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FACTORS AFFECTING INTERNATIONAL TRADE OF ENTERPRISES

The goal of this work is to show how developments in investment, technology, energy and other natural resources, are capable of changing the overall nature of trade: the role that individual countries play in international trade, how they trade and what is traded with whom and why.

Manufactured group of products makes up the largest share of world trade in goods. The group is comprised of computers, automobiles, aircraft, machinery, etc. A large part of this trade is not in the final products you find on the shelves. In order to make the product it will actually sell, a manufacturing firm needs a number of components that might range from the highly sophisticated, like computer chips, to mundane plastic casings [1]. There are two sources of demand, therefore, for manufactured goods: demand for final goods by consumers and demand for components of various kinds by firms. Some factories will only be making the casings or the chips, and this makes the manufacturing sector a large consumer of its own output [2].

Taking into account the level of importance, technology takes first place in manufacture industry. A country's technological level is determined not only by domestic innovation but also by the diffusion of technology from abroad. Typically, while the former is particularly important for high-income countries, the latter mostly affects technological progress in middle- and low-income countries.

Technological advancements have been key to the development of supply chains. Supply chains, in turn, have encouraged technology transfer and convergence across countries.

Technologies are highly dependent on investment. In an economy where factors of production, such as capital, cannot move across countries, investment must be financed by domestic resources. Cross- country resource flows are, however, the current reality. National Income Accounting shows that a country that does not generate savings sufficient to finance its own investment must attract surplus foreign savings in the form of a capital inflow [3].

Capital flows from abroad can also affect trade in ways other than through their impact on domestic investment. FDI, for example, may lead to trade in intermediate goods by facilitating global supply chains.

In fact, to the extent that investment and trade are complementary, an international system of investment rules can increase the flow of foreign investment by promoting predictability and security of access for foreign investors.

However, these mentioned factors are common for most industries. In order to understand how investment and technologies should be used, we suggest to take deeper research on the specific factors model [4].

The specific factors model was developed by Paul Samuelson and Ronald Jones. Like the simple Ricardian model, it assumes an economy that produces two goods and that

can allocate its labor supply between the two sectors. Unlike the Ricardian model, however, the specific factors model allows for the existence of factors of production besides labor. Whereas labor is a mobile factor that can move between sectors, these other factors are assumed to be specific. That is, they can be used only in the production of particular goods.

In practice the distinction between specific and mobile factors is not a sharp line. Rather, it is a question of the speed of adjustment, with factors being more specific the longer it takes to redeploy them between industries. Worker mobility varies greatly with the characteristics of the worker (such as age) and the job occupation (whether it requires general or job-specific skills). The specific factors model assumes that each of the specific factors, capital and land, can be used in only one sector. Only labor can be used in either sector [5].

In order to use the given information in business, it is considerable to use «new» new trade theory. It consists of the following points:

1. Participation in international markets is relatively rare among firms, and export and import intensity among firms that do participate in international markets is low:

- Relatively few firms in an industry export and/or use imported inputs.
- Exporters export only a small portion of their production and imported inputs only account for a small share of firms' inputs.

2. Firms that participate in international markets are different than those that do not:

- Exporters, firms which use imported inputs, and firms which engage in foreign direct investment tend to be larger, more productive, relatively more capital- and skilled labour-intensive, and pay higher wages than firms which do not participate in international markets.

- Firms entering export markets grow faster in terms of employment and output than non-exporters [6].

There are many factors represented by different national and foreign authors. Unfortunately, there is no clear information regarding what firms should put the emphasis on. It is useful to say «trade is responsible» for a socioeconomic phenomenon. This can be meant in a positive or a negative way, as when somebody claims that trade is responsible for increased well-being or that trade is responsible for environmental destruction.

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