along was even less optimistic for Ukraine in particular due to the war, that affected also many other countries of the world. The low level of commodity concentration of exports indicates its lower dependence on the development of individual international commodity markets and higher competitiveness for a wider range of goods. This conclusion is confirmed by the consistently low level of concentration of commodity exports of developed countries.

In general, the level of concentration of Ukrainian exports is high and such that it makes the dynamics of foreign trade excessively dependent on unstable world prices for metal, agricultural and chemical products. In addition, competition in these markets is constantly intensifying, which poses a threat to the preservation of previously conquered market niches by Ukraine, which is currently becoming even more unstable at the level of 2022-2023 due to military actions. As a result, Ukraine was overtaken by other countries, which were its biggest competitors and which managed to improve the structure of their export range of goods much faster after the end of hostilities on the territory of the country.

Since the indicator of the level of concentration of the product structure of export is an important indicator of the country's competitiveness on the world market, while the level of concentration of the product structure, it can be concluded that today a much higher level of globalization of markets has been achieved than that of the production sphere, and also demonstrates the need to increase the share of Ukraine in the export market.

It should be noted that the economy of Ukraine in the early 2000s demonstrated a fairly high level of import concentration, which sharply exceeded the global indicator due to the excessive dependence of the economy on the supply of imported energy carriers and other mineral products, but only in 2002–2006 the level of concentration of commodity imports decreased almost doubled - from 0.21 to 0.12, and decreased by 32.2% on average in 2016-2017.

It is obvious that such changes are a consequence of the liberalization of the foreign trade regime of Ukraine, the outpacing of the growth of the real income of the population compared to the dynamics of the real GDP of Ukraine in the period of economic growth of 2000–2007, as well as the rapid development of consumer credit during this period, which also stimulated the import of durable goods. use. At the same time, in 2009-2015, the level of concentration of commodity imports showed a certain growth, but in 2016-2021, it significantly decreased and equaled the indicator of developing countries.

Also, special attention should be focused on the structure of Ukraine's commodity exports, because the dynamics of Ukraine's development in this regard, given the variety and level of branching of goods, are significantly different from the world's. A high level of commodity concentration of exports can potentially reduce the sensitivity of exports to fluctuations in the global economy

One of the important indicators of the level of competitiveness of the country's exports as a whole is the share of high-tech goods, which are characterized by a high level of added value, technical and consumer innovation, the use of modern equipment, the latest technological processes and employees with a high level of education and qualifications in their production.

The strong positions of exporters in the world market of high-tech products create strategic competitive advantages for the country's economy as a whole, contributing to the growth of foreign exchange earnings, profitability and profitability of national business, reducing dependence on raw materials and energy factors, economic fluctuations, etc.

However, the volume of high-tech exports of Ukraine is relatively insignificant and in 2021 amounted to 1 billion dollars. USA per year, or 5% of exports of manufactured goods. Neither the country's accession to the WTO nor the global financial crisis had a significant impact on the dynamics of domestic high-tech exports, but the growth of its specific weight in the structure of exports of the manufacturing industry from 3.29% in 2008 to 5.55% in 2009, and subsequently , up to 6.3% in 2021 shows, firstly, that high-tech industries in Ukraine are better able to survive crisis phases, but, secondly, unlike countries with intensive innovative development, crisis processes do not strengthen the role high-tech sectors in the long term.

With the beginning of Russia's aggression against Ukraine in 2014, the volume of high-tech exports of Ukraine significantly decreased (compared to 2013, they decreased by more than four times), which became even more noticeable in 2022 with the beginning of a full-scale war. This decrease also occurred due to the fact



that the pace of growth of non-technological exports significantly exceeded the pace of growth of technological exports.

The consequence of this is that Ukraine still occupies an almost invisible place in the world market of high-tech goods. Thus, according to the World Bank, Ukraine's share in the world export volume of high-tech goods in 2021 was 0.05%. In general, according to the average value of the share of high-tech exports (5.7%) for the period 2010–2021, Ukraine is significantly inferior to the leading developed countries of the world, in which this indicator varies within 15–30%.

Therefore, the following conclusions can be drawn regarding the national economic interests of Ukraine, which can be realized in the WTO and the prerequisites for determining these national economic interests:

1. The realization of national economic interests in the process of multilateral trade negotiations within the framework of the WTO requires an active policy aimed at interaction with WTO member countries that have common interests with Ukraine regarding important aspects of the agenda of international negotiations, and in particular through entering into relevant informal groups and alliances of such member countries formed within the framework of the WTO.

2. For Ukraine, the main benefits of membership in the WTO are related to the long-term period in which the country has the opportunity not only to more actively promote the effective adaptation of domestic economic entities to WTO norms, but also to adjust WTO regulatory norms through participation in multilateral trade negotiations. The imbalance between the benefits received from WTO membership and the obligations assumed by the country upon accession in the "WTO+" format requires taking a more active position to achieve progress in negotiations on the liberalization of world trade within the framework of the Doha Round.

3. The existing high level of export concentration, its low diversification, which significantly increases vulnerability to fluctuations in the global economic situation, along with the fact that Ukraine continues to specialize in the export of goods with low added value, largely determine the preservation of the liberalization of world trade as a national economic interest that will contribute to changing this situation.



## CONCLUSIONS

The results of a study devoted to the study of the role of banking system providing financial instruments for international trade facilitation and the WTO in the development of trade and the development of theoretical and practical provisions regarding the provision of national economic interests of Ukraine in the process of transformation of the WTO, taking into account the risks and opportunities in this area. As a result of the research, the following conclusions were formulated.

1. "PrivatBank" JSC is one of the largest Ukrainian banks in terms of assets and is the direct leader of the retail banking market of Ukraine. The currency position of the bank is the indicator is one of the most common methods of evaluating the foreign exchange activity of commercial banks and the impact of international settlements on their balance of payments.

2. Among the services of the bank, which provides international trade, is lending. The term of lending causes significant differences in the credit methods of financing foreign exchange. Short-term crediting is carried out mainly in the framework of trade financing, long-term - mainly in the framework of project financing, measures aimed at the development of foreign trade.

3. Trade financing is the financing of short-term foreign trade operations using specific instruments - documentary letters of credit, collection, guarantees, open account (bank trade finance) and commercial credit (non-bank trade finance) and with the involvement of resources on international financial markets. In the process of research, we discovered that pre-export, post-export and post-import financing are types of trade financing that are carried out using letters of credit and guarantees as financing tools. The main instrument of trade financing in Ukraine is a letter of credit.

4. Financing sources for importers are basically similar to financing sources for exporters, and financing methods include: bank overdraft in national or foreign currency; loan in national or foreign currency; trading on an open account; financing through commission firm; settlements using an acceptance letter of credit and a letter of credit with payment installments; leasing; forfeiting; loan financing to the buyer,

guaranteed by a state institution; counter trade; bank acceptance (similar to loan financing for exporters); bank loan for products, which is repaid from cash proceeds from the sale of export goods by the importer. When choosing a specific form of financing trade operations, an international financial manager should comprehensively analyze a number of risks: geographic, currency, inflation and interest, market, payment, political.

5. To reduce the risks associated with the implementation of export-import operations, as a rule, the following is used: o letter of credit, which is the bank's obligation to pay for the goods delivered to the importer. The commercial letter of credit is issued by the bank on behalf of the importer.

For short-term export financing, the traditional methods are: unsecured overdraft in national or foreign currency, advances for collection, acceptance credit lines. The advantages of acceptance credits are that bills are recorded at a lower accounting rate than the rate for accounting commercial bills. Therefore, acceptance lines of credit are cheap sources of short-term financing. The disadvantage of this method of financing is a significant amount of acceptance credit, as well as the right of recourse to the exporter from the bank.

6. Theoretical approaches and methodological principles of ensuring national economic interests in the conditions of world trade liberalization were systematized, as a result of which it was established that the formation of the GATT/WTO system became a practical embodiment of theoretical developments in the field of national economic interests and international trade, aimed at the issue of the optimal relationship between liberalization trade and its state regulation.

7. Consideration of the place of the WTO in the system of the world's leading economic institutes showed that starting from the end of the 20th century, the central issue of the WTO system has become the problem of sustainable socio-economic development of the world.

8. Systematization of the main problems and consideration of the proposals of the leading trading countries of the world for the transformation of the WTO, on the basis of which it was established that countries interested in preserving the

liberalization of world trade showed more activity in developing tactical and strategic proposals for the transformation of the WTO, because the more member countries of this organization will show political will, willingness to make mutual concessions and compromises in the interests of preserving and strengthening the WTO, the faster they will be able to move along the path of improving its activities

9. An assessment of the actual consequences of Ukraine's accession to the WTO and their comparison with the forecast estimates that preceded the accession to this organization showed that Ukraine's accession to the WTO has not yet revealed a positive impact on Ukraine's foreign trade security, and even actually strengthened the current export structure of Ukraine, which characterized by comparative advantages in industries with a low level of added value and low technology. This model is characterized by a high level of commodity concentration of exports, low levels of its diversification and technological capability.

10. Despite the fact that, in general, the practice of Ukrainian banks - leaders in foreign trade financing generally meets Ukrainian regulatory requirements and international standards and customs, the research revealed the absence of open, centralized official databases on foreign trade financing in terms of sources of financing, subjects, ways, methods and tools of financing. All this complicates, and often directly makes impossible any analysis of the dynamics of foreign trade financing, the relationship between the effectiveness of financing and the dynamics of exports and imports, and other indicators.

11. Proposals have been developed regarding the steps that should be the basis of the strategy of ensuring Ukraine's economic interests in the context of the transformation of the WTO, first of all, the priority task for Ukraine in the context of participation in the WTO system should be the adoption of a national program to promote international competitiveness in priority areas of the economy, the formation for this purpose mechanisms for stimulating the growth of export potential in high-tech areas.

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