

SECTION 6. INTERNATIONAL ECONOMIC RELATIONS

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6.1 Formation and implementation of economic cooperation within the limits of the association agreement between Ukraine and the EU

Relations between Ukraine and the EU began to take shape long before the development and adoption of the Association Agreement. Throughout the entire history of the existence of independent Ukraine, deepening relations with EU countries, including the development of economic relations, was one of the main goals of the current foreign policy.

This process was not one-sided - EU countries also showed interest in Ukraine, believing that after the formation of a market economy in it, a scenario of accelerated economic development could be realized, since the country has a fairly large potential for growth.

Thus, the work on the conclusion of the Agreement did not become something radically new, on the contrary, the formation of this document was determined by the events of the rapprochement of partners that took place in previous years.

The beginning of the process of forming bilateral relations was laid by the recognition of Ukraine as an independent state by European countries in 1991.

For the first time, Ukraine declared its goal of joining the EU in 1993 in the Resolution of the Verkhovna Rada of Ukraine "On the Main Directions of Ukraine's Foreign Policy." Part III-A-2 states that "a prospective goal of Ukrainian foreign policy is membership in the European Commonwealth" [125].

In 1994, the Agreement on Partnership and Cooperation (UPS) was adopted, and in 1998 it entered into force, which became the first document that established partnership relations between Ukraine and EU countries.

Energy, trade and investment, convergence of Ukrainian and EU legislation, environmental protection, transport, justice and a number of other areas of cross-border cooperation were identified as priorities within the framework of the UPS [126]. It was the UPU that laid the foundation for the formation of the future Association Agreement.

Since 1997, annual EU-Ukraine summits have been held, designed to further deepen relations between partners. A significant step was taken by Ukraine in 1998 with the statement of the "Strategy for the Integration of Ukraine into the EU", in which full membership of the country in the EU is defined as a national interest. The main directions of integration cooperation are clearly formulated, which include:

- 1) adaptation of Ukrainian legislation to EU legislation;
- 2) economic integration and development of trade relations;
- 3) Ukraine's integration into the EU in the context of pan-European security;
- 4) political consolidation;
- 5) adaptation of Ukraine's social policy to EU standards;
- 6) cultural-educational and scientific-technical integration;
- 7) industry cooperation;
- 8) cooperation in the field of environmental protection [127].

Continuing the implementation of the goals set in the "Strategy of the Integration of Ukraine into the EU", in 2000 the "Program of Integration of Ukraine into the EU" was adopted. It describes specific actions created to reform the country in connection with future integration convergence [128].

Guided by the approval of the actions taken by the country by the EU, in 2004 the Strategy of Economic and Social Development of Ukraine "On the Way of European Integration" for 2004-2015 was adopted. It prescribed the priorities of economic and social development to ensure sustainable economic growth, the formation of an innovative model of economic development, and the creation of the necessary prerequisites for joining the EU [129].

Ukraine's accession to the WTO on May 16, 2008 opened up new prospects for the development of the state's cooperation with the EU, especially in the economic sphere. Already in February, negotiations on the creation of a deep and comprehensive free trade area (DFTA) begin, which lead to an agreement on the conclusion of an Association Agreement in September of the same year.

The development of the text of the Agreement took place within the framework of the implementation of the "Eastern Partnership" project, which was launched in

2009. The project was created to preserve and develop relations between the EU and some countries of the post-Soviet space, which included Ukraine [130].

In connection with the beginning of an active dialogue on deepening the integration of Ukraine and the EU in the 2010 law "On the Basics of Internal and Foreign Policy" in Art. 11 among the main principles of the state's foreign policy is "ensuring Ukraine's integration into the European political, economic, and legal space with the aim of acquiring membership in the EU" [131].

Thus, the continuity of the country's foreign policy goals is preserved and Ukraine's high interest in deepening relations with the EU is declared.

The result of long-term work on expanding cooperation between Ukraine and the EU was the Association Agreement, which was signed and entered into force in 2014 [132].

Despite the fact that the entry into force of the Ukraine-EU FTA was postponed to 2016, since November 2014 Ukrainian goods have been granted preferential access to European markets.

It should be noted that the conclusion of the Agreement is not the end of work on the expansion of bilateral relations between Ukraine and the EU. In 2015, the Sustainable Development Strategy "Ukraine-2020" defined a range of reforms necessary to create a more attractive economic and social situation in the country [133].

Of course, the development of integration relations between Ukraine and the EU must be economically justified. EU countries are traditionally important trading partners of Ukraine, along with other countries of the world.

The dynamics of Ukraine's trade with EU countries in the period 2012-2021 is presented in Fig. 1.

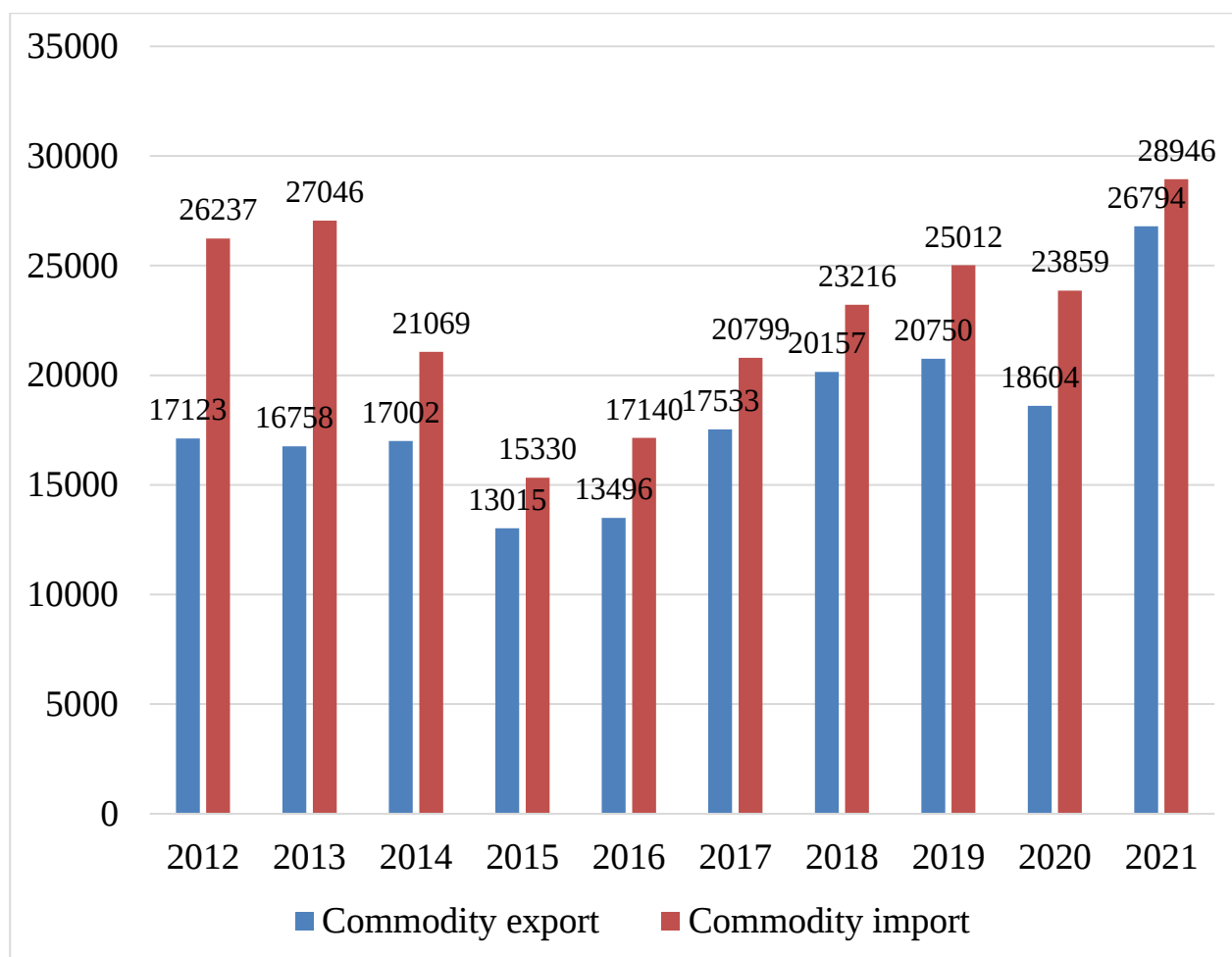


Figure 1. Dynamics of Ukraine's trade with EU countries, 2012-2021, million dollars
[134, 135]

As can be seen from fig. 1, Ukraine's trade with EU countries has been gradually increasing since 2015. There was a slight decrease in commodity exports against the background of the COVID-19 pandemic in 2020, but in 2021 it again showed a tendency to increase.

The most important groups of goods supplied by Ukraine to the EU are traditionally ferrous metals, ores, cereals, electrical machinery and equipment, oilseeds and fruits, mineral fuel, oil.

Among the main imported goods, nuclear reactors, boilers, equipment and mechanical devices, mineral fuel, oil, means of land transport, pharmaceutical products, electrical machines and equipment stand out.

In general, it is possible to note the raw material orientation of Ukrainian exports to the EU, and imports are dominated by technical products and products with a high share of innovations.

Strong positions of EU countries regarding mutual trade in services with Ukraine. Data on the dynamics of mutual trade in services between Ukraine and EU countries for 2012-2021 are presented in fig. 2.

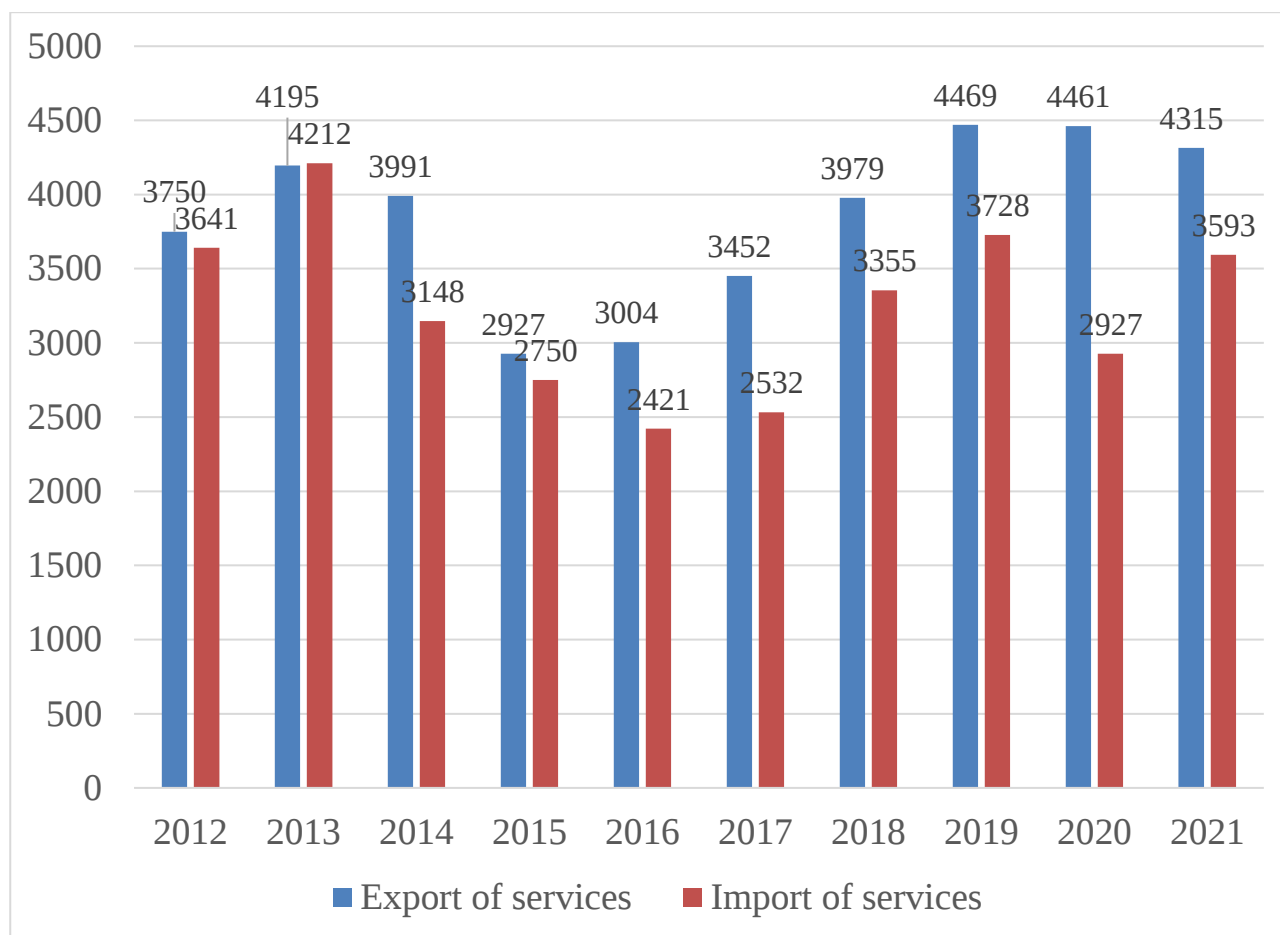


Figure 2. Dynamics of mutual trade in services of Ukraine with EU countries, 2012-2021, million dollars [134, 135]

Fig. 2 clearly demonstrates that, starting from 2015, there was an increase in the mutual trade of services of Ukraine with EU countries, with the exception of 2020, which was caused by the COVID-19 pandemic in 2020, but in 2021, the volume of mutual trade in services again increased.

Attention should be paid to the balance of mutual trade in goods and services between Ukraine and EU countries. Relevant information for the period 2012-2021 is presented in fig. 3.

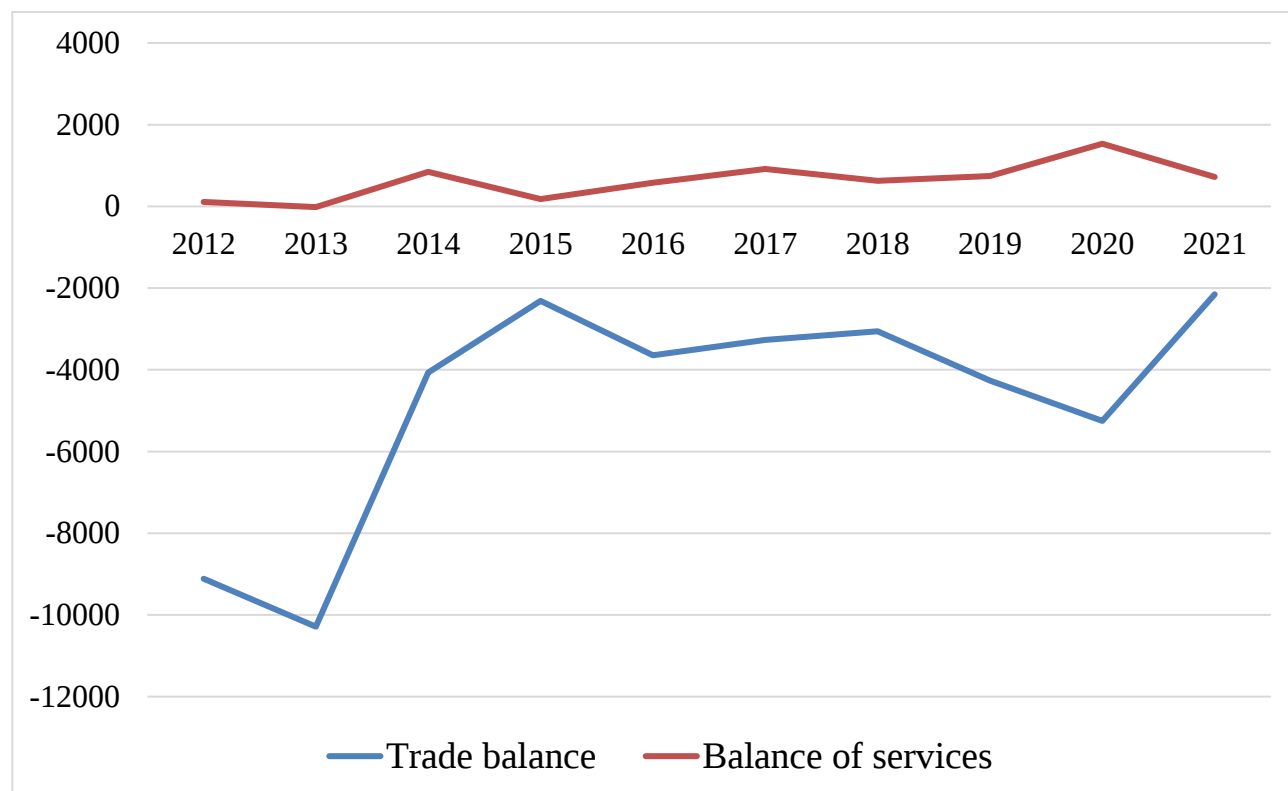


Figure 3. Balance of trade in goods and services between Ukraine and EU countries, 2012-2021, million dollars [134, 135]

The data show that the negative balance of trade in goods has strengthened over the past ten years. The balance of trade in services is positive, but insignificant in terms of money. The decrease in the negative balance of goods trade between Ukraine and the EU in 2014-2015 is associated with a sharp drop in import volumes.

For the EU, Ukraine has always been one of the most important partners for energy products, and the country played a special role as a transitor of Russian energy products, primarily gas and oil.

Thus, the following essential characteristics of the Agreement concluded between Ukraine and the EU can be identified:

1) economic validity. In recent years, the economic interaction between Ukraine and the EU has steadily developed, and to continue this growth, it was necessary to develop a document capable of deepening the integration of partners;

2) evolutionary character. The process of integration of Ukraine and the EU developed gradually throughout the entire history of the existence of independent Ukraine, and the conclusion of the Agreement is not the final point of this process;

3) complexity. The agreement covers a number of spheres of interaction between partners, both political and legal, and economic;

4) detail and structure. The text of the Agreement is developed, has a clear structure and mainly concerns specific measures to deepen the interaction of partners. At the same time, the Agreement also refers to promising areas of development of cooperation, which may be the subject of further negotiations.

In the report of the Cabinet of Ministers of Ukraine as of January 1 2022, it was noted that the Association Agreement Ukraine - The EU was completed by approximately 43%.

The actual implementation of the free trade zone is a change legislation of the country, i.e. approximation of Ukrainian legislation to European norms and principles, which should last up to 10 years. Over the years of operation of the deep and comprehensive free trade zone, we can distinguish four groups of sectors depending on the results of the approximation of the legislation: technical regulation and public procurement, sanitary and phytosanitary measures and the digital market; sectors lagging behind are customs and agriculture and sectors showing no progress are transport, statistics, audiovisual policy.

It should be noted that technical barriers to trade have been fulfilled by 95.8%; public procurement - by 71.6%; activities of companies - by 65.3%; national security and defense - by 43.3%; energy - by 37.5%; consumer rights protection - by 36.8%; taxation - by 35.3%.

In the field of public procurement in 2018, Ukraine concluded 850 contracts with foreign companies. This means that European companies began to actively work on our market. In the same year, the Ukrainian company "SpetsTechnoExport", which is

part of part of DK "Ukroboronprom", became the first Ukrainian company to win a tender for public procurement in the EU [136].

In the field of sanitary and phytosanitary measures and agriculture, Ukraine has introduced the European food safety control system, when not the finished product is controlled, but the entire chain of the manufactured product.

In the field of energy efficiency, the energy consumption class has started to be indicated on household appliances. Now there is an opportunity to purchase either a refrigerator or a washing machine, which consume very little electricity. And the European energy consumption class mark helps Ukraine in this [136].

Within the framework of the Association Agreement with the EU on a free trade zone, tariff quotas have been established for Ukraine, which enable domestic producers to export products to EU countries at preferential or zero duty rates.

Based on all of the above, it should be concluded that the signing of the Agreement became a truly important event in bilateral relations between Ukraine and the EU, significantly influencing the economy of Ukraine and its trade relations with EU countries.

The results of the analysis confirm the advantages of Ukraine's creation of a deep and comprehensive free trade zone with the EU. Although the "in-depth" version of the agreement requires considerable financial and human resources, as well as institutional and legislative changes, it can become the basis for the country's new economic strategy and strengthen Ukraine's integration with the EU.

Ukraine undertook to reform and adapt legislation in various areas, in particular regarding the work of state-owned enterprises, taxes, consumer rights protection, public procurement, national security and defense, competition, environmental protection, etc. All these changes should contribute to the synchronization of the Ukrainian economy with the economies of EU member states.