

PECULIARITIES OF FUNCTIONING AND DIAGNOSTICS OF CROSS-SECTORAL ECONOMIC LINKS OF THE TEXTILE INDUSTRY OF UKRAINE

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Abstract: *The analysis of cross-sectoral links and their comparative assessments identified the main problems of development of the textile industry of Ukraine. These include: high dependence on imported raw materials and components, low price competitiveness of Ukrainian textile industry products in the domestic market, the concentration of a significant part of production on the production of toll raw materials, imports of used clothing and footwear, cross-sectoral imbalance of Ukrainian textile industry. In particular, it is determined that the products of the textile industry in general, consumed by the Ukrainian economy are almost 60% covered by imports. Products used by the textile industry in their activities (costs) are covered by imports by a total of 49%. Ways to solve the identified problems and, thus, to optimize cross-sectoral linksships are proposed.*

Keywords: *textile industry, export, import, cross-sectoral links.*

1 INTRODUCTION

Today, the textile industry is one of the basic strategic segments of the Ukrainian economy, which provides 5% of budget revenues and 2.6% of merchandise exports, and therefore has significant potential for further development. In Ukraine, there are more than 2.3 thousand enterprises (small and medium) of the textile industry, which employ about 85 thousand workers, and the volume of their products reaches 0.81 billion USD. A production is mainly concentrated in medium-sized enterprises (accounting for 14% of the total number of textile enterprises) – they sell ≈80% of products, while in 2014 small enterprises (or 86%) account for only ≈20% of products.

In Ukraine, textile, clothing, knitwear, leather goods, fur and other light industry industries are gradually increasing their capacity and are actively developing. Thanks to high-quality tailoring and democratic prices, fabrics and clothes of domestic producers are actively gaining popularity not only in the domestic but also in the international market. However, despite the rather dynamic development of this type of processing industry, its operation is accompanied by a number of problems. First of all, it is unequal conditions of competition in the domestic market, instability of tax legislation, outdated mechanism of product safety control. In addition, there is low productivity, shortage of qualified personnel, limited choice of raw materials and others. Most Ukrainian companies still do not export finished national products, but only provide services.

Cooperation with European partners is based on the implementation of certain labour-intensive operations, while procurement, sales, design and logistics are performed by the customer. Under such conditions, the delineation of promising directions of development of light industry in Ukraine and substantiation of effective ways to stimulate such development should be based on detailed analytical macro-level studies of trends in the dynamics of this segment of the national economy, in particular, compared to EU member states.

The aim of the article is to identify the problems of development of the textile industry of Ukraine on the basis of the analysis of its intersectoral relations and comparisons with individual EU countries.

A relatively small number of studies have been devoted to solving the problems of light industry production in Ukraine over the last 10 years. Thus, in [1-3], the existence of significant, however, unrealized potential for the development of domestic light industry is analytically substantiated. In [4, 5], the analysis of the domestic market of light industry products in Ukraine was carried out, as well as the main problems of its development were identified, in particular, the high degree of “shadowing”, the growth of imports of used clothes and shoes, etc. These studies focus on the lack of necessary economic and regulatory conditions in Ukraine for the competitive development of light industry. Despite the significant market prospects, as well as the socio-economic significance of this segment of industry, Ukraine has

not yet undergone reforms that would help address the issues identified. In addition, in recent years in the domestic scientific space there has been no thorough, comprehensive scientific and analytical research that would reflect current trends and prospects for the development of Ukrainian light industry in the context of global economic trends.

The textile industry of other countries is also going through a difficult period, in particular those in which this industry was once successful. Thus, in [6] it is noted that as one of the oldest industries in the world, textile industry in Serbia (and Yugoslavia) was very developed and carried a lot of importance in GDP creation, absorption of the unemployed workers (especially women), and exports income. Recently, however, the country's large textile enterprises have been liquidated, and the activities of those that remain depend heavily on imports. Similar processes are taking place in Romania, which was among the leaders in the EU in the production of textile products. However, with the rising cost of labour in the country began to lose its position in the textile market. This, as well as the dependence of the development of the Romanian textile industry on lohn production, is discussed in [7, 8].

The Polish textile industry is also experiencing a number of similar problems. This is a problem of outsourcing, dependence on imports, and low wages in the industry [9]. In addition, important issues for the Polish textile industry are the issues of environmental safety and efficiency of this sector of industry [10].

Almost similar problems in the functioning of industry are typical for Armenia. These are, first of all, low labour productivity, dependence on imports and foreign investment, low level of manufacturability and innovation of production [11].

Kazakhstan's textile industry also faces similar challenges. This includes dependence on imported raw materials, high export orientation, but at the same time a low level of coverage of the domestic market [12].

The textile industry of these and other countries faces similar domestic problems. First of all, these are unsatisfactory economic and regulatory conditions for the development of national textile industries focused on the production of higher value-added products and the domestic market. The potential of these countries in the production of raw materials for textile production is also not stimulated.

It is important to note that the mentioned problems of development of the textile industry are not narrow branch features, and difficult challenges for all economy of the countries. And this is explained by the fact that the textile industry ideally cooperates with many sectors of the economy. This includes agriculture, chemical, engineering, transport, trade,

science and education, culture, consumer market. Failure to solve problems in the textile industry causes a number of problems in related sectors and the economy as a whole.

Liberal approaches in the situation of unequal and non-competitive conditions that have developed in the textile industry of many countries threaten the economic interests of countries. Therefore, the unsatisfactory development of the textile industry should be considered as a set of problems of many sectors of the economy.

2 RESEARCH METHOD

The results of this study are a continuation of a number of author's studies focused on the study and solution of problems of industrial sectors of the economy through the analysis, evaluation and optimization of their cross-sectoral links [13-16]. The key feature and advantage of this and the mentioned author's researches is that the analysis and estimation of activity of industrial sectors is carried out in the context of studying of structures of their intermediate, final and general consumption. This makes it possible to analyse and evaluate the two main activities of any sector of the economy: consumption and use (input). The study of the first direction (consumption) shows for which types of economic activity the studied sector of industry (in this case textile) produces products. In other words, the sectors of the economy that use the products of the textile industry in their activities are identified. This takes into account their shares in the products of the textile industry of intermediate, final and total consumption of the country's economy in terms of domestic and imported components. The study of the second direction shows the structure of intermediate consumption in terms of economic activities used in the textile industry. It is necessary to calculate the share of costs (intermediate consumption products) of the textile industry covered by imports. The calculated and analysed structures of consumption and use (input) of the textile industry of the studied country (in the case of Ukraine) are compared with similar structures of a similar country (Poland) and reference countries in this sector (Italy and Germany). As a result of these comparisons, the problem areas of the textile industry and related sectors of the economy are identified. The source of information for the analysis of cross-sectoral links was the data of the tables "input - output" [17].

3 RESULT

Since Ukraine's independence, textile output has declined significantly, accounting for only about 22% of 1990 output in 2001. This drop in output was, in particular, caused by a significant reduction in household incomes and a sharp decline in government orders for professional clothing.

In 2008, the output of the textile industry of Ukraine reached almost 60% of the level of 1990, but in the following years again fell sharply, primarily under the influence of the global financial crisis (Figure 1).

Further dynamics of production in this segment of the national economy was unstable: a decline in 2014-2016 (to the level of 2004) and stable growth in the next two years. In 2018, the volume of sold products of the textile industry of Ukraine is 93.00% the level of 2006.

As a result of the negative dynamics of textile industry production, Ukraine lagged behind this indicator, in particular, from Poland 6 in times, from Germany – 21 in times, and from Italy (the leader among EU countries in this segment of the processing industry) – 73 in times. In 2017, Ukraine ranked the 21st among EU countries in terms of textile output [17].

The textile industry of Ukraine (both ITA and DEU) specializes in the manufacture of final consumption

goods, the share of which in the structure of output (by consumption segments) in 2017 was 60.76%, and in 2015 even reached 82.90% (Figure 2). However, despite this specialization, the domestic market demand for textile products was covered to 87.22% of imports.

One of the main reasons for the high dependence of the national economy on imports of textile products everywhere to replace the textile industry is the low level of provision of domestic industries with their own intermediate products. At the same time, it is necessary to state the tendency to a certain decrease in the import dependence of the national economy on all segments of consumption of textile products. Thus, in 2017, compared to 2013, the share of imports in general consumption of textile products decreased by 11.87 pp (here and there - percent point), in particular in the final – at 2.75 pp., and in the intermediate – by 6.80 pp. (Figure 3).

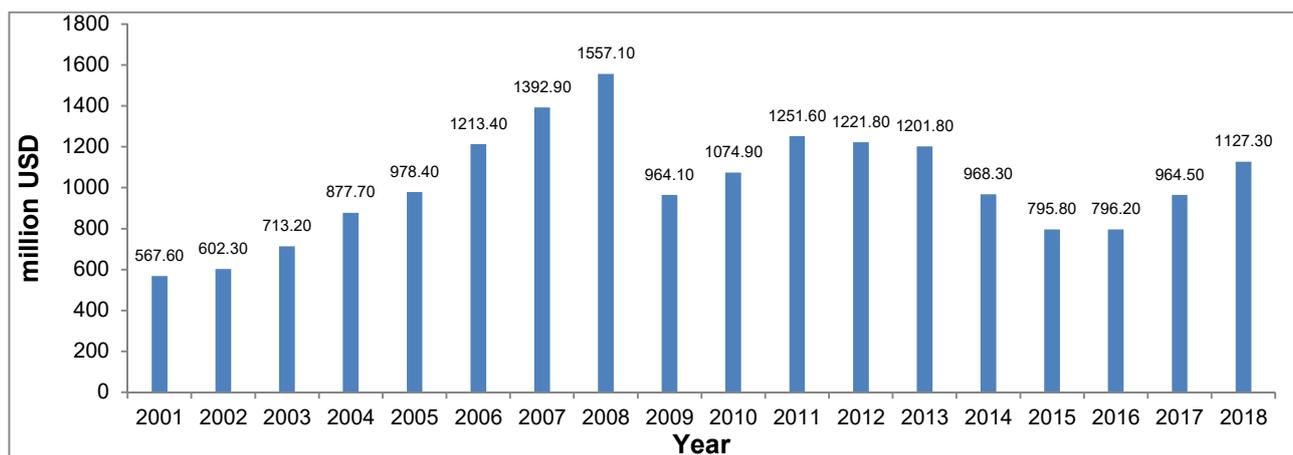


Figure 1 Volume of sold products of textile industry of Ukraine [million USD], Source: elaborated by the authors based on [18]

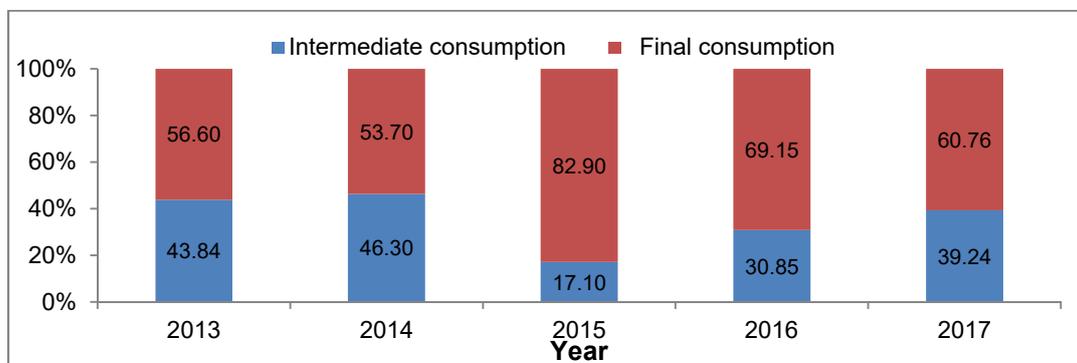


Figure 2 Structure of textile industry output in Ukraine (by consumption segments), Source: elaborated by the authors based on [19]

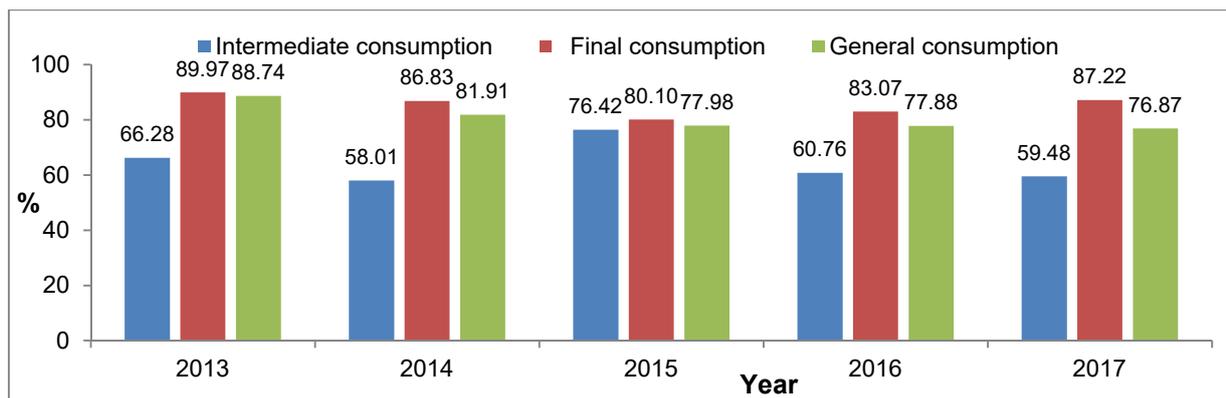


Figure 3 Share of imports in the consumption of textile products in Ukraine, Source: elaborated by the authors based on [19]

The dynamics of import operations is also positive: compared to 2013, the volume of imports to Ukraine of intermediate goods manufactured by textile industries decreased to 51.00% in USD, and final consumption - to 39.70%. Over the past five years, the total volume of Ukrainian imports of textile products (commodity groups 61-65) decreased to 42.00% [17]. This mostly concerned the import of textile clothing (-52.55%) and footwear (-55.55%).

Despite the tendency to reduce the level of import dependence of the Ukrainian economy by segments of consumption of textile products (intermediate and final), as well as despite a significant decrease in such imports, the absolute values of these indicators remained relatively high. At the same time, it should be noted that dependence on imports of textile products is inherent in the economies of most EU countries. For example, in Poland the share of imports in intermediate consumption of textile products is 63.45%, and in the final – is 69.24%. In Germany, the values of these indicators are at the level of 68.39% and 65.77%, while in Italy – is 32.11% and 27.04% [17].

Almost 80% of the EU textile industry's output is produced in 6 countries: Italy, Germany, Spain, France, the United Kingdom and Portugal [17].

It follows that not all countries have the potential (or priority) for the active development of the textile industry. This situation is due to both the problems of resource provision of specialized industries, and the existing structure of the world market of textile industry. However, despite the relatively (with EU countries) low output of domestic textile industry and its high dependence on imports of production resources (the fixed assets, raw materials and supplies), Ukraine has significant experience, qualified personnel, traditions and potential to increase the necessary raw materials, and hence – the finished products of these processing plants. This statement is argued by the gradual decrease in the level of import dependence of the national economy by segments of consumption of textile products.

At the same time, one of the main factors weakening the competitiveness of Ukrainian textile industry products in the domestic consumer market is the favorable conditions for the import of used clothing and other products. In particular, in 2018, 130.00 tons of second-hand clothes worth 154.98 million USD were imported to Ukraine, which is 38.87 thousand tons (or 57.47 million USD) more than in 2015 (Figure 4).

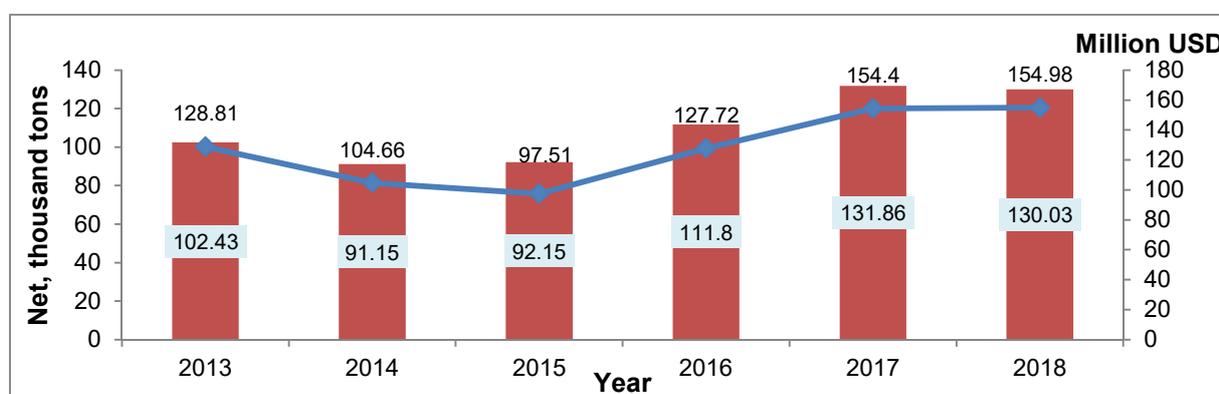


Figure 4 Volume of imports to Ukraine of second-hand clothes and the other products, Source: elaborated by the authors based on Clothing; worn and other worn articles [20]

Thus, in terms of imports of second-hand clothes and footwear, Ukraine ranked the 4-th (after Pakistan, Malaysia and Kenya) among 112 countries, while in 2013 – the 5th (128.80 million USD) among 157 countries after Russia, Pakistan, Malaysia and Poland [20].

In the structure of Ukrainian imports of ready-made clothing and footwear in 2018, the share of second-hand goods was 13.30% (vs. 17.10% in 2017 and 6.50% in 2013) (Figure 5). For comparison, in Poland this figure was 3.29%, and in Pakistan (the world leader in the import of used clothing) – 51.12%.

Thus, despite the relative proximity of Ukraine and Poland in the world ranking of importers of second-hand clothes and the other products in 2018, the share of such goods in the structure of Ukrainian imports of textile products was 10.01 pp. higher than in the Polish structure. Of course, the decrease in 2018 (compared to 2017) in the share of second-hand goods in the volume of imports of ready-made clothing and footwear in Ukraine at 3.8 pp. is positive, but in general the trend of this indicator is clearly negative.

At the same time, it should be recognized that in developing economies or transition economies (with relatively low incomes), the import of second-

hand clothes can be useful because it provides access to cheap clothing and footwear for the poor. However, on the other hand, such imports significantly reduce the competitiveness (primarily in terms of price parameters) of domestic textile products in the domestic consumer market, and thus cause a decline in production.

Despite the high import dependence, Ukrainian textile industry is export-oriented – in 2017, 46.21% of manufactured textile and other products were sold on foreign markets (Figure 6).

That is, the domestic market of Ukraine consumed only 53.79% of domestic products, while import dependence in the segment of final consumption of textile goods amounted to 87.22% (see Figure 3). At the same time, compared to 2013, the share of domestic products sold on the domestic market increased 1.85 in times, and import dependence in the segment of final consumption of the textile products in Ukraine during this period decreased only by 2.75 pp.

Significant export orientation of textile and other textile industries with a high level of import dependence of the national economy in all segments of consumption of products of these industries indicates the presence of a high share of tolling operations in Ukrainian exports.

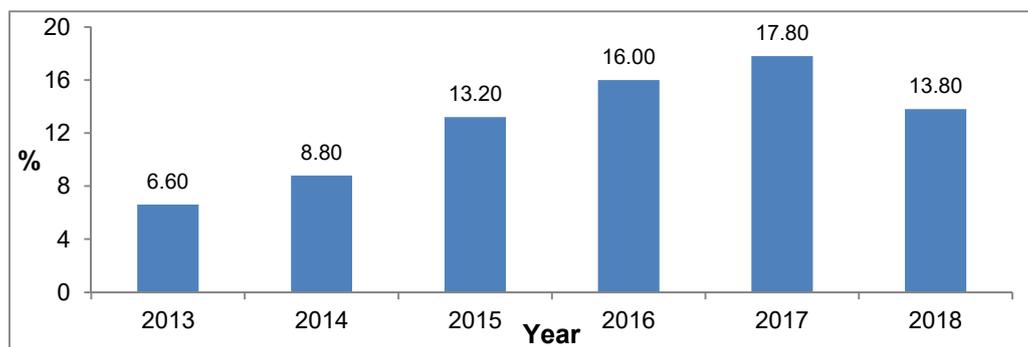


Figure 5 Share of second-hand goods in Ukrainian imports of finished clothes and footwear, Source: elaborated by the authors based on Clothing; worn and other worn articles [18]

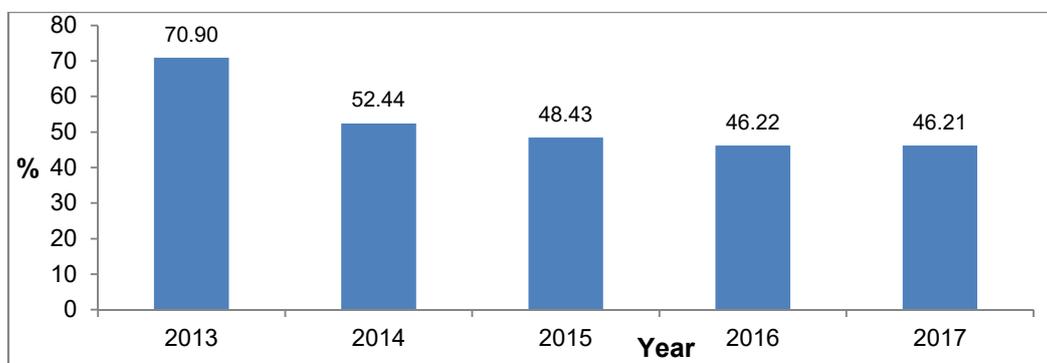


Figure 6 Share of exports in the production of textiles, clothing, leather and the other materials in Ukraine, Source: elaborated by the authors based on [18]

Table 1 Share of finished products made from toll raw materials in the export of textile industry of Ukraine [%], Source: elaborated by the authors based on [18]

Code UCG FEA*	Cargo group	2013	2014	2015	2016	2017	2018
VIII.	<i>The skins are raw, the skin is tanned</i>	34.32	36.20	47.94	55.50	57.00	56.11
41	skins	20.48	22.50	36.75	48.30	51.10	52.80
42	leather goods	66.03	79.30	74.68	81.90	83.90	84.03
43	natural and artificial fur	34.18	20.30	29.59	19.90	24.80	13.61
XI.	<i>Textile materials and textile products</i>	74.14	76.30	76.45	79.20	76.00	74.60
51	wool	30.49	16.90	15.24	51.90	48.10	49.42
52	cotton	20.63	17.70	52.96	37.00	36.70	41.82
53	other textile fibers	2.44	3.50	2.16	1.30	2.30	1.01
54	threads, synthetic or artificial	13.96	35.60	67.38	78.70	56.20	67.36
55	synthetic or artificial staple fibers	12.62	12.10	47.76	47.70	36.10	45.45
56	cotton	16.14	11.70	6.81	9.30	7.10	5.05
58	special fabrics	64.12	67.40	61.24	64.90	69.10	62.22
59	textile materials	1.20	2.10	3.89	6.90	9.20	10.21
60	knitted fabrics	76.59	75.10	74.53	78.80	87.00	88.60
61	clothing and clothing accessories, knitted	76.66	77.70	76.85	80.00	77.90	78.13
62	clothing and clothing accessories, textile	95.90	96.40	96.62	96.60	95.50	93.88
63	other finished textile products	61.71	69.20	68.90	75.90	73.70	76.02
XII.	<i>Shoes, hats, umbrellas</i>	72.58	77.80	80.72	79.10	77.70	80.86
64	shoes	74.46	79.80	82.97	82.40	80.30	84.84
65	hats	55.09	69.20	58.46	63.10	77.20	49.33
67	treated feathers and down	30.90	9.50	48.93	61.50	35.50	65.92

* UCG FEA – Ukrainian Classification of Goods for Foreign Economic Activity

Thus, in 2018, the export of commodity group VIII. Raw hides and skins, leather made up to 56.11% consisted of products made from toll raw materials, and compared to 2013, the value of this indicator increased by 21.89 pp (Table 1).

During the analyzed period, the share of such products in group XII exports also increased (at 8.28 pp.) shoes, hats, umbrellas. At the same time, in the export of textile materials and textile products (commodity group XI), the share of products made from toll raw materials, after growing in 2016 by 5.06 pp. returned to the level of 2013.

In general, it can be stated that there is an almost complete absence in the Ukrainian export of textile products of leather products, knitted fabrics and clothing (knitted and textile), as well as domestic shoes.

Thus, garment, textile and footwear enterprises located in Ukraine, but operating on a tolling basis, provide products not to Ukrainian consumers, but fill the foreign market and serve the economic interests of certain countries and business groups. The socio-economic effect for the national economy from the operation of such enterprises is only in the presence of a relatively small number of low-paying jobs (compared to neighboring countries, in particular, EU), budget revenues from contributions to the payroll, as well as consumption energy resources. At the same time, this situation indicates that the output of the domestic textile industry (in terms of both intermediate (or production) and final consumption), and thus the labor market and budget revenues can potentially increase significantly due to import

substitution in the domestic market and qualitative improvement structure of exports, primarily by reducing the share of finished products made from toll raw materials.

The high level of import dependence and, at the same time, the export orientation of Ukrainian textile industry was reflected in the structure of its intersectional relations, in particular, in the use of textile and other products (in the intermediate consumption segment) by enterprises of other economic activities.

During 2013-2017, the largest consumers of the textile products in Ukraine were industries that belong to this type of industrial activity (textile, clothing, leather and the other materials), as well as the trade sector, furniture industry, public administration and defense (Table 2).

Thus, in 2017 in Ukraine 44.42% or 200.40 million USD products of textile industry for industrial purposes were consumed by enterprises engaged in the manufacture of textiles, clothing, leather and the other materials. At the same time, it should be noted that 95.65% (191.7 million USD) of the volume of these products was covered by imports (Table 3). For comparison, in Poland the textile industry used 28.61% of textile products and the others industries, of which imports covered 54.35%, and in Italy the values of these indicators were, respectively, 70.59% and 32.57% [17].

The second largest consumer of textile products in Ukraine is the trade sector, which in 2017 accounted for 8.87% or to 40.00 million USD, of which 34.96% (13.99 million USD) was covered by imports. In Poland, on the other hand, the second place in this structure belonged to the production

of furniture with a share of 12.75%, of which 58.11% was provided by imports. In Italy, furniture production was also the second largest consumer of textile products, but with a share of 5.54%, of which 31.03% was covered by imports.

In Ukraine, in the structure of consumption of textile products for industrial purposes, the furniture industry ranked third with a share of 8.61% or 38.85 million USD, of which imports accounted for 28.94% (11.24 million USD). The relatively low share of imports in the consumption of furniture products of the textile industry is a sign of the potential of domestic textile and other industries in providing this segment. However, the realization and further increase of this potential requires appropriate conditions for the growth of demand for such

products in the domestic market by furniture companies.

In general, the analysis of intersectional relations of the domestic textile industry and the level of import dependence of the national economy by segments of consumption of its products can be said that this type of industrial activity in Ukraine has significant potential to increase output not only for furniture. The expansion of the range of relevant specialized textile products and the other textile industries for: the production of rubber and plastic products; the production of vehicles, trailers and semi-trailers; the production of other vehicles; a public administration and defense, compulsory social insurance; a health care and social assistance.

Table 2 Share of the largest consumers of textile products in Ukraine (in the segment of intermediate consumption) [%], Source: elaborated by the authors based on [19]

Type of economic activity*	2013	2014	2015	2016	2017
Manufacture of wood, paper, printing and reproduction	32.21	34.08	48.05	45.30	44.42
Wholesale and retail trade; repair of motor vehicles and motorcycles	14.51	7.79	9.29	10.66	8.87
Manufacture of furniture; jewellery, musical instruments, toys; repair and installation of machinery and equipment	8.16	9.92	8.28	7.25	8.61
Public administration and defence; compulsory social security	4.60	9.33	7.38	5.68	6.77
Manufacture of wood, paper, printing and reproduction	1.39	1.96	0.83	4.45	3.96
Manufacture of food products; beverages and tobacco products	4.57	4.03	3.44	3.13	3.67
Transportation and storage	4.62	3.44	3.10	3.09	1.93
Accommodation and food service activities	2.09	1.26	0.71	1.21	1.73
Agriculture, forestry and fishing	1.06	1.39	1.30	1.18	1.62
Manufacture of rubber and plastic products	1.65	0.45	0.36	0.33	1.53
Other service activities	1.35	1.27	0.80	0.92	1.42
Electricity, gas, steam and air conditioning supply	1.73	2.57	1.44	2.16	1.34
Manufacture of basic metals	2.92	3.75	1.90	1.66	1.27
Construction	2.22	1.96	1.54	1.12	1.23
Mining of metal ores, other minerals and quarrying; provision of ancillary services in the field of mining and quarrying	1.57	1.70	1.16	1.44	1.17
Manufacture of chemicals and chemical products	1.65	0.77	0.63	0.41	1.09

*Type of economic activity according to NACE activities – Statistical Classification of Economic Activities in the European Community

Table 3 Share of imports in the structure of intermediate consumption of textile products in Ukraine [%], Source: elaborated by the authors based on [19]

Type of economic activity	2013	2014	2015	2016	2017
Manufacture of textiles, wearing apparel, leather and related products	99.91	99.08	87.98	94.64	95.65
Wholesale and retail trade; repair of motor vehicles and motorcycles	42.86	35.97	43.07	30.62	34.96
Manufacture of furniture; other manufacturing	47.68	40.25	69.59	36.90	28.94
Public administration and defence; compulsory social security	42.76	35.94	65.15	35.73	28.82
Manufacture of wood, paper, printing and reproduction	81.52	39.10	52.54	30.05	32.21
Manufacture of food products; beverages and tobacco products	93.05	35.83	60.57	30.94	25.23
Transportation and storage	42.62	35.40	59.01	31.02	47.41
Accommodation and food service activities	42.75	36.00	92.16	31.93	20.77
Agriculture, forestry and fishing	45.71	37.84	59.14	36.21	24.23
Manufacture of rubber and plastic products	92.66	41.67	96.15	40.63	8.20
Other service activities	42.70	36.63	70.18	35.56	21.76
Electricity, gas, steam and air conditioning supply	42.98	35.61	92.23	30.19	45.96
Manufacture of basic metals	42.49	35.79	94.85	31.29	40.13
Construction	42.86	35.90	65.45	30.91	27.21
Mining of metal ores, other minerals and quarrying; provision of ancillary services in the field of mining and quarrying	42.31	35.56	74.70	30.50	35.71
Manufacture of chemicals and chemical products	43.12	36.07	93.33	35.00	12.21
Total	66.28	58.01	76.42	60.76	59.48

An important argument in favor of this statement is a significant reduction in the level of dependence of these economic activity on imports of textile products, and especially the production of rubber and plastic products (by 88.00 pp. compared to 2015). In the other words, over the last 3 years there has been a significant increase in the share of products manufactured by domestic textile industries in the intermediate consumption of these type of economic activities that we can see in the Table 3.

One of the most important characteristics of the functioning of any type of processing industry is the structure of its intermediate consumption (or the structure of production and non-production costs) in the terms of products and services of the other economic activities. The production activities of the textile industry in Ukraine use the products of many economic activities, but the main suppliers of raw materials and components are: textile production, production of clothing, leather and other materials; production of chemicals and chemical products; wholesale and retail trade; supply of electricity, gas, steam and air conditioning. In 2017, these 4 economic activity accounted for a total of 70.74% (compared to 66.42% in 2013) of expenditures of the Ukrainian textile industry (Table 4).

During 2014-2017, significant changes took place in the sectoral structure of expenditures of the domestic textile industry. In particular, the share of textile, clothing, leather and other materials decreased at 8.54 pp., while the share of trade increased by 9.02 pp. Such structural changes are evidence of increasing the level

of manufacturability (achieving a higher degree of processing of raw materials) of textile industries in Ukraine, and thus bringing them closer to EU standards. For example, in the sectoral structure of costs (intermediate consumption) of the Italian textile industry, the share of textile products, clothing, leather and other materials was 32.47%, and the trade sector accounted for 20.34%. In Germany, the values of these indicators were, respectively, 22.29% and 24.01%, and in Poland – 37.04% and 25.87% [21]. At the same time, the reduction in the cost structure of the Ukrainian textile industry of the share of agricultural products (by 2.38 pp. during 2014-2017) and, at the same time, the increase in the share of chemical products (3.12 pp.) indicates a decrease in production natural products, and instead – an increase in synthetic.

Despite the gradual approximation of the sectoral structure of expenditures of the textile industry of Ukraine to the level of the leading EU producers, the import dependence of domestic industries in the segment of intermediate consumption remains relatively high. Thus, in 2017, 95.65% (vs. 99.91% in 2013) of the textile products used in the production activities of Ukrainian textile and the other enterprises were covered by imports (Table 5). For comparison, in ITA the value of this indicator was 32.57%, DEU – 62.34% and POL – 54.35%.

An unconditional positive is the reduction of the level of the import dependence of Ukrainian textile industries in the segment of intermediate consumption of agricultural products to 30.21% (vs. 98.97% in 2014) and rubber and plastic products to 34.43% (vs. 90% in 2013).

Table 4 Types of economic activity, the products of which occupy the largest share in the cost structure of textile industry in Ukraine [%], Source: elaborated by the authors based on [19]

Type of economic activity	2013	2014	2015	2016	2017
Manufacture of textiles, wearing apparel, leather and related products	41.07	43.83	33.90	34.60	32.53
Manufacture of chemicals and chemical products	18.65	16.55	17.31	19.16	21.77
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.37	8.77	8.43	9.06	9.39
Electricity, gas, steam and air conditioning supply	6.33	5.36	5.48	6.97	7.05
Transportation and storage	2.12	3.29	3.32	3.98	4.03
Agriculture, forestry and fishing	5.25	3.13	4.20	3.61	2.87
Manufacture of rubber and plastic products	6.37	4.02	4.66	2.96	2.41

Table 5 Share of imports in the costs of the textile industry in Ukraine (in terms of major suppliers (economic activity) of intermediate goods) [%], Source: elaborated by the authors based on [19]

Type of economic activity	2013	2014	2015	2016	2017
Manufacture of textiles, wearing apparel, leather and related products	99.91	99.08	87.98	94.64	95.65
Manufacture of chemicals and chemical products	23.08	42.34	37.95	36.56	45.53
Wholesale and retail trade; repair of motor vehicles and motorcycles	5.26	0.55	0.47	0.52	0.39
Electricity, gas, steam and air conditioning supply	0.00	0.00	0.00	0.00	0.00
Transportation and storage	35.45	15.20	15.43	41.29	46.52
Agriculture, forestry and fishing	78.68	98.97	58.92	32.61	30.21
Manufacture of rubber and plastic products	90.00	32.13	31.78	31.84	34.43
Total	60.49	58.87	46.09	47.81	48.88

Instead, the share of imports in the chemical industry used by textiles and the other domestic industries reached 45.53% (vs. 23.08% in 2013), which, in turn, indicates the problems of development of the chemical industry in Ukraine. In general, in 2017, the Ukrainian textile industry used 48.88% of imported resources in its activities (vs. 60.49% in 2013). For comparison, the import dependence of the textile industry in Italy was 21%, Germany – 31% and Poland – 37%.

Summarizing this block of research, we can state the tendency to reduce the level of import dependence of textile industries in Ukraine and the gradual approximation of the structure of its intersectional ties to the standards of EU countries, in particular Italy and Germany, which are leaders in the textiles, leather, clothing and footwear in Europe. At the same time, further development and raising the level of manufacturability of Ukrainian textile industry products strengthening the latter's integration with the trade sector. This is due to the fact that through the trade network, companies, on the one hand, purchase the necessary materials for production processes and components manufactured by the other foreign trade, and on the other – sell their products (wholesale and retail). However, the trade sector (and especially the retail sector) in Ukraine requires a radical “de-shadowing”, legalization of all the operations. In addition, increasing the competitiveness of the domestic textile industry in the both domestic and foreign markets is impossible without import substitution in the segment of intermediate goods, raw materials, materials and components, especially fabrics.

4 CONCLUSIONS

The development of Ukrainian light industry constrains the presence of 3 key problems:

- 1) high dependence on imported raw materials, materials and components, in particular, fabrics (primarily cotton and linen), leather, wool, accessories, threads, as well as fixed assets;
- 2) low price competitiveness of domestic products in the domestic market, caused by favourable conditions for official and "gray" imports of used clothing and footwear, illegal domestic production, as well as smuggling of fabrics and finished products;
- 3) the concentration of a significant part of production (especially in the Western region) on the manufacture of products from toll raw materials.

Therefore, the priority task to ensure the development of domestic light industry is the restoration (with further increase) of raw materials for textile and other industries in Ukraine. To solve this problem, it is necessary to create or restore or modernize facilities (enterprises) for processing wool, flax, technical hemp, cotton,

as well as for the production of artificial and synthetic fibres. Such capacities should be concentrated in regions that have favourable conditions for growing and harvesting these types of raw materials.

The second (no less important) task to overcome the problems of light industry in Ukraine and ensure its further development is to create competitive conditions for participants in the domestic market of textile and other industries. Solving this problem requires the development and implementation of appropriate regulatory, technical and personnel measures aimed at eliminating the flow of "gray" imports of clothing and footwear to Ukraine, as well as illegal domestic production. In other words, ensuring competitive conditions for participants in the domestic market of light industry products in Ukraine is impossible without the elimination of shadow trade in this segment of the economy. In turn, the legalization of trade, in particular, finished products of light industry, in the domestic consumer market provides for the mandatory introduction of registrars of settlement operations (including software) for all traders.

The practical implementation of such a task lies in the regulatory framework, and today the first legislative steps have already been taken in this direction, in particular, to improve (rationalize) the simplified taxation system. Thus, on September 20, 2019, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Amendments to the Tax Code of Ukraine on De-Shading Settlements in the Sphere of Trade and Services” and the Law of Ukraine “On Amendments to the Law of Ukraine on Registration of Settlers trade, public catering and services” and other laws of Ukraine on de-shadowing of payments in the field of trade and services”.

At the same time, an important step in overcoming the problems of domestic light industry is its protection from the effects of imports of cheap (especially Chinese) goods. This can be achieved by increasing (subject to conflict with WTO rules) rates of duty and VAT on imports of clothing, footwear, as well as raw materials, fabrics, accessories and other light industry products that have actual and future manufacturing potential in Ukraine. Another way is to substantiate and introduce indicators of the max value of customs duties on these imports from China and other non-EU countries.

Given the significant negative impact of imports of used clothing and footwear on the competitiveness of domestic light industry products in the domestic market, it is proposed:

- to establish proper sanitary control over the sale of second-hand goods;
- introduce mandatory sorting and certification, as well as a total ban on imports of certain (linen, etc.) types of second-hand goods;

- introduce licensing of traders in used clothing and footwear;
- to make appropriate amendments to the Tax Code of Ukraine, which would provide for a mandatory common taxation system for importers and sellers of used clothing and footwear, and in the future - for all importers without exception.

The development of light industry in Ukraine requires overcoming the negatives associated with the narrowing of opportunities for domestic producers due to the increase in the number of enterprises engaged in the processing of toll raw materials. The presence of such enterprises (in the form in which they operate now) from the standpoint of economic security is appropriate only in the short and medium term. In the future, these enterprises should be transformed in the direction of their integration into the Ukrainian economy. This can happen in two ways (or their synthesis):

- a. opening of national productions for the production of products that can replace toll raw materials;
- b. creation in Ukraine of enterprises for further processing (or use) of finished products made from toll raw materials at existing enterprises.

Thus, one of the priorities of the state industrial policy, in particular in the field of development of light industries producing on the basis of toll raw materials, should be the expansion of value chains created in Ukraine by supplementing them with new links. These can be joint ventures, however, the coefficient of localization of domestic (Ukrainian) potential should be at least 50%.

The strategy for the development of light industry should include reducing raw material exports and increasing the supply of high quality value-added products.

Further research in this direction will be aimed at developing econometric models for optimizing the structure of cross-sectoral links of the textile industry according to the criteria of efficiency and innovation.

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