

WORLD TRADE ORGANIZATION

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The following information on foreign trade in services of Ukraine in 1995 - 1996 has been received from the Ministry for Foreign Economic Relations and Trade of Ukraine.

Foreign trade in services of Ukraine in 1995-1996

According to the calculations, which take into consideration supplies of natural gas and oil through pipe and tube systems and services of transport thereof through the customs territory of Ukraine, the turnover of foreign trade of goods in material and immaterial form (services) in 1996 was \$37.969 million, which exceeds the 1995 level by \$6.188 million or by 19.5%. It is worth mentioning that total turnover of foreign trade in 1996 exceeds the 1994 figures by \$11.0 billion (40.6%).

In general the turnover in 1996 of trade in goods in material form accounted for 84.6% and trade in goods in the form of services for 15.4%.

The total turnover of foreign economic services in Ukraine in 1996 was \$5.534,1 million, with exports accounting for \$4.746,6 million and imports for \$787,5 million and a positive balance of \$3.959,1 million. If compared with the results of 1995 the total turnover of foreign economic services in Ukraine has grown by \$2.281,5 million that is 1,7 times. Exports grew by \$2.125,1 million or 1,8 times and imports \$156,4 million and 1,2 times respectively. If compared with previous years, the last three years show consistent growth of turnover of foreign trade in services, as shown in the Diagram 1. Compared to the level of 1994 the turnover of trade in services grew almost 3,5 times.

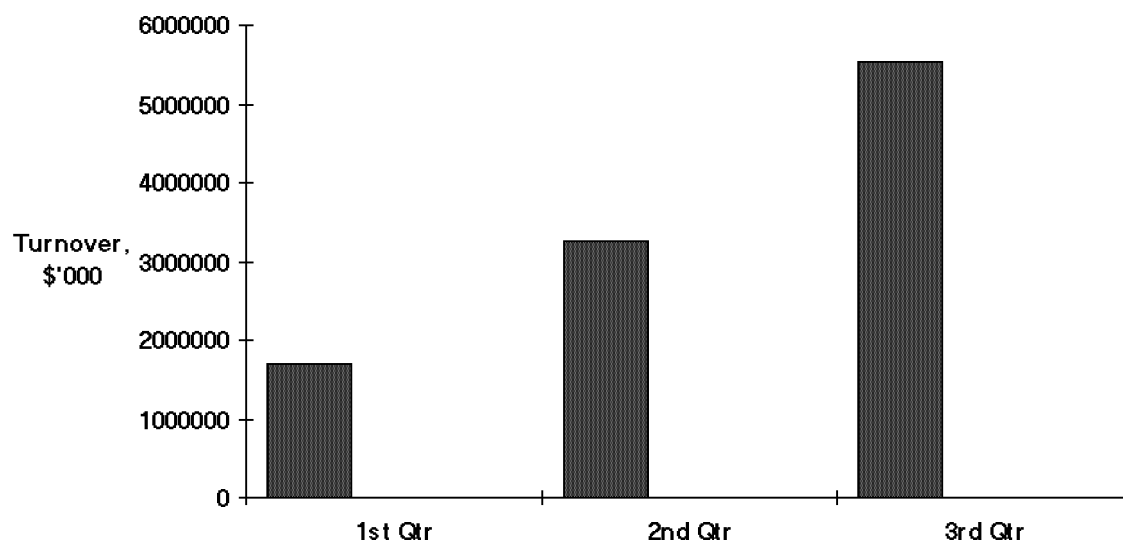


Diagram 1. Dynamics of turnover of trade in services

The analysis of the structure of trading partners shows that the Former Soviet Union countries have the largest share, 69.7% (\$3857.9 million), of the total turnover of foreign economic services (export \$3490.8 million, import \$3670.7 million). Among the Former Soviet Union countries the largest suppliers and consumers of Ukraine's services are the Russian Federation, Belarus and Moldova (export \$3333.5, 57.8, 34.7 million, import \$3101.3, 14.1, 12.4 million respectively). Among the Former Soviet Union countries, in 1995 Ukraine had a negative balance of trade in services only with Latvia (-\$ 1.0 million). In 1996 it had a negative balance with Latvia (-\$ 3.5 million) and Lithuania (-\$ 5.1 million.).

The following trends in modification of the structure of trading partners of Ukraine in services are also worth mentioning. There is a trend of increase of share of the Former Soviet Union countries. In 1994 this share was 25.6%, in 1995 it was 58.9%, in 1996 almost 70% of the total turnover of foreign economic services. The orientation to the closest neighbouring States is mainly due to the problem of access to the world markets. Therefore, the formulation of an effective and balanced proposal of Ukraine concerning the access to the market of services is extremely important at the present stage of Ukraine's accession, and will make it possible for Ukraine to take the best advantage from the integration into the world markets of services.

As compared with other countries of the world, the total turnover of foreign economic services in 1996 amounted to \$1676.3 or 30.3% of the total turnover of Ukraine. Export was \$1255.8 m while import was \$420.5 million. The major trading partners of Ukraine in trade in services in 1996 were the United Kingdom (export \$93.3 million, import \$34.9 million), Germany (export \$88.1 million, import \$33.1 million), United States (export \$88.4 million, import \$28.8 million), Austria (export \$51.3 million, import \$15.3 million). The negative balance was only with Spain, Slovak Republic and United Arab Emirates.

The major trading partners of Ukraine and their share in the foreign trade turnover of services (in the part of other countries) is shown in diagram 2.

Major trade partners of Ukraine in 1996

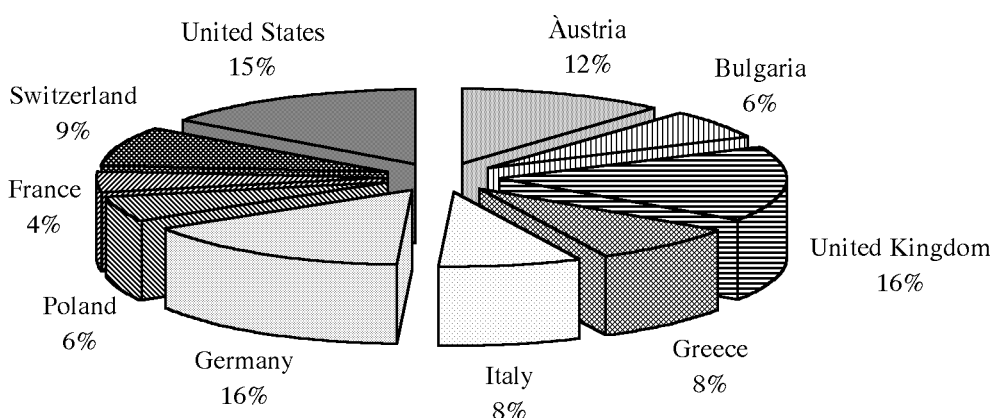


Diagram 2

If we compare this data to 1995 we see some changes in the structure of trade partners of Ukraine.

Together with growing turnover of trade in services with Germany and the United States there is a dramatic growth of interest for trade in services with Ukraine from such countries as United Kingdom, Austria, Switzerland.

Besides, after a certain decline in 1995 the amount of trade in services with Bulgaria and Poland as closest partners in the Central Europe increased again.

The turnover of trade in services with Italy decreased.

The overall dynamics of foreign trade in services in 1994-1996 with major trade partners is displayed in Diagram 3.

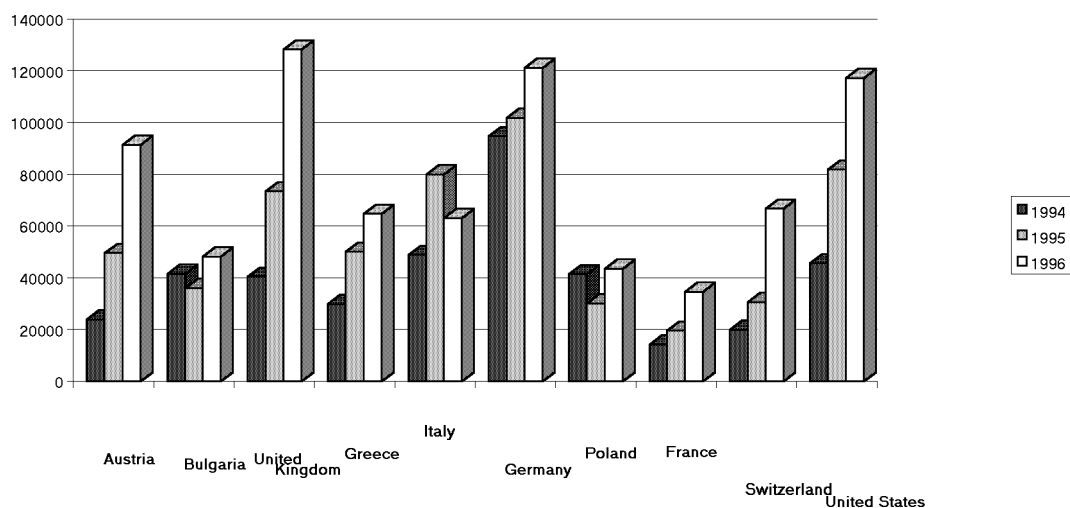


Diagram 3

In the structure of services in 1996 the major percentage accounted for transport services, \$4.307,4 million or 77,8%, professional services, \$377,8 million or 6,8%, communication services, \$256,8 million or 4,6%, construction services, including maintenance and repairing, \$217,1 million or 3,7%, tourist services, \$111,0 million or 2,0% and research and development services, \$107,7 million or 1,9% respectively. Despite consistent interest in the insurance and banking services their percentage accounts only for a small part of foreign trade in services, 0,5% and 0,4% respectively.

Analyzing the dynamics of major types of services rendered, one can say that the turnover of transport and professional services increased almost 2 times compared to 1995, of construction services, 1,3 times. Turnover of communication services decreased 1,5 times (compared to 1995). Also there is a trend for decrease of foreign trade in banking services, almost 1,8 times.

In the structure of transport services, as the most significant part of foreign trade in services of Ukraine, there is a trend for increase of services of pipe and tube and railway transport. In 1995 their share was 50,5% and 6,2%, and in 1996 65,4% and 10,9% respectively of the total turnover of transport services. There is also a trend for almost 2 times decrease of the share of maritime transportation from 31% in 1995 to 15,7% in 1996.

The overall structure of transport services is shown in Diagram 4.

Structure of transport services in 1996

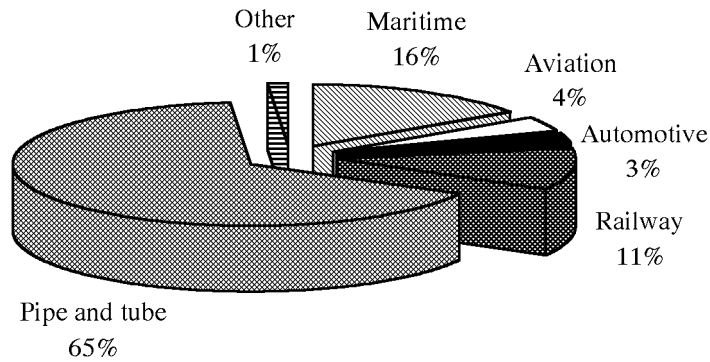


Diagram 4

Amongst other services (besides transport services) professional services accounted for a significant share in foreign trade in services. These are legal, accounting, management consulting, architecture, engineering and other technical services, including all other business services. This is mostly caused by the growing interest in this services in Ukraine and the increase of turnover of professional services was 2 times compared to 1995.

Communication services also account for a considerable part of turnover, despite material decrease (1,5 times) from the previous year.

The share of construction services is consistently growing. However, despite the permanently growing turnover in this field, investments here are still insufficient.

The overall structure of foreign trade in basic services (besides transport) in 1996 is displayed in Diagram 5.

Structure of foreign trade in basic services (besides transport) in 1996.

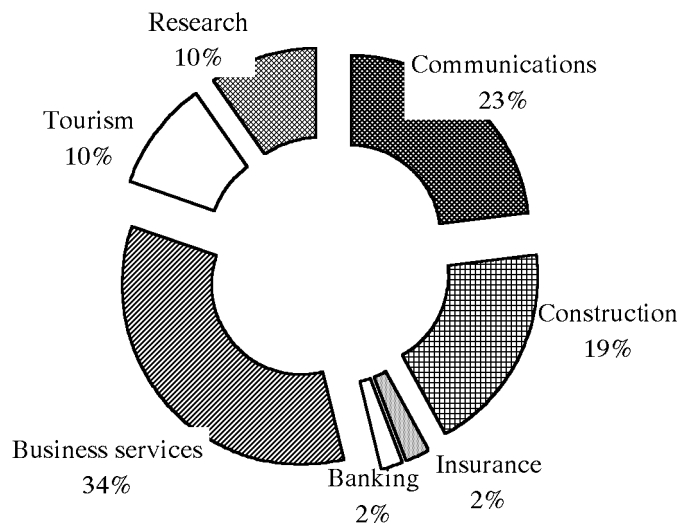


Diagram 5.

Thus, in order to establish an efficient and well balanced structure of foreign trade in services Ukraine prepared its proposal regarding access to the service market, which allows Ukraine to get integrated into the world services markets with both parties - Ukraine and WTO members - benefitting greatly.