



universität  
wien

# MASTER THESIS

Titel der Master Thesis / Title of the Master's Thesis

**„The Legal and Economic aspects of Ukrainian integration to the European Union“**

verfasst von / submitted by

Dmytro Kotonos

angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree  
of

**Master of Laws (LL.M.)**

Wien, 2018 / Vienna 2018

Studienkennzahl lt. Studienblatt /  
Postgraduate programme code as it  
appears on  
the student record sheet:

A 992 548

Universitätslehrgang lt. Studienblatt /  
Postgraduate programme as it  
appears on  
the student record sheet:

Europäisches und Internationales  
Wirtschaftsrecht /  
European and International Business Law

Betreut von / Supervisor:

Univ. Prof. Dr. Dr. hc. Peter Fischer

## Table of content

List of abbreviations

Introduction

Main part

1. <i>The current state of development of the EU and the preconditions for Ukraine's integration into the European economic space.....</i>	6
1.1. European integration at the present stage.....	6
1.2. Legal basis of Ukraine – EU relations.....	10
1.3. Harmonization of Ukrainian law with the EU legislation.....	14
2. <i>Analysis of foreign economic relations of Ukrainian with the EU.....</i>	18
2.1. Foreign trade of Ukraine with EU countries.....	18
2.2. Commodity structure of Ukraine's exports and imports.....	22
2.3. European Union Programs for Ukraine.....	26
2.4. The EU investment activity in Ukraine.....	30
3. <i>Prospects of Ukrainian cooperation with the EU and ways to accelerate it.....</i>	34
3.1. Problems in Ukraine's relations with the EU.....	34
3.2. Ways to accelerate Ukraine's accession to the EU.....	38

Conclusions

Bibliography

Annexes

## **List of abbreviations**

“EU” – European Union

“CIS” – Commonwealth of Independent States

“PCA” – Partnership and Cooperation Agreement

“AA” – Association Agreement

“DCFTA” - Deep and Comprehensive Free Trade Area

“CE” – Council of Europe

“GDP” – Gross Domestic Product

“USSR” – Union of Soviet Socialist Republics

“TACIS” – Technical Assistance for the Commonwealth of Independent States

“INOGATE” – Interstate Oil and Gas Transportation to Europe

“FTA” – Free Trade Area

“EBDR” – European Bank of Reconstruction and Development

“ENPI” – European Neighborhood and Partnership Instrument

“TAIEX” – Technical Assistance and Information Sharing Tool

“NIF” – Neighborhood Investment Facility

“ENP” – European Neighborhood Policy

“WTO” – World Trade Organization

“GATT” – Genetal Agreements on Tarrifs and Trade

## Introduction

The urgency of the topic of this Master Thesis is that there are objective requirements of gradual but steady inclusion of the Ukrainian economy in the world integration processes. The current situation is characterized by a global transformation of all countries of the world to a new qualitative state, a new type of civilization of the third millennium, which requires internationalization of all countries around the world.

Internationalization is the process of expanding economic activity outside of individual national economies in the form of multilateral cooperative contacts in order to increase productivity and increase the efficiency of production. A key feature of the internationalization of market activity is the removal of obstacles to the movement of goods, services and factors of production by governments, the further intensification of international organizations that facilitate the liberalization of movement of goods, services and factors production.<sup>1</sup>

Therefore, Ukrainian integration into the European Union will have a great importance in the future. That is why the priority task for Ukraine is to enter the Western European socio-economic space.

Ukraine is a fairly young country in the arena of independent international relations, however, the self-determination of Ukraine does not mean its self-isolation in the international scene. Modern trends in world development place new challenges for Ukraine and require active participation in their solution.

A characteristic feature of contemporary world socio-economic development is the rapid dynamics of integration processes in the world and in Europe in particular. At the same time, even those countries that are not part of integration associations, inevitably feel their tangible influence. For the time being, as the result of rapid expansion of the European Union Ukraine has received new borders and currently it borders with the following countries: the Republic of Poland, the Slovak Republic, Hungary and Romania.<sup>2</sup> This opens up new opportunities for cooperation deepening and trade relationships between Ukraine and all Member States of the European Union.

In this Thesis I would like to present the main arguments in favor of European integration of Ukraine and propose priority initiatives for both parties. The purpose of the graduation work is to study, analyze the economic cooperation of Ukraine with the countries of Western Europe and the integration of Ukraine into the EU.

In our work according to this goal the following tasks are set:

- To reveal the main directions of cooperation and ways of Ukraine's integration into the EU;

---

<sup>1</sup> Кухарська Н.О., Україна в сучасних інтеграційних процесах (Одеса, 2015)

<sup>2</sup> Official European Union website, Countries <[https://europa.eu/european-union/about-eu/countries\\_en#country\\_eu28](https://europa.eu/european-union/about-eu/countries_en#country_eu28)> accessed 1 July 2013

- To describe the current state of foreign trade turnover of Ukraine with EU countries;
- Analyze the dynamics of foreign trade relations development;
- Identify the main ways, give recommendations for improving economic cooperation, and identify the priority goals of Ukraine's integration into the EU.

The main purpose of the Master Thesis is to study and analyze the economic cooperation of Ukraine with the countries of Western Europe and the integration of Ukraine into the European Union. The theoretical and methodological basis of the work are laws and regulations, printed and online publications.

## Main part

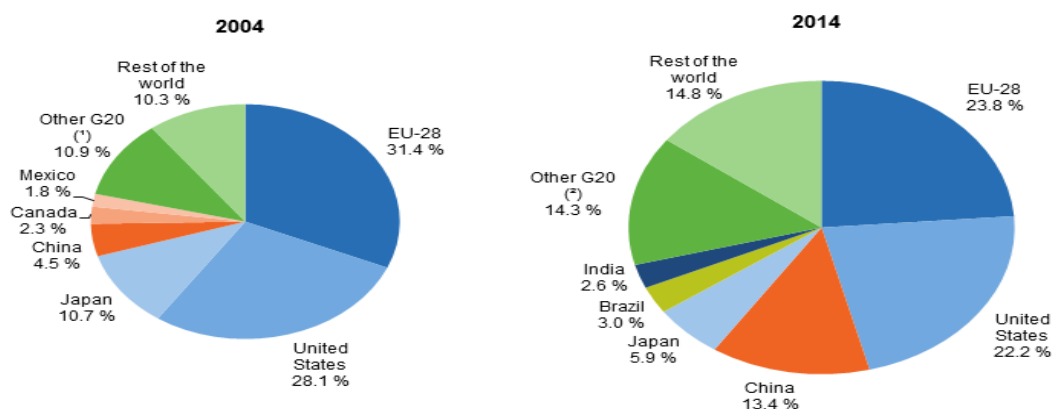
### 1. The current state of development of the EU and the preconditions for Ukrainian integration into the European economic space

#### European integration at the present stage

European integration is the main direction of the continent's development, which will determine the situation in Europe in the third millennium, and its place in the world. Since its founding in 1957, the European Union has gradually become one of the most powerful financial, economic and political centers in the world, a key component of European security, the core of the European values and standards system.<sup>3</sup>

European integration and membership in the European Union is a strategic goal of Ukraine because it is the best way to realize national interests, build an economically developed and democratic state, strengthen the position in the world system of international relations.<sup>4</sup>

Nowadays, the European Union holds leading positions in the global economy. In 2014, as we can see from the chart, the total economic output of the world, as measured by gross domestic product (GDP), was valued at EUR 58.7 trillion, of which the EU accounted for a 23.8 % share of the world's GDP in 2014, while the United States' share was 22.2 %.<sup>5</sup> Therefore, for any country, cooperation with the European Union means the possibility of obtaining significant economic benefits, which will ultimately contribute to economic growth and the raising of the standard of living of the population.



(\*) Argentina, Australia, Brazil, India, Indonesia, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

(\*\*) Argentina, Australia, Canada, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

<sup>3</sup> Official European Union website, History <[https://europa.eu/european-union/about-eu/history\\_en](https://europa.eu/european-union/about-eu/history_en)>

<sup>4</sup> Указ Президента України, “Про Стратегію сталого розвитку “Україна – 2020” (Київ, 2015)

<sup>5</sup> Eurostat, “The EU in the world 2016” (2016)  
<<http://ec.europa.eu/eurostat/documents/3217494/7589036/KS-EX-16-001-EN-N.pdf/bcacb30c-0be9-4c2e-a06d-4b1daead493e>>

We tend to believe that for Ukraine, European integration is a way of modernizing the economy, overcoming technological backwardness, attracting foreign investment and new technologies, creating new jobs, increasing the competitiveness of the domestic commodity producer, entering the world markets, first of all, into the EU market.<sup>6</sup>

That is why, taking into account the peculiarities of the current state of the Ukrainian economy, a number of following arguments can be deduced in favor of developing cooperation with the EU:

1. The economic potential of the EU and the dynamics of its development make it possible to conclude that the European Union is a large market for products and a source of satisfaction of Ukrainian needs in a wide variety of consumer and investment products.

2. Cooperation between Ukraine and the European Union is necessary for the technological renewal of Ukrainian production. Industrial technologies of Ukrainian enterprises are lagging behind those used by advanced European countries, Ukraine does not have the capital necessity for modernization of existing ones and the creation of new modern enterprises.

3. For decades, Ukrainian enterprises have actually been cut off from the world market. Therefore, their access to the European market is of great importance as a source of experience and practical skills to compete with manufacturers from other countries, to develop and implement a strategy of production and commercial activity, oriented to the world market conditions of the relevant markets.

4. The development of cooperation with the EU will promote the full use of the potential of Ukraine as a transit state, which means increased revenues from exports of transport services and the development of relevant industries.

5. One of the trends of modern industrial development is the formation of industrial and commercial chains, the participants of which are firms and enterprises from different countries. The integration of Ukrainian producers in such chains will allow them to enter new prospective markets, rationalize their own production, respond more flexibly to changes in the international economic situation, and ensure the stable development of the respective industries.

6. The European Union is an inexhaustible source of experience in the functioning of a market-oriented economy and state regulation of economic processes. Obviously, this is where Ukraine can gain knowledge about the development and implementation of antitrust policy and control over the concentration of economic activity, stock market regulation, employment policy, etc.

---

<sup>6</sup> Маштабей В., Курс на інтеграцію (Віче, 2000) №8

7. The development of cooperation with the EU inevitably means the need to establish appropriate rules and standards for the elaboration and implementation of economic policies and the behavior of primary economic agents. And this, in turn, will contribute to the formation of a transparent environment for production and commercial activity in the national market, which is extremely important for Ukraine.

8. It is in the European financial market, which is today the largest in the world, that Ukraine can mobilize the funds necessary to ensure macroeconomic stability, thus, diversifying sources of external borrowing.

An important step for Ukraine towards the EU membership was the discussion of the Association Agreement, including the free trade area between Ukraine and the EU between 2007 and 2011, and was signed on March 21 and June 27, 2014. It replaces the previous framework of cooperation. The Association Agreement is the main instrument of rapprochement between Ukraine and the EU: it helps to deepen political ties, strengthen economic ties and respect common values. From 1 November 2014, the provisions of the Association Agreement were temporarily applied. This strengthened cooperation between Ukraine and the EU on human rights, fundamental freedoms and the rule of law; political dialogue and reform; movement of persons; and strengthening cooperation in a number of industries, including energy; environment and climate action; transport; financial services; public finance, including anti-fraud; agriculture and rural development; fisheries and maritime policy; protection of consumer rights and civil society. Finally, the agreement has been fully came into force since September 1, 2017.<sup>7</sup>

An additional and very important step towards the European Union was visa liberalization between Ukraine and the EU. Visa-free travel for citizens of Ukraine with biometric passports came into force on 11 June 2017 after Ukrainian compliance with guidelines included in the Action Plan to liberalize visa. The purpose of short-term visa-free travel for citizens of Ukraine with biometric passports is to facilitate people to business contacts and strengthen relationship\\, social and cultural ties between the EU and Ukraine.<sup>8</sup>

The main political benefits of consistent European integration are strengthening the stability of the democratic political system and its institutes, modernizing the legal framework and ensuring transparency of national legislation, deepening the culture of democracy and respect for human rights, etc. European integration also means strengthening national security and security of

---

<sup>7</sup> European Union External Action, EU-Ukraine relations Fact Sheet (Brussels, 2017)

<sup>8</sup> Official European Union website, EU-Ukraine relations, factsheet  
<[https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/4081/%20EU-Ukraine%20relations,%20factsheet](https://eeas.europa.eu/headquarters/headquarters-homepage_en/4081/%20EU-Ukraine%20relations,%20factsheet)> accessed 1 September 2017



citizens, because it excludes the use of force as a method of resolving conflicts, promotes stability in relations with all neighbors.

As a competent participant of a united Europe formation, and in the future a member of the European Union, Ukraine will be able to influence the development of relevant decisions and, thus, on the processes taking place on the European continent - while away from it, Ukraine will have neither economic nor political resources for such an influence, and may turn into a weak object rather than an active subject of European politics.

At the same time, it would be a mistake to suppress or diminish the complexity of the European integration process. It is clear that it will be long and uneasy. Among other arguments, integration into Europe means increase of openness of the international economy and healthy competition from the side of EU firms. At the same time, the inevitable rather painful consequences for certain sectors, industries and even regions. However, the potential benefits and benefits of European integration exceed potential losses and risks. This was convincingly proved by the previous experience of all European countries without exception, including those whose level of economic development was lower than the average: from Portugal to the west to Poland and the Baltic countries to the east, from Ireland to the north to Greece to the south. This is chronologically evidenced by the experience of the first (Denmark, Ireland, Great Britain, 1973), the second (Greece, 1981, Spain, Portugal, 1986), third (Austria, Sweden, Finland, 1995) and modern (Poland, Hungary, Czech Republic, Estonia, Slovenia, Slovakia, Malta, Cyprus, Latvia, Lithuania, Romania, Bulgaria), the phases of enlargement of the European Union.<sup>9</sup>

The economic and trade relations with the EU are a potential chance that we must be able to use, distinguishing between existing opportunities and reasonable caution.

---

<sup>9</sup> Поздняков Э., Ганжа С., Новые страны на пороге Европейского союза (1999)

## Legal basis of Ukraine – EU relations

In fact, since the proclamation of independence (1991), Ukraine has built its foreign policy and, more broadly, its independence in joining the European Union. Ukraine became the first country in the CIS, which concluded the Partnership and Cooperation Agreement with the European Union (June 16, 1994), which defined the legal mechanism of interaction between the two parties. In 1994-1996, the EU adopted the Common Position on Ukraine (November 28, 1994) and the Action Plan (December 6, 1996), which expressed support for the independence, territorial integrity, democratic political and economic transformations in Ukraine and its integration into the world economy. On March 1, 1998, the Partnership and Cooperation Agreement entered into force shortly after June 11, 1998, "Strategy of Ukraine's Integration into the European Union" was approved by the Decree of the President of Ukraine, approved for the period up to 2007. The acquisition of Ukraine's full membership in the European Union was recognized as a strategic purpose, and the status of an associate member of the EU was the main foreign policy priority of Ukraine in the medium-term perspective.<sup>10</sup>

In 1998-1999, an institutional framework for cooperation was established under the Partnership and Cooperation Agreement (PCA) and the first meetings of the Council (8-9 June 1998) and the Committee (5 November 1998) on cooperation between Ukraine and the EU were held, the relevant subcommittees, as well as the first working meeting of the Parliamentary Cooperation Committee (November 30 - December 1, 1998). Regular consultations between Ukraine and the EU and the Ukraine-EU summits have become the norm of bilateral relations.<sup>11</sup>

Unlike other Central and Eastern European countries that already had an associate membership agreement in the European Union, the PCA did not directly consider the prospects of Ukraine's accession to the EU. Ukraine had no prospects of gaining full membership in the European Union and in the EU-Ukraine Joint Strategy adopted on September 11, 1999 at the Helsinki Summit of the European Union. At the same time, this document for the first time in the European Union recognized the "European aspirations of Ukraine" and congratulated its "pro-European choice".<sup>12</sup> By adopting a Joint Strategy for Ukraine, having been developed for a four-year term, the European Council recognized that Ukraine was successful and stable in the best interests of the European Union, in particular, it was emphasized that full implementation of the Partnership and Cooperation Agreement is a prerequisite for the successful integration of Ukraine into the European economy and will help Ukraine to create its European identity.

---

<sup>10</sup> Україна на міжнародній арені, Збірник документів в 2-х томах (Київ, 1996-1997)

<sup>11</sup> European Commission, PCA with Ukraine enters into force (Brussels, 1998)

<sup>12</sup> Official European Parliament website, Millennium Declaration  
<[http://www.europarl.europa.eu/summits/hel1\\_en.htm](http://www.europarl.europa.eu/summits/hel1_en.htm)> accessed 1999

Thus, despite the fact that the Joint Strategy has shown the European Union's political unpreparedness to consider at this stage the issue of Ukraine's future prospects for EU membership, it has proposed new areas and opportunities for deepening cooperation which, if appropriate, will be opened to Ukraine door of the European Union.<sup>13</sup>

It is obvious that the weak European integration positions of Ukraine at that time and its inconsistency with the political and economic criteria for joining the EU were the result of inconsistency and delay in the implementation of reforms. The years of standing at one and the same place left Ukraine behind the countries of Central and Eastern Europe, which persistently carried out complex market transformations. The low level of professional training and knowledge of public servants regarding European integration negatively affected the implementation of the Partnership and Cooperation Agreement and the Strategy for EU integration.

This led to the fact that negotiations on a new agreement to replace the Partnership and Cooperation Agreement were started just on March 5, 2007. A compromise decision on the title of this agreement, as the Association Agreement, was reached during the Paris Summit Ukraine-EU in September 2008.<sup>14</sup>

A significant part of the new agreement was the creation of a free trade zone between Ukraine and Ukraine aimed at creating deeper economic integration on the basis of the agreements reached during the bilateral negotiations with the EU on Ukraine's accession to the WTO. On April 10, 2008, the Parliament of Ukraine adopted a bill "On ratification of the Protocol on Ukraine's accession to the World Trade Organization". On April 16, 2008, the Law on Ratification was signed by the President of Ukraine. According to WTO procedures, on May 16, 2008, Ukraine became a full member of this Organization.<sup>15</sup>

At the end of 2013, Ukraine became the center of global attention in the result of protest caused by the government's refusal to sign a new agreement with the European Union. Consequently, Ukraine, in essence, has come closer to the dangerous frontier of the split of society. During the Eastern Partnership (EaP) Summits which took place in Vilnius on 28-29th of November 2013, during the official signing ceremony, the Association Agreements with Georgia and Moldova were signed, as well as the Agreement on visa facilitation between the EU and Azerbaijan.<sup>16</sup>

---

<sup>13</sup> Бутейко А., Наше майбутнє – наш вибір (Віче, 2001) №3

<sup>14</sup> Wikipedia Website, EU-Ukraine Summit <[https://en.wikipedia.org/wiki/2008\\_EU-Ukraine\\_Summit#cite\\_ref-1](https://en.wikipedia.org/wiki/2008_EU-Ukraine_Summit#cite_ref-1)>

<sup>15</sup> Official Ministry of Foreign Affairs of Ukraine website, Ukraine and WTO <<http://mfa.gov.ua/en/about-ukraine/international-organizations/wto>>

<sup>16</sup> Ivan Bielik, Eastern Partnership Vilnius Summit 2013 (2014)

The EU also wanted to sign the Association Agreement with Ukraine, but the Ukrainian president, Viktor Yanukovich, refused to sign the agreement at the last moment. The delay in signing the agreement in the government of Ukraine was explained by Russia's pressure and Ukraine's desire to minimize economic risks. On the 21 of November 2013, the Cabinet of Ministers of Ukraine decided to suspend preparations for signing an agreement with the EU, while declaring that it did not renounce European integration.<sup>17</sup>

Political and social changes in Ukraine from the 21 of November 2013 to February 2014, caused by the opposition to the departure of the country's political leadership from the legally established course on European integration and the subsequent resistance to this course, led to the Revolution of Dignity. One of the main reasons for the protests was the excessive concentration of power in the hands of Viktor Yanukovich and his "family", and the reluctance of the Ukrainian people to accept the pro-Russian course.

The protests of students and ordinary citizens led to the fall of the authoritarian regime of Yanukovich and his escape to the Russian Federation. According to the Ministry of Health of Ukraine, from November 30, 2013 to April 14, 2014, 106 people died during protest actions in Kyiv and in regions of Ukraine. On February 21, 2014, the official authorities of Ukraine legally recognized the victims of the dead protesters of the Maidan. On this day, on Maydan in Kyiv, a valediction to the fallen Ukrainian Patriots took place, who were called "Heavenly Hundred". On May 25, 2014, extraordinary elections of the President of Ukraine took place. Initially, they were scheduled to be arranged in 2015, but were held earlier due to the removal of Viktor Yanukovich from the post of President (February 22, 2014). So, Peter Poroshenko became the fifth President of Ukraine. On June 7, 2014, President P. Poroshenko made an oath and during the inauguration speech P. Poroshenko stated that he would use all his diplomatic experience to sign the Association agreement.<sup>18</sup>

The next stage in the development of European-Ukrainian contractual relations was the signing of the political part of the EU-Ukraine Association Agreement at the Ukraine-EU Summit on March 21, 2014 and the signing of the economic part of the agreement on June 27, 2014. Steven Pifer (nonresident senior fellow in the Arms Control and Non-Proliferation Initiative, Center for 21st Century Security and Intelligence, and the Center on the United States and Europe at the Brookings Institution) wrote the following regarding this situation – “Ukrainian President Petro

---

<sup>17</sup> Official BBC website, Ukraine has not signed the Association Agreement with the EU  
<[http://www.bbc.com/ukrainian/politics/2013/11/131129\\_ukraine\\_eu\\_assignment\\_ek](http://www.bbc.com/ukrainian/politics/2013/11/131129_ukraine_eu_assignment_ek)> accessed 29 November 2013

<sup>18</sup> Бойко І.Й., Тищик Б.Й., Історія держави та права України (Київ, 2015)

Poroshenko today in Brussels signed the association agreement with the European Union. The signing is a milestone.”<sup>19</sup>

From the 1<sup>st</sup> of November 2014, the partial application of certain parts of the Association Agreements came into force, namely: respect for human rights, fundamental freedoms and the rule of law; political dialogue and reform; justice, freedom and security; economic cooperation and cooperation in such areas as environmental protection, infrastructure and agriculture; financial cooperation. On the 15 of December 2014, the first meeting of the Association Council took place.

The Association Agreement contains the provisions on the Deep and Comprehensive Free Trade Area. The DCFTA will provide Ukraine with the conditions for modernization of its trade relations and economic development by opening markets and gradually eliminating customs tariffs and quotas, as well as a comprehensive process of harmonization of laws, norms and rules in various spheres related to trade. This creates conditions for bringing the key sectors of the Ukrainian economy in line with EU standards. The Agreement entered fully into force on 1 September 2017.<sup>20</sup>

The newest stage in Ukraine and the EU relations was visa liberalization. Visa-free travel for citizens of Ukraine with biometric passports came into force on 11 June 2017 after Ukraine's compliance with guidelines included in the Action Plan to liberalize visa. The purpose of short-term visa-free travel for citizens of Ukraine with biometric passports is to facilitate people to people contacts and strengthen business, social and cultural ties between the EU and Ukraine.<sup>21</sup>

---

<sup>19</sup> Official Brookings Institution website, Poroshenko Signs EU-Ukraine Association Agreement <<https://www.brookings.edu/blog/up-front/2014/06/27/poroshenko-signs-eu-ukraine-association-agreement/>> accessed 27 June 2014

<sup>20</sup> Official European Union website, Association Agreement between the EU and Ukraine Association Agreement Quick Guide <[http://eeas.europa.eu/archives/delegations/ukraine/documents/association\\_agreement/guide.pdf](http://eeas.europa.eu/archives/delegations/ukraine/documents/association_agreement/guide.pdf)>

<sup>21</sup> Official European Union website, EU-Ukraine relations, factsheet <[https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/4081/%20EU-Ukraine%20relations,%20factsheet](https://eeas.europa.eu/headquarters/headquarters-homepage_en/4081/%20EU-Ukraine%20relations,%20factsheet)> accessed 1 September 2017

## Harmonization of Ukrainian law with the EU legislation

Adaptation of Ukrainian legislation to the EU legislation is aligned with the modern European legal system that will ensure the development of political, entrepreneurial, social and cultural activities of Ukrainian citizens, economic development of the state within the framework of the EU and will promote the gradual growth of the welfare of citizens, bringing it closer to the level that has developed in the countries-members of the EU.

Adaptation of Ukrainian legislation involves reformation its legal system and gradual alignment with European standards, covering private, customs, labor, financial, tax, intellectual property legislation, labor protection, life and health protection, environmental protection, consumer protection, technical rules and standards, transport, as well as other industries, which are determined by the Association Agreement. Article 474 "Gradual approximation" of the Association Agreement reads as follows: "In accordance with the objectives of this Agreement, as set forth in Article 1, Ukraine will gradually bring its legislation closer to EU law in accordance with Annexes I-XLIV to this Agreement on the basis of the obligations set out in Sections IV, V and VI of this Agreement, as well as in accordance with the provisions of these Annexes. This provision is without prejudice to any specific principles and obligations regarding regulatory approximation in accordance with Section IV ("Trade and Issues Related to trade ") these Agreement."<sup>22</sup>

Ukraine's participation in the conventions of the Council of Europe, which establishes common standards for this organization and the EU, should be considered as an important factor in reforming the legal system of Ukraine. The stages of legal approximation are the implementation of the Association Agreement, the conclusion of sectoral agreements, bringing the current legislation of Ukraine in line with EU standards, and creating a mechanism for bringing draft laws of Ukraine into conformity with EU norms.<sup>23</sup>

European integration should be a top priority for all sectors and levels of government in Ukraine. From this perspective, the consistent implementation of administrative reform should clearly indicate this priority and ensure proper changes in the structure of ministries and agencies and mechanisms for inter-agency coordination. The experience of other Central and Eastern European countries shows that it is advisable to put the post of Special Envoy on European Integration in the rank of Minister, who has the necessary powers to coordinate the efforts of all executive authorities in the field of cooperation with the EU. For instance, the government of

---

<sup>22</sup> Official Journal of the European Union, Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part (2014)

<sup>23</sup> Указ Президента України, "Про Стратегію сталого розвитку "Україна – 2020" (Київ, 2015)

Georgia created a new post of State Minister of Georgia on European & Euro-Atlantic Integration, which main functions are the implementation of the coordination and monitoring of the activities of the executive branch of the Government of Georgia on European and Euro-Atlantic integration.

24

Although, some innovations have still been introduced. For example, a special Committee on European integration was created in the Parliament of Ukraine for more effective coordination of activities of the Government and the Parliament of Ukraine. Such innovation logically reflects the strategic direction of European integration, promotes more inter-parliamentary contacts and more effective parliamentary control over the process of European integration, as well as harmonization of Ukraine's legislation with EU legislation.<sup>25</sup>

According to the Decree of the Parliament of Ukraine "On the List, Quantitative Composition and Issues of Committees of the Parliament of Ukraine of the Eighth Convocation" the following functions belong to the Committee on European Integration:

- Ukraine's participation in international integration processes related to the activities of the European Union;
- adaptation of Ukrainian legislation to the legislation of the European Union, ensuring its compliance with the obligations of Ukraine within the framework of the Council of Europe;
- assessment of the compliance of the draft laws with the international legal obligation of Ukraine in the field of European integration;
- state policy in the field of European integration;
- ensuring inter-parliamentary relations within the framework of cooperation between Ukraine and the European Union, the Western European Union;
- coordination of technical assistance programs of the European Union to the Verkhovna Rada of Ukraine and special educational programs;
- Grant consent to the binding international agreements of Ukraine with the European Union and its member states (ratification, accession to an international treaty, adoption of the text of an international treaty), denunciation of these international treaties of Ukraine;
- cross-border and interregional cooperation with the countries of the European Union.<sup>26</sup>

The realization of European choice requires not only political will, but also well-trained civil servants not only in the central departments, but also on the regional and local levels. The

---

<sup>24</sup> Official State Minister of Georgia on European & Euro-Atlantic Integration website, Activities of the Office <<http://www.eu-nato.gov.ge/en/structure/activities>>

<sup>25</sup> Official Ukrainian Parliament website, Structure <[http://w1.c1.rada.gov.ua/pls/site2/p\\_komity?pidid=2626](http://w1.c1.rada.gov.ua/pls/site2/p_komity?pidid=2626)> accessed 4 December 2014

<sup>26</sup> Постанова Верховної Ради України "Про перелік, кількісний склад і предмети відання комітетів Верховної Ради України восьмого скликання" (2015)

general retraining and training program should provide the necessary knowledge and skills to understand the goals of integration and the European Union, its main institutions and decision making process, the opportunity to negotiate, use of European information resources and improve the knowledge of one of the main European languages - English. Special retraining programs should accompany and even anticipate the process of harmonization of legislation and implementation of the Association Agreement. The agenda should include the improvement and strengthening of institutes offering courses on European integration, as well as accelerating the introduction of the relevant specialization within the framework of the curriculum of universities and institutes as envisaged by the Strategy of Ukraine's Integration into the European Union.

European integration should become not only a priority for all power structures, but also an informed choice of society as a whole. In view of this, there is the need for a large-scale information and educational program, through which society will significantly improve knowledge about the nature and essence of European integration, the specific functioning of the EU, etc. This provision is contained in the Integration Strategy, but has not yet been implemented. This initiative should belong to the government, which should support a constant dialogue with the public on the implementation of its European policy. Start a regular forum of representatives of non-governmental organizations at which they could be consulted and discussed with government agencies and politicians. By the way, this will help Ukraine to represent itself better as a strong partner and a full participant in the process of European integration. If we want to perceive and behave properly, we must discuss at an equal level all the current problems of European integration, and not only those relating to Ukraine's relations with the EU.<sup>27</sup>

Ukraine should also take care to overcome the lack of European awareness with Ukraine, in view of this, the Government should develop a special program for the "promotion" of Ukraine into the EU and in every way contribute to the establishment and development of broad relations with Ukraine and the EU member states. It is necessary not only to ask what the European Union can give Ukraine, but also to search for convincing arguments what Ukraine can give the European Union. The more confidently we will answer these questions, the more convincing we will look and act.

The European Commission noted a number of positive features in the direction of Ukraine's implementation of the Association Agreement and in the direction of Euro-integration as a whole in its Association Implementation Report on Ukraine in 2016. The commission noted the following: "In 2015 and 2016, Ukraine has undertaken intensive and unprecedented reforms in a number of sectors of the economy and society, while its democratic institutions have been

---

<sup>27</sup> Указ Президента України, "Про Стратегію сталого розвитку "Україна – 2020" (Київ, 2015)



further revitalized. On January 1, 2016, the European Union and Ukraine began applying, provisionally, the Deep and Comprehensive Free Trade Area (DCFTA), along with other parts that were provisionally applied Since November 2014.

One of the key challenges facing Ukraine in its reform process is the introduction of sustainable changes to reduce opportunities for corruption and to ensure that corruption allegations are pursued in court. Ukraine has set up new anti corruption institutions and adopted legislation on anti-corruption, which it is starting to implement. It is mainstreaming an innovative public procurement system (ProZorro) that has already in the pilot phase allowed savings of public funds.

A civil service law and a strategy for reforming public administration, in line with European standards, are in place. A new National Police has been set up. Work is under way to improve public financial management and to increase transparency in the handling of privatization. Last but not least, the launch of the electronic public declarations of public officials resulted in the publication of more than 100,000 detailed declarations. Decisive policy actions by the Ukrainian authorities over the past two years, supported by its international partners, have reduced external and internal disbalances and the macroeconomic situation has stabilized. As a result, the economy was able to return to growth in the first half of 2016, consumer price inflation moderated and central bank's international reserves significantly increased.”<sup>28</sup>

Summing up this section, it can be noted that European integration for Ukraine is a way of modernizing the economy, overcoming technological backwardness, attracting foreign investment and new technologies, creating new jobs, increasing the competitiveness of the domestic commodity producer, entering the world markets, first of all, into the EU market.

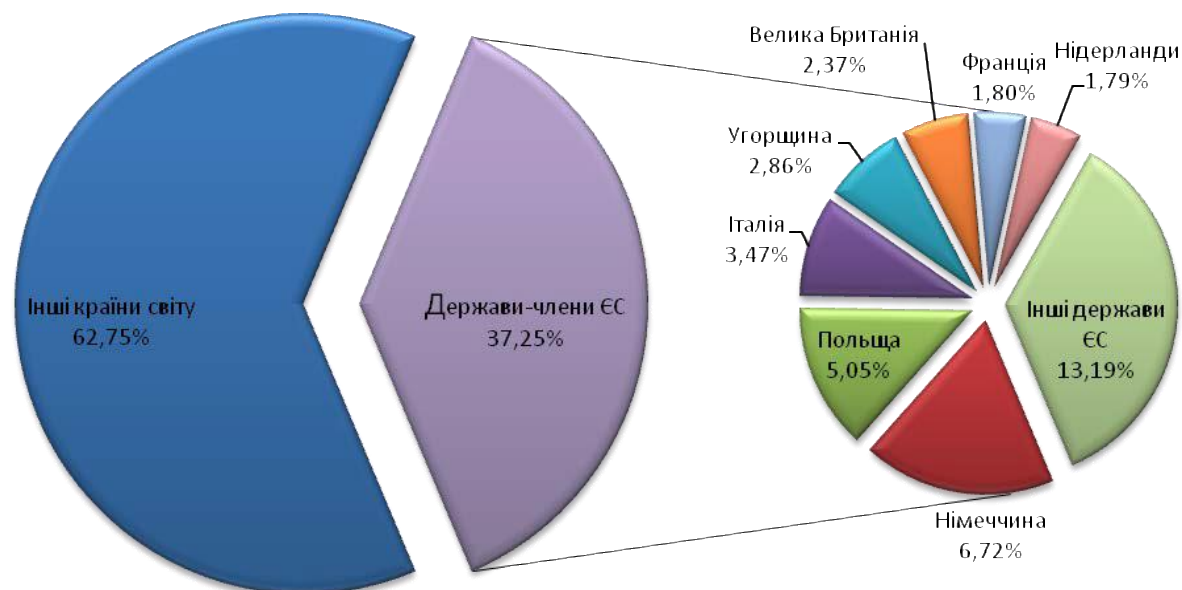
---

<sup>28</sup> European Commission, Association Implementation Report on Ukraine (Brussels, 2016)

## 2. Analysis of foreign economic relations of Ukraine with the EU

### Foreign trade of Ukraine with EU countries

Since the declaration of independence, Ukraine has begun to undertake measures to establish and develop foreign trade with the European Union, which is still one of Ukraine's main trade partners. As we can see from the chart, the share of trade in goods and services with the European Union is 37.3 %, which represents more than one third of the total trade turnover of Ukraine.<sup>29</sup>



According to the State Statistics Service of Ukraine, the main trading partners of Ukraine from the European Union on 2015 were:

- Germany (18.0%), Poland (13.5%), Italy (9.3%), Hungary (7.7%), Great Britain (6.4%), the Netherlands (4.8%), France 4.8%).

Main importing countries (Ukrainian exports):

- Italy (13.7%), Poland (13.6%), Germany (10.6%), Spain (7.0%), the Netherlands (6.6%), Hungary (6.2%), Great Britain (5.8%), France (3.9%).

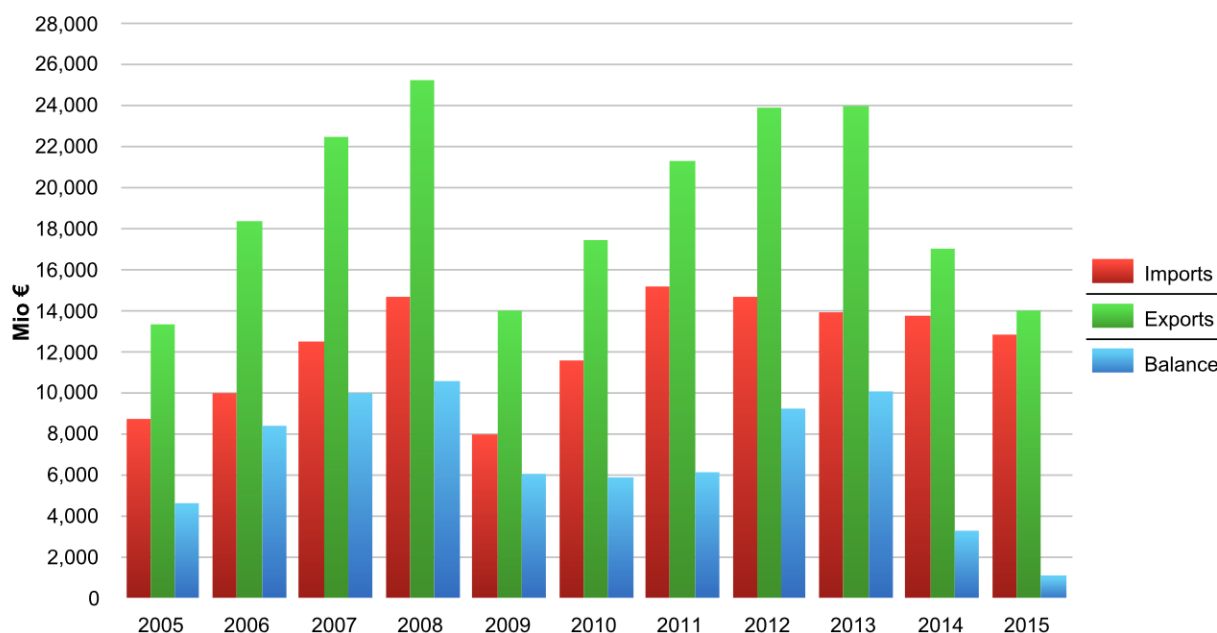
Main exporting countries (Ukrainian imports):

- Germany (24.4%), Poland (13.5%), Hungary (8.9%), Great Britain (6.9%), France (5.6%), Italy (5.6%), Slovakia (3.5%), the Netherlands (3.3%).<sup>30</sup>

<sup>29</sup> Official Ministry of Economic Development and Trade of Ukraine website, Trade and Investment cooperation between Ukraine and European Union  
<[https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjgJr94a\\_XAhVM2RoKHUoiDoMQFgg4MAI&url=http%3A%2F%2Fwww.me.gov.ua%2FDocument%2FDownload%3Fid%3Dfb97ee90-8d2a-4d79-afbc-e355fba22236&usq=A0vVaw2TDgyXCIJoFaOvn5OzAhZn](https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjgJr94a_XAhVM2RoKHUoiDoMQFgg4MAI&url=http%3A%2F%2Fwww.me.gov.ua%2FDocument%2FDownload%3Fid%3Dfb97ee90-8d2a-4d79-afbc-e355fba22236&usq=A0vVaw2TDgyXCIJoFaOvn5OzAhZn)>

<sup>30</sup> Official State Statistics Service of Ukraine website, Geographic structure of foreign trade in goods in 2015 <<http://www.ukrstat.gov.ua>>

Unfortunately, declining of trade volumes with the EU member states from 2013 are noted. During 2015, there was a general decline of Ukraine's exports to the countries of the world (by 27.2% or USD 17 458.9 million). Regarding the volume of exports to the EU decreased approximately by 40% and amounted to € 14.000 million in 2015. In turn, volumes of imports also decreased by about 10% and amounted to 13,000 million EUR.<sup>31</sup>



Nowadays, looking at economic development, the potential and the place among other developed Western countries, Germany has a paramount importance for Ukraine, and especially trade and economic relations with it.

In the field of foreign trade, Germany has been and remains one of the most important partners of Ukraine, accounting for about 7% of the total turnover of our state. According to the results of 2016, Ukraine became one of the twenty main trading partners of Germany in Central and Eastern Europe. The achieved level of mutual trade (US \$ 4.2 billion) is the worst hit for the EU countries, although it is modest compared to the total volume of German foreign trade, where our share is only 0.32%. In the structure of trade turnover, there is a negative balance of mutual trade, which, unfortunately, has become chronic in the nature of the same.<sup>32</sup>

As we can see from the given statistical center of Ukraine, the difference in exports and imports of Ukraine to Germany reaches 14.2%. That is why the main task of the foreign trade

<sup>31</sup> European Commission, *European Union, trade in goods with Ukraine*  
[https://mfa.gov.ua/mediafiles/sites/portugal/files/EU\\_Trade\\_in\\_goods\\_with\\_Ukraine.pdf](https://mfa.gov.ua/mediafiles/sites/portugal/files/EU_Trade_in_goods_with_Ukraine.pdf)  
 accessed 04 November 2016

<sup>32</sup> The Observatory of economic complexity website, Germany  
<https://atlas.media.mit.edu/en/profile/country/deu/>

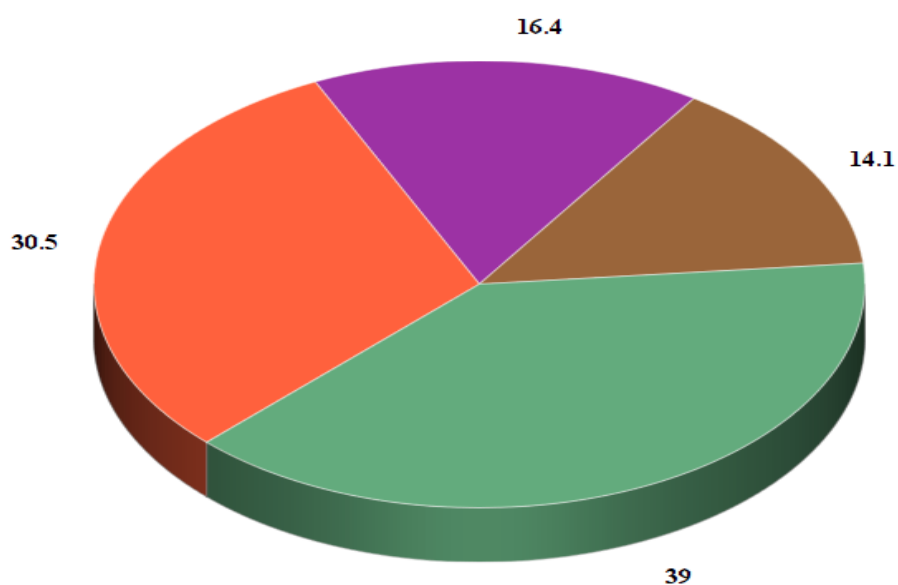
policy of Ukraine is overcoming the negative trade balance of Ukraine with Germany, as well as an increase in the share of finished goods in the structure of Ukrainian exports.

The presence of a negative balance in the foreign trade turnover of Ukraine to Germany suggests that Ukrainian goods at this time are less competitive compared with the production of German producers. Recently, work on certification of Ukrainian products, introduction of new technologies, organization of joint productions has intensified. The implementation of these and other measures will have a significant impact on the competitiveness of Ukrainian goods and accelerate the timing of their advancement to the markets of Germany.

Analyzing the dynamics of changes in the state of foreign trade between Ukraine and Germany, we can state that there are prospects for their further development. The basis of this is the deepening of foreign economic relations, carried out not only at the intergovernmental level but also by separate enterprises of Ukraine and Germany.

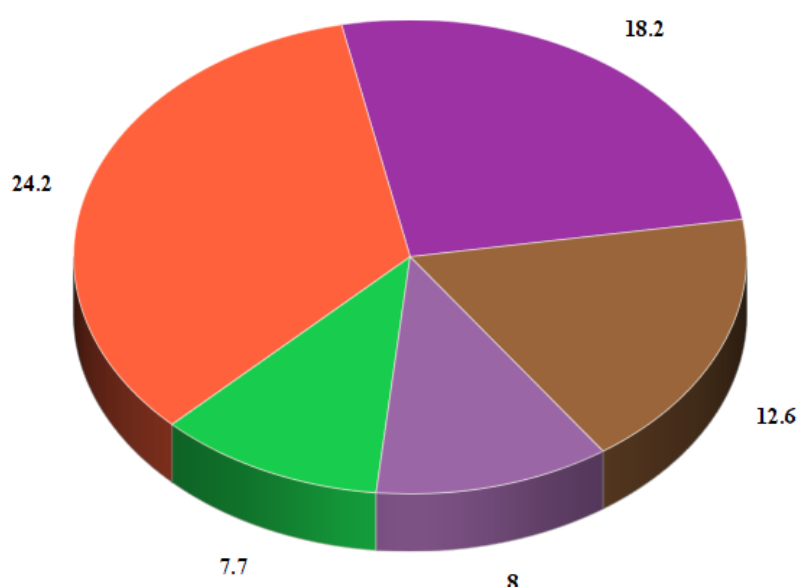
Nowadays, the goods of the industrial sector are exported mainly from Ukraine to Germany, and their share in the structure of exports is about 90 percent. The leading place of total Ukrainian exports is the goods of machine-building (30.5%), the second is agro-industrial products (16.4%), the third - textile products (14.1%). Other 39% of exports include the following commodity groups: mineral raw materials, wood, chemical industry, furniture, appliances and optical apparatus, polymer materials, and footwear.

■ Machine building products    ■ Agricultural products    ■ Textile Products    ■ Others



In the case of imports from Namecchina to Ukraine, the first place is occupied by machine building (24.4%), the second is the chemical industry (18.2%), followed by cars (12.6%), polymer materials (8%) and agricultural products (9%).<sup>33</sup>

■ Machine building products ■ Chemical Industry ■ Vehicles ■ Polymer materials ■ Agricultural products



Trade between Ukraine and Germany is at a turning point, commodity exchanges have undergone significant changes over the past 10 years. But so far there was no such structure that would be mutually beneficial for the national economies of both sides and responded to their potential. The main task of the foreign economic policy of Ukraine is to overcome the negative trade balance of Ukraine with Germany, as well as to increase the share of finished goods in the structure of Ukrainian exports.

The presence of a negative balance in the foreign trade turnover of Ukraine with Germany shows that Ukrainian goods are less competitive at this time than the production of German producers. Analyzing the dynamics of changes in the state of foreign trade between Ukraine and Germany, we can state that there are prospects for their further development. At the core of this is the deepening of foreign economic relations, which are carried out not only at the intergovernmental level, but also by individual enterprises of Ukraine and Germany, in particular, and the European Union as a whole.

<sup>33</sup> Official Embassy of Ukraine in the Federal republic of Germany website, *Trade and Economic Cooperation between Ukraine and Germany* <<http://germany.mfa.gov.ua/ua/ukraine-de/trade>> accessed February 2017

## Commodity structure of Ukraine's exports and imports

Of course, today the EU countries have become an important partner of Ukraine in the development of economic relations. This, in particular, shows statistics, which indicates a significant increase in trade turnover between them in recent years.

In the post-Soviet period, Ukraine experienced, as is known, a continuous annual GDP decline. In 2000, Ukraine's GDP was 37% of the 1992 level and 30% of 1990 levels. The output of industrial production in 1999 was 42% of the 1990 level. Among the 25 transformational economies of the CIS countries, this is a unique case for a ten-year observation period (1989-1999). However, in this context, the country's foreign trade relations with the EU were marked by remarkable dynamism. Ukrainian exports to these demanding markets over 7 years (1992-1999) increased each year by more than ten percent, and sometimes by 16%. This is an indisputable sign of a rather rapid reorientation of the export sector and Ukraine's foreign trade towards the West. The EU's share in Ukraine's foreign trade has been steadily increasing since 1992, accounting for almost 17% of Ukraine's total exports in 1999 and about 23% of total imports.<sup>34</sup>

However, even today, during the hybrid war with the Russian Federation, this country remains the main export and import partner of Ukraine. This is evidenced by data from the State Statistics Service of Ukraine on the geographical structure of foreign trade in goods in January-April 2017. In particular, Ukraine only exported goods to Russia at \$ 1.276 billion, while the share of all EU countries is \$ 2.152 billion.<sup>35</sup>



<sup>34</sup> Україна – Європейський Союз: зовнішньоекономічна діяльність і перспективи співробітництва (Київ, 1998)

<sup>35</sup> News Channel "24", Russia and the rest: who trade with Ukraine the most <[https://24tv.ua/rosiya\\_i\\_reshta\\_z\\_kim\\_naybilshe\\_torguye\\_ukrayina\\_n839680](https://24tv.ua/rosiya_i_reshta_z_kim_naybilshe_torguye_ukrayina_n839680)> accessed 10 July 2017

A similar situation with the geography of imports - the largest number of goods imported from Russia - to the amount of 1.955 billion dollars, the second place is Germany with the amount of 1.675 billion dollars. The total EU share is \$ 5.147 billion. Total imports increased to 14.597 billion dollars, but still exceeds exports - a negative balance of trade in goods amounted to 888 million dollars.<sup>36</sup>



In addition, it should be noted that Ukrainian imports from the EU region only cover approximately 60% of Ukrainian exports. So, there is a negative balance of mutual trade in the amount of almost \$ 3 billion dollars. This not only confirms the low competitiveness of Ukrainian exports in the EU markets, but also the fact that European countries view on Ukraine as a predominantly market for their own products.<sup>37</sup>

Additionally, it is worthwhile to add the "illness" traditionally trafficked to Ukraine's foreign trade, and in particular the export structure, which is focused on low-grade products manufactured in the low-dynamic sectors of the world economy, for which protection measures are applied in the EU (ferrous metallurgy products, textile industry, agricultural products). It is also a distorted import structure, where, in recent years, high-tech means of production have been replaced by the importation of ready-made consumer goods, the issue of which exists or should be settled directly in Ukraine. Consequently, many trade and economic relations with the EU are irrational and do not meet the long-term needs of the Ukrainian economy.

<sup>36</sup> News Channel "24", Russia and the rest: who trade with Ukraine the most <[https://24tv.ua/rosiya\\_i\\_reshta\\_z\\_kim\\_naybilshe\\_torguye\\_ukrayina\\_n839680](https://24tv.ua/rosiya_i_reshta_z_kim_naybilshe_torguye_ukrayina_n839680)> accessed 10 July 2017

<sup>37</sup> Official Statistics Netherlands website, EU more important trading partner for Ukraine than vice versa <<https://www.cbs.nl/en-gb/news/2016/11/eu-more-important-trading-partner-for-ukraine-than-vice-versa>> accessed 25 March 2016



However, there are a number of problems of trade relations between Ukraine and the EU countries. The main ones are the following:

### **1) Chronic deficits of trade.**

The figures show that Ukraine's trade surplus with the EU has been growing steadily and is almost \$ 3 billion by 2017.

It should be noted that the trade deficit with the developed countries is a normal thing for transformational economies, since it can compensate for excess in the rest of the markets; trade deficits are caused, as a rule, by increased imports of so-called "investment goods" - machinery, equipment, etc., necessary for the modernization of production. According to the logic of system transformation, the country, having used this import for its intended purpose, is able subsequently to compensate for the temporary trade deficit. Unfortunately, Ukraine has not yet sufficiently used this opportunity.<sup>38</sup>

### **2) No significant changes in the product structure.**

The main carriers of Ukraine's export boom to the EU are metallurgy (ferrous and non-ferrous metals and articles thereof), clothing, basic chemicals and vegetables. It was at the expense of these products that Ukrainian exports grew at double-digit rates each year. Structural changes in the structure of imports consisted of an increase in the share of processed food products;

Instead, imports of machinery and equipment - a certain amount, due to the deepening of the general economic crisis - declined significantly. It is the latter tendency that has hindered the widespread use of imports for modernization purposes. Only in the flexible industries - food and light - in recent years, you can observe signs of a revival of production, in particular, through the use of enterprises imported goods.

The rest of the same industries were still able to master modern technology. The skepticism of European partners in investing in Ukrainian heavy industry is associated with well-known chronic shades of entrepreneurial climate in the country, the lack of legislation, the spread of corruption and the interference of state authorities in the activities of companies. As a result, adverse changes in the sectoral structure of industry in favor of energy-intensive industries have only been consolidated.<sup>39</sup>

### **3) Restrictions on further expansion of exports**

The free trade area includes so-called "tariff quotas" for a certain amount of agricultural products. Before the Association Agreement came into force, Ukrainian exporters to the EU had

---

<sup>38</sup> Секаров М., Торговельні відносини України з країнами ЄС (Український промисловець, 2010)

<sup>39</sup> Журнал діло, Все про зовнішньоекономічну діяльність (2000)



to pay a fee already from the first exported ton. At the same time, they can carry out duty-free export of their products - but to a certain limit set by the quota.<sup>40</sup>

A summary list of tariff quotas is set out in the Appendix to Annex IA to the Association Agreement. The establishment of duty-free tariff quotas for the EU is for 36 types of goods (beef, pork, mutton, poultry, milk, cream, yoghurts, cereals, bran, honey, sugar, starch, mushrooms, garlic, malt, grape and apple juices, butter, cigarettes, ethanol, eggs and albumins, others).<sup>41</sup>

Although the tariff quota does not impose any restrictions on the total number of exported products. After all, exports, which exceeded the quota, remain possible - just for it you have to pay a fee.

#### **4) Import problems.**

The potential of Ukraine to increase the purchase of essential investment products from the EU is limited to a rise in imports due to the depreciation of the national currency, as a result of the political crisis of 2013 - 2014. The annual volumes of imports from the rest of the world since 2013 have been markedly lower than in previous years. At the moment, Ukraine has not been able to recover the volume of import revenues from world markets outside the CIS, and its volume is only half of the indicators for 2012.<sup>42</sup>

Taking into account the abovementioned structural shifts of the Ukrainian economy, it becomes clear that Ukraine should perfectly improve the commodity structure of imports - to keep science-intensive goods in it and to reduce the really uncritical import of ready-made food, cars, etc. At present, in the country, not least due to the already mentioned adaptation of flexible food and light industry industries, favorable conditions for the competition of domestic producers with imported supplies arose.

---

<sup>40</sup> EU in Ukraine, Free Trade and Quotas: Myths and Realities

<<https://euukrainecoop.net/2016/02/09/quotas/>> accessed 09 February 2016

<sup>41</sup> Official Journal of the European Union, Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part (2014)

<sup>42</sup> Official Wikipedia website, Foreign trade of Ukraine

<[https://uk.wikipedia.org/wiki/Зовнішня\\_торгівля\\_України](https://uk.wikipedia.org/wiki/Зовнішня_торгівля_України)> accessed 14 June 2017

## European Union Programs for Ukraine

EU assistance in the form of various programs deserves the highest evaluation and attention. The most important of them are: TACIS, INOGATE, NIF and others. Grants are primarily aimed at providing technical assistance, transfer of know-how, consulting for management training, business, energy, transport and financial services.

One of the programs mentioned above was Technical Assistance for the Commonwealth of Independent States

(TACIS), which was one of the main practical tools of cooperation between the EU and Ukraine until 2006, aimed at supporting the implementation of the Partnership and Cooperation Agreement (PCA) between the European Community, its members and Ukraine. This agreement, signed on June 14, 1994, entered into force on March 1, 1998. It is the legal basis for EU-Ukraine relations, ensuring cooperation in many areas, such as political dialogue, trade and investment, economic and legislative cooperation, and cultural as well as scientific connections. For the implementation of the reforms identified by this program, Ukraine received slightly more than 190 million EUR from the European Union.<sup>43</sup>

The results of this program were as follows:

1) TACIS made a significant contribution to the process of establishing democratic institutions and the formation of market relations in Ukraine.

2) The effectiveness of Tacis has hampered many of the disadvantages of planning and implementation, in particular, requirements for the financial reporting system. This is due to the need to strictly control the spending of EU funds.

3) TACIS also contributed to the growth of "national cadres", that is, the development of skills and experience in partner countries in the field of consulting activities and transfer of know-how.<sup>44</sup>

In addition, under the TACIS program, the 4th meeting of the Interstate Oil and Gas Transportation to Europe program (INOGATE) working group was held in Brussels on April 4-16, 1999 in order to assist CIS countries suffering from energy crisis. The INOGATE program started its activities in 1995 in accordance with the decision of the Council of Ministers of the EU, adopted at the November session in Brussels. The program envisages the creation of a system of

---

<sup>43</sup> Official European Commission website, Press release – EU-UKRAINE RELATIONS  
<[http://europa.eu/rapid/press-release\\_MEMO-95-83\\_en.htm](http://europa.eu/rapid/press-release_MEMO-95-83_en.htm)>

<sup>44</sup> Official European Commission website, Monitoring Review of the TACIS NP Monitoring Programm Ukraine

<<https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0ahUKEwiefue98LXAhWSGOwKHY3uDCwQFggsMAE&url=https%3A%2F%2Feuropa.eu%2Fcapacity4dev%2Ffile%2F10296%2Fdownload%3Ftoken%3DJjoJ6p5k&usg=AOvVaw12s0W-afoJwZgEZt7grE2P>> accessed 27 October 2005

oil and gas pipelines that would connect the countries of the former USSR and the countries of Western Europe.

The INOGATE program was seen as a preparatory phase for the transition to large-scale investment by private companies and international financial institutions. The working group includes representatives of leading oil companies. Among the projects "INOGATE" is the preparation of construction of oil and gas pipelines that directly link the republics of Central Asia and the Transcaucasian republic through the Caspian Sea exporting energy from Central Asia and the Caspian basin to Western Europe. Promotion of the Inogate program will be provided to exporting countries and transit countries, including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Representatives of the World Bank, the EBRD, the International Energy Agency, the Secretariat of the European Energy Charter and other financial and intergovernmental organizations took part in the meeting.<sup>45</sup>

During the next period of 2004-2006, the TACIS program supported institutional, legal and administrative reforms, the private sector and economic development, and contributed to mitigating the social consequences of the transition. On December 1, 2005, the EU recognized Ukraine as a state with a market economy. Ukraine fulfilled all the technical requirements and officially received this status in early 2006. This decision reflects the significant economic and social developments in Ukraine that have taken place in recent years.<sup>46</sup>

In 2007, the European Union introduced the European Neighborhood and Partnership Instrument (ENPI), which replaced the TACIS program and formulated new priorities for EU actions. Since January 1, 2007, the ENPI has become the main source of financing for the 17 EU partner countries, including Ukraine. The main objective of the ENPI was to create a common understanding of values, stability and prosperity, closer cooperation and deepened economic and regional integration through expanding the range of cooperation sectors.

Under the framework of the ENPI the following innovation processes was distinguished:

3. Cross-border cooperation whose main objective was to support sustainable development on both sides of the EU's external borders and help reduce the differences in living standards, solve existing problems and provide additional opportunities related to EU enlargement and proximity of regions through their land and sea borders.

---

<sup>45</sup> Сіденко В.Р., Прорив в Європу (Політика і час, 1999)

<sup>46</sup> Network of experts in the field of development and management of European integration projects, TACIS Program and its results in Ukraine <<http://www.eufunds.in.ua/istoriya-tehnichnoji-dopomohy/prohrama-tasis-ta-jiji-rezultaty-v-ukrajini>>

4. Mechanism for promoting public administration reform, which provided additional resources to those partners who demonstrated the greatest achievements in implementing reforms in the implementation of the principles of good governance.

5. Twinning and TAIEX (Technical Assistance and Information Sharing Tool), which were instruments of cooperation between the state authorities of the partner country and the relevant EU institution. The purpose of these tools was to improve and modernize the power of neighbors from Eastern and Southern Europe.

6. Since 2007, the European Union has introduced a budget support program in Ukraine. The funds of budget support are provided directly to the state budget of Ukraine for the implementation of reforms. The main sectors for which this assistance was provided were: public finance management, energy, as well as processes for the return of illegal migrants to their countries of origin.<sup>47</sup>

The new ambitious chapter of the EU's relations with its Eastern neighbors, including Ukraine, was the Eastern Partnership. In December 2008, the European Commission published a communication on the Eastern Partnership, which was a step towards changes in the EU's relations with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. This mechanism envisaged an increase in the level of political interaction, including the prospects of concluding association agreements of the new generation, far-reaching integration into the EU economy, simplification of the crossing of the EU border for citizens, while adhering to security requirements, strengthening energy security mechanisms for the benefit of all stakeholders and increasing financial assistance.

Ukraine as the EU's main partner in the East has already had close bilateral relations with the European Union. The Eastern Partnership has made it possible to significantly strengthen joint work at the level of Ukraine-EU, in particular, towards approximation of Ukrainian legislation to European standards. The Eastern Partnership, which is based on economic integration and approximation of the legislation of partner countries to European standards, has contributed to the creation of Free trade areas (FTA) between the EU and Ukraine since 1 January 2016, which, of course, has strengthened the Ukrainian economy.

And the last but not least, the Partnership also made a significant contribution to the signing of the Association Agreement between the EU and Ukraine on March 21, 2014.<sup>48</sup>

---

<sup>47</sup> Official European Commission website, Overview of European Neighbourhood and Partnership Instrument (ENPI) results for 2007-2013

<[https://ec.europa.eu/europeaid/sites/devco/files/overview\\_of\\_enpi\\_results\\_2007-2013\\_en\\_0.pdf](https://ec.europa.eu/europeaid/sites/devco/files/overview_of_enpi_results_2007-2013_en_0.pdf)> accessed 8 September 2014

<sup>48</sup> Представництво Європейської Комісії в Україні Україна, Програми допомоги Європейського Союзу та співпраця України з ЄС (Київ, 2009)

One of the latest cooperation programs between Ukraine and the EU was approved by the European Commission - Neighborhood Investment Facility (NIF) for 2014-2020. The NIF is a mechanism aimed at accumulation of additional funding to finance large-scale infrastructure development projects in the EU partner countries covered by the European Neighborhood Policy (ENP).

They were allocated three main areas of NIF funding:

1. Improving the interconnection of energy and transport networks between the EU and neighboring countries, increasing energy efficiency and using renewable energy sources. Support for EU-related investments, including Deep and Comprehensive free trade agreements (DCFTA) with Ukraine, Georgia, Moldova;
2. Ensuring sustainable growth by supporting small and medium enterprises, the social sector, as well as the development of municipal infrastructure;
3. Protection of the environment and prevention of climate changes.<sup>49</sup>

In addition to commercial or investment programs, the EU conducts a number of educational and humanitarian programs aimed at helping people who are in difficult situations as a result of conflicts or natural disasters. These include the following: The European Citizens' Education Project, the EU Project "HIV Prevention of Sexually Transmitted Infections and Trafficking in Servicemen and Law Enforcement Officials in Ukraine", the EU Project "Development of Opportunities for Social Protection", the EU Project "Strengthening the system of personnel management of the State Border Guard Service of Ukraine and the improvement of the integrated system of guarding the state border - HUREMAS ", the EU project "Integrated use of lands of the Eurasian steppes".<sup>50</sup>

---

[http://www.eeas.europa.eu/archives/delegations/ukraine/documents/virtual\\_library/59\\_eu\\_asst\\_eu\\_ua\\_coop\\_uk.pdf](http://www.eeas.europa.eu/archives/delegations/ukraine/documents/virtual_library/59_eu_asst_eu_ua_coop_uk.pdf)

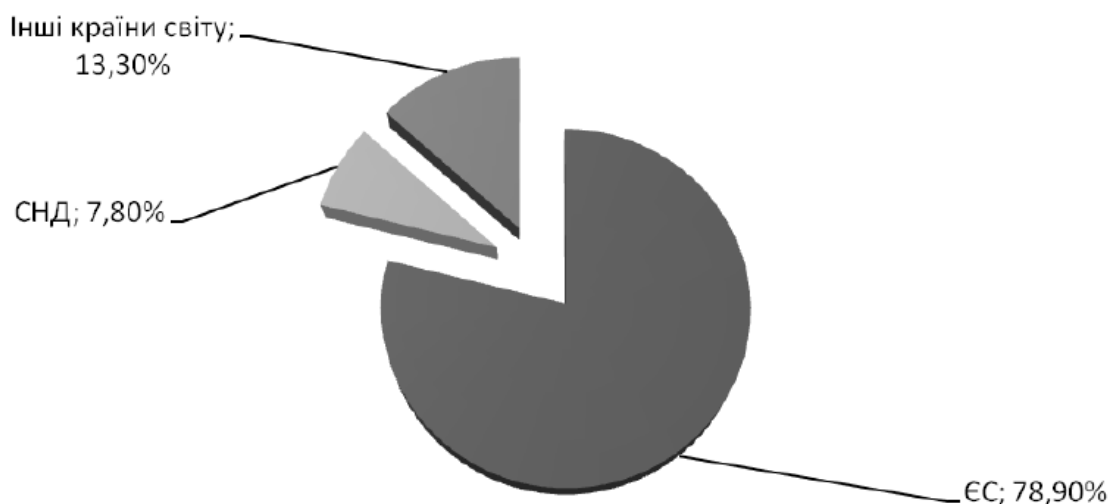
<sup>49</sup> Official Mission of Ukraine to the European Union website, EU's assistance to Ukraine  
<http://ukraine-eu.mfa.gov.ua/en/ukraine-eu-policy/assistance>

<sup>50</sup> Official Ministry of Economic Development and Trade of Ukraine website, Agreements between the Government of Ukraine and the EU on EU assistance  
<http://www.me.gov.ua/documents/detail?lang=uk-ua&id=29838a36-411d-4e4f-a13d-8bb2ef99ed6e&title=ugodimizhuriadomukrainitas-schododopomogis>

## The EU investment activity in Ukraine

Ukraine, entering into the world integration processes of interaction, pays considerable attention to cooperation with different regions of the world. Ensuring a favorable investment climate for the development of bilateral economic relations between Ukraine and the European Union is a strategic problem, the implementation of which depends on the dynamics of economic cooperation between the countries. The real improvement of the investment climate in Ukraine is one of the main expectations of the business from signing and implementing the Association Agreement with the European Union.

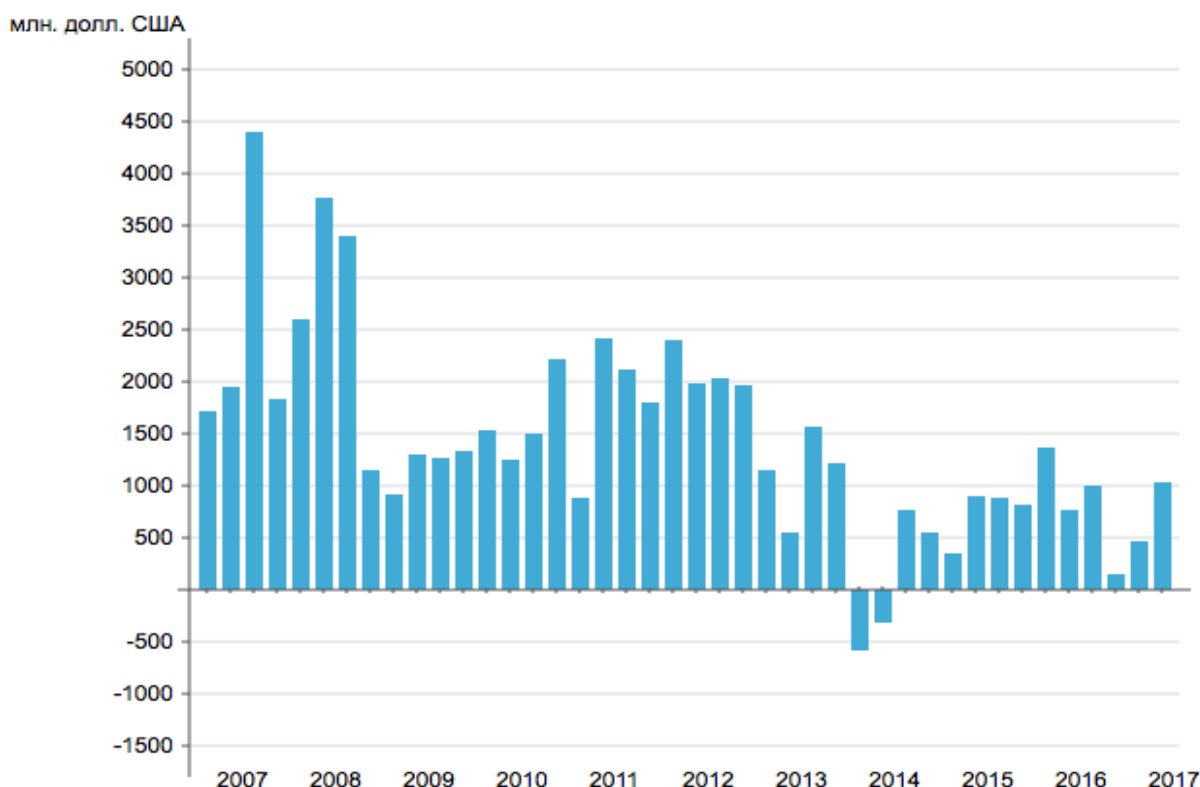
As we can see from the chart, the amount of foreign direct investments in Ukraine from the EU is 78.90 % and that is why a cooperation with the EU has the priority for Ukraine. The share of 7.80% of foreign direct investments have the CIS countries and the share 13.30% have other countries of the world. Investments came from 130 countries. Top ten major investor countries accounting for more than 82% of total direct investment include Cyprus, Germany, the Netherlands, the Russian Federation, Austria, the United Kingdom, the Virgin Islands (British), France, Sweden and Switzerland. The analysis of foreign direct investment by countries of origin to the Ukrainian economy proves a rather interesting picture - the main share of investments falls to 10 countries, which shows a small variation of the countries exporting foreign direct investments to Ukraine.<sup>51</sup>



<sup>51</sup> Побоченко Л.М., Бондаренко А.В., Інвестиційне співробітництво України з Європейським союзом

<https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwj052K88PXAhVRKOWKHWEDDsgQFggxMAE&url=http%3A%2F%2Fjrn1.nau.edu.ua%2Findex.php%2FIMV%2Farticle%2Fdownload%2F5898%2F6648&usg=AOvVaw14R35hZ6882Y0MUXYgo4KK>

According to the State Statistics Service of Ukraine, on July, 1, 2017 EU countries have invested USD 38.982 billion, which is \$ 1.657 billion, or 4.4% more than EU investment at the beginning of the given year that was just \$ 37.325 billion. It is noted that import of goods from EU countries has a fairly strong influence on the level of foreign direct investment in Ukraine from this region. Realization of the potential of cooperation of Ukraine will provide an opportunity to increase the level of specialization and cooperation in the scientific, technical and industrial spheres of different areas of the economy. The largest volumes of direct investments were directed to industry - 265 million dollars, financial and insurance activities - 226 million dollars.<sup>52</sup>



Unfortunately, as we can see on the chart of direct foreign investment in the economy of Ukraine over the past 10 years there is no regularity and there is no systematic involvement of foreign direct investment in Ukraine. Doctors, looking at this kind of temperature schedule, usually diagnose a tropical fever. This is a direct proof of the existence of systemic problems in the Ukrainian economy and the negative impact of political and economic crises.<sup>53</sup>

It is clear that the measures necessary for reforming Ukrainian industry require technical, scientific, practical and material support, which is far from always possible in the context of the economic crisis. Therefore, an important step in this direction is the attraction and protection of investments in this area. The respective powers and powers of the Eastern Partnership and of the

<sup>52</sup> Official State Statistics Service of Ukraine website, Statistics of foreign direct investment in Ukraine in 2017 <<http://www.ukrstat.gov.ua>>

<sup>53</sup> Minfin, Foreign Direct Investment (Ukraine) <<http://index.minfin.com.ua/index/fdi/>> accessed 05 October 2017



Member States make it possible to establish a favorable climate for domestic and foreign investment by creating conditions for their protection, capital movements and exchange of information about investment opportunities. For this purpose, if necessary, additional agreements between the Member States and Ukraine can be signed on the attraction and protection of investments, the elimination of double taxation, the creation of a stable and independent legislative framework and conditions in the field of entrepreneurship, and the exchange of information, laws, regulations and administrative practices in investment areas in general and, in particular, during trade shows, weeks of trade and other events.

As you know, the main condition of cooperation, especially international, is the openness of party action, which is the key to a healthy relationship based on mutual understanding. This is especially true for entrepreneurship, where the percentage of risk depends on the degree of openness, publicity of the joint activity. To this end, Ukraine and the EU create conditions for open and competitive signing of contracts for goods and services, including through the holding of so-called tenders. For this purpose a completely new system of tender process of electronic public procurements under the name of ProZorro was created in Ukraine in 2016. ProZorro is a completely new Internet platform for public procurement that provides open access to government procurement (tenders) in Ukraine. It was fully implemented in 2016 as a hybrid system (both centralized governmental and decentralized private market system), which has been recognized worldwide as one of the most innovative public procurement systems that provide government services for the benefit of stakeholders, transparency, efficiency, equity and low cost.<sup>54</sup>

Another the most important investment origin in Ukraine is a large amount of domestic money, that has returned from abroad. This is the main part of the official funds directed towards our country. In Ukraine, only domestic capital continues to operate. Today, one third of all entrants to Ukraine funds is money from Cyprus, an offshore paradise in Europe. Cyprus became the largest investor in the Ukrainian economy, despite the fact that this country is slightly larger than the smallest region of Ukraine. The money withdrawn here and hidden from the state attention of Ukraine is returned without tax being paid. As on 1.10.2015, foreign direct investment from Cyprus to Ukraine made 12.2 billion dollars USA (27.7% of all foreign direct investment in our state). At the same time, in 2015, compared to 2014, the volume of foreign direct investment from Cyprus to Ukraine decreased by 6.8 billion dollars USA.<sup>55</sup>

---

<sup>54</sup> Official ProZorro website, The Official Resource on Public Purchasing in Ukraine  
<<https://prozorro.gov.ua/en/about>>

<sup>55</sup> М. Карлін, О. Борисюк, Фінансові Офшори (Луцьк, 2016)  
<[http://esnuir.eenu.edu.ua/bitstream/123456789/10562/1/Фінансові%20офшори\\_пдф.pdf](http://esnuir.eenu.edu.ua/bitstream/123456789/10562/1/Фінансові%20офшори_пдф.pdf)>



In conclusion to this section, it can be said that, of course, today the EU countries have become an important partner of Ukraine in the development of economic relationships. This, in particular, is indicated by statistics showing a significant increase in trade turnover between them from 2005 to 2008 and from 2010 to 2013. The foreign trade relations of the country with the EU are marked by remarkable dynamism. Ukrainian exports to these demanding markets over these two years have grown by more than 10 percent each year, sometimes rising by more than 16 percent. This is an indisputable sign of a rather rapid reorientation of the export sector and Ukraine's foreign trade towards the West. But despite the fact that Ukraine is in urgent need of foreign investment, there are serious obstacles for them, including:

- unstable and unpredictable legislation;
- the lack of an independent judiciary (abuse of courts);
- corporate raider attacks;
- tax persecution;
- shortcomings in the implementation of laws;
- delays and opacity in returning VAT;
- corruption and a low level of protection of property rights.

### **3. Prospects of Ukraine's cooperation with the EU and ways to accelerate it**

#### **Problems in Ukraine's relations with the EU**

Unlike other Eastern European countries that have associate membership agreements with the European Union, and have already started direct accession negotiations, some EU member states show their political unwillingness of the European Union to consider at this stage the issue of Ukraine's future prospects for EU membership (for example Netherlands).<sup>56</sup> It is obvious that the current weaknesses of the European integration of Ukraine and their non-compliance with the political and economic criteria for joining the EU are a natural consequence of inconsistencies and delays in the implementation of reforms, and the years of existence on the same level left Ukraine behind the countries of Eastern Europe, which persistently carried out complex market transformations. The domination of the "declarative" and the lack of "implementation" of culture in the executive branch, weak institutional and functional commitment to the priority of European integration policy in the daily activities of the government, ineffective mechanisms of interagency coordination and monitoring of the implementation of decisions, low level of professional training and knowledge of senior civil servants in the case of European integration has a negative impact on the implementation of the Association Agreement with the EU and the Strategy for EU integration.

The successes of Ukrainian diplomacy and the well-deserved recognition of Ukraine's positive role in supporting regional security proved to be insufficient to compensate for structural reforms within the country. One can not consider on a serious argument explaining the gap between intentions and declaration, as well as their implementation, first of all in the sphere of Europeanization of Ukrainian legislation, only because of the misleading parliamentary procedures or, moreover, the "non-constructive opposition" of the Verkhovna Rada.

The corporate secrecy of the public administration system, the high level of corruption, the weakness of democratic institutions and the lack of civil society development, inhibition of freedom of the press, political issues that criticized the Council of Europe, the lack of a stable national consensus on key issues of internal development and foreign policy is very negative for Ukraine's relations with the EU and threatens to turn Ukraine into an outsider-country.

European integration will contribute to increasing the productivity of the economy and the pace of technological modernization under the influence of competition in the single European market and ensuring access to the latest technologies, capital and information; improving the skills

---

<sup>56</sup> Netherlands against EU association with Ukraine - preliminary results, accessed 7 April 2016, <[http://www.bbc.com/ukrainian/ukraine\\_in\\_russian/2016/04/160407\\_ru\\_s\\_netherlands\\_ukraine\\_referendum\\_provisional\\_results](http://www.bbc.com/ukrainian/ukraine_in_russian/2016/04/160407_ru_s_netherlands_ukraine_referendum_provisional_results)>

of the labor force in conditions of their free movement in the single market, creating a more favorable investment environment; Significant increase in the volume of trade in the EU market; creation of prerequisites for the accelerated growth of mutual exchange in sectors with a higher level of science and technology, improving the quality of educational institutions in budgetary, banking, financial and corporate governance. Economic integration will also allow the use of EU regional development funds to accelerate the entry into a higher level of economic development, inherent in the more developed countries of the European Union.<sup>57</sup>

Speaking about the factors hindering the movement of Ukraine to Europe, we can distinguish a number of such internal problems:

Firstly, it is a slowness in conducting economic reforms, the lack of visible results of domestic socio-economic transformations. Without some reasonable changes, joining the EU will remain unattainable.

Secondly, anxiety is caused by a high level of corruption and economic crime.

Thirdly, there is no consensus on European choice both among the population and at the level of state institutions.

Fourthly, there is a clear shortage of experienced specialists in European integration, especially among the political elite and civil servants of Ukraine.

Consequently, Ukraine's accession to the EU should focus on using very positive aspects of European integration with an optimal vector for developing a strategy and a line of conduct to prevent these threats to Ukraine.<sup>58</sup>

Despite this, European integration aspirations of Ukraine have become and remain the inalienable realities of political presence, and European benchmarks have practically been embodied in a number of decisions and actions of both the Ukrainian state and the official bodies of the European Union. The integration of Ukraine into the EU has advantages and disadvantages, the main of which are listed below.<sup>59</sup>

Among the prospects after the accession of Ukraine to the EU can be distinguished:

1. Political perspectives - to anticipate the stability of the political system, perceiving Ukraine as an important subject of political relations;

2. Economic prospects - provide for the development of small and medium-sized businesses, as well as the introduction of EU standards in production;

---

<sup>57</sup> Сльозко О., Європейський вибір України в контексті інтеграції в ЄС (Таксон, 2008), С.63-81

<sup>58</sup> Чалий В., Перспективи євроінтеграції України (Аргументи і факти, 2007) №25, С. 6-10

<sup>59</sup> Носс В.Г., Інтеграція України до Європейського Союзу: переваги на недоліки, <[http://confer-dsum.ucoz.ua/\\_fr/0/9724803.pdf](http://confer-dsum.ucoz.ua/_fr/0/9724803.pdf)>

3. Social perspectives - aimed at forming a middle class and reforming education, health care, social protection.

That is why joining the European Union is Ukraine's logical aspiration for a civilized rule of law and building a democratic society. Integration into the European Union is a chance for Ukraine finally become a stable state with many perspectives.

Consequently, Ukraine has the necessary preconditions not only for economic growth, but also for economic and social prosperity. First of all, there are significant human, technological, industrial and natural resources: the new generation of qualified personnel, production and scientific and technical potential, which serves as a starting point for the transition to the development of a strategically important vector of national relations with the European Union.<sup>60</sup>

However, there are also some disadvantages of joining the EU for Ukraine. These may include the following:

1. Political flaws bring with them a partial loss of sovereignty and subordination of territories to EU authorities, uncertain development strategy, which also does not have a good effect on the economic situation, as there is some competition between the EU Member States in some sectors and the deterioration of the negative factor in relations with the CIS countries;
2. Economic disadvantages - provide for the loss of competitiveness of individual industries, the complexity of transition to European prices, quotas for certain types of goods;
3. Social disadvantages are the complexity of the visa regime with Ukrainian neighbors on the East.<sup>61</sup>

Talking about the threats of Ukraine's accession to the EU, they differ in political, economic and social terms. Political threats are a danger of Ukraine's involvement in the conflict between the West and the Muslim world. Economic threats include the direct transfer of harmful production to Ukraine, the use of Ukraine as a raw plow and the use of Ukraine as a cheap labor force. Social threats are aimed at deepening the demographic decline, illegal migration and outflow of personnel.<sup>62</sup>

Another problem of Ukraine's integration into the EU is a Ukrainian legislation that is not prepared for European standards. It is necessary to adapt the Ukrainian legislation to the legislation of the European Union, this must be done by reforming the Ukrainian legal system and gradually

---

<sup>60</sup> Полторацька О.Т., Кириченко А.І., Стратегічний вектор розвитку зовнішньоекономічних відносин України з Європейським Союзом. Економічний простір: Збірник наукових праць, №107, (Дніпропетровськ, 2016), С.262

<sup>61</sup> Батаренко, А. О. Проблеми та перспективи європейської інтеграції України (Київ, 2014), С. 34–37

<sup>62</sup> Official Permanent mission of Ukraine to the UNESCO website, EU-Ukraine relations <<http://unesco.mfa.gov.ua/en/about-ukraine/european-integration/ua-eu-relations>>

bringing it into line with European standards. This adaptation should cover all areas of law, such as private, customs, labor, financial, tax, intellectual property law, occupational safety, life and health, the environment and much more.<sup>63</sup>

However, it would be fair to pay attention to the positive features in the sphere of legislation on cooperation between Ukraine and the EU, such as:

- a) signing of the Law of Ukraine "On ratification of the Agreement between Ukraine and the European Union on amendments to the Agreement between Ukraine and the European Community on the facilitation of the issuance of visas", the adoption of the enhanced Agreement on the liberalization of the visa regime;
- b) elaboration of a bill on the improvement of anti-corruption policy;
- c) the creation of a law on the improvement of the system of protection of personal data;
- d) adoption of amendments to the Criminal Code of Ukraine concerning the accession of our country to the Protocol against the Illicit Manufacturing of and Trafficking in Firearms supplementing the United Nations Convention against Transnational Organized Crime.<sup>64</sup>

---

<sup>63</sup> Федоришина, О.О. Проблеми інтеграції України до Європейського Союзу (2014) С. 158–162.

<sup>64</sup> Андрій Ключев, Прийняття Верховною Радою чергового пакету законів наближає Україну та ЄС до підписання Угоди про асоціацію, (РНБО України, 2013) <<http://www.rnbo.gov.ua/news/1473.html>>

## Ways to accelerate Ukraine's accession to the EU

June 2018 will mark the four-year anniversary of the Association Agreement between the European Union and Ukraine, and the state of Eastern Europe made significant steps towards European integration, its progress was slow.

After signing the EU agreement in 2014 it seemed that Ukraine's dream of Western integration could become a reality. Ukraine has made significant strides in combating corruption in 2015 and began to realize this feeling. However, in recent years, this process has slowed significantly and we do not see any changes from where we stopped in 2015.

In connection with the above facts, one can formulate the main tasks of Ukraine's foreign economic policy in relations with EU countries:

- 1) Implementation in the relations with the EU and its member countries of the general principles of trade and economic cooperation as set out in in the political and economic parts of the Agreement on the association of Ukraine with the EU (2014), in the Deep and Comprehensive Free Trade Area (2016) and other programs of the European Union, aimed at the development of Ukraine in the European venture.
- 2) Solving issues related to the possibility of Ukraine joining certain European integration programs, especially in the areas of energy, transport, science and technology, computer science, agriculture, separate branches of industry, environmental protection, education.
- 3) Providing unimpeded non-discriminatory access to the main export goods and services of Ukraine to EU member states markets and increase their quotas.
- 4) Achieving stable financial support and technical assistance for successful market transformation in the Ukrainian economy, first of all as dynamic and painless structural changes as possible and formation of an internationally competitive economy.

Of course, it would be unreasonable to set all these tasks at the same time, since in this case it is unlikely that at least one of them will be able to perform. Consequently, separate stages of the development of mutual economic relations should be distinguished. At least three can be defined in such qualitatively different stages.

The first stage of creating the preconditions for the development of cooperation and at this stage, the main focus should be on the following issues:

- First of all, the task of successful internal economic reforms in Ukraine should be solved in order to create a market environment capable of mutually beneficial cooperation with the EU and its member countries and integration into European economic structures;
- It is also necessary to create organizational macroeconomic background for the future inclusion in the European economic structures (first of all, to encourage the creation of large-scale international firms capable of large-scale international financial and industrial groups);

- Another task of the initial stage is to complete harmonization of the Ukrainian legislation regulating foreign economic relations and create a general economic environment for them, to the requirements of the GATT / WTO system and to begin to adapt to the requirements of harmonized and unified EU legislation;

- It is also important to identify the priority sectors and sectors of the Ukrainian economy that have or can have competitive advantages in the European economy, the dynamic growth of their export potential, including through attracting loans and direct investments from EU member states;

- In parallel, this requires the development of contractual relations with the countries of Western Europe, the struggle for more free access to its single market, including by increasing existing ones and obtaining new quotas for certain export goods whose import from Western European countries is limited;

- It should also work on the possibility of selective joining to those projects of European cooperation and integration, where Ukraine today is able to adhere to rigid international requirements, standards and use of such connection in order to test concrete mechanisms of Ukraine's interaction with European economic structures;

- Finally, we should take care of the most rational use of EU financial assistance in order to overcome the temporary difficulties with Ukraine's balance of payments, ensure critical import, real macroeconomic stabilization on the basis of transition to production development, the creation of an institutional basis for a market economy and the dynamics of progressive structural changes.

Only the effective solution of the main tasks of the first stage will make it legitimate to set new, more complex tasks in the second stage - the stage of accelerated adaptation and the beginning of entry into European economic structures, which can take 6-10 years. The main content of the second stage should be:

- Accelerated output and consolidation of the Ukrainian producers of goods and services in the countries of Western Europe jointly in priority international specialized spheres and sectors of the Ukrainian economy;

- Significant expansion and deepening of the process of selective entry of Ukraine into European economic structures, primarily through the development of large internationalized firms, financial and industrial groups, and thus creating the preconditions for future integrated integration into European economic structures in general;

- Significant diversification of forms of economic and scientific and technical cooperation with a special focus on the development of sustainable and integrated forms of international scientific, technical and production cooperation;

- Subject to the EU's explicit agreement on the establishment of a free trade area with Ukraine in the long run, negotiations with EU countries and the conclusion of a comprehensive agreement on the gradual establishment of a free trade area, which would entail the complete abolition of customs duties and similar taxes and duties, quantitative and any other administrative restrictions on the free movement of goods and services, application of the national internal taxation regime to goods and services of the other party;

- Adoption of harmonized rules for the regulation of mutual economic, scientific and technical relations; achieve approximate appropriateness of the laws of Ukraine and the countries of Western Europe in the following areas: customs legislation, company law, banking, company accounting and taxes, intellectual property, labor protection, financial services, competition rules, public procurement, health and life people, animals and plants, the environment, consumer protection, indirect taxation, technical rules and standards, legislation and regulations on nuclear energy, transport;

- Gradual creation of prerequisites for the further liberalization of economic ties - in the field of transfer of capital and labor with increased coordination of foreign economic and general economic policies.

Finally, in the third stage - the stage of integrated integration into European economic structures (its possible duration - 10-20 years), it would be possible to solve the most difficult problems of integration of the Ukrainian economy as a whole into European economic structures.<sup>65</sup> It should be noted that the specific content of this remote phase is difficult to determine now: it will largely depend on the results of the previous stages and the general geopolitical situation in the European and Eurasian regions in the future.

Assessing the prospects for economic cooperation between Ukraine and the EU and its member countries, special attention should be paid to two key issues. The prospects for Ukraine's economic cooperation with the EU and its member countries depend primarily on the rationality of Ukraine's export policy towards this region. It should be the core of the entire foreign economic policy of the country. To be effective, it must be based on the principle of selective development, based on the use of competitive advantages that the economy of Ukraine today has and can really possess in the future, taking into account the specific needs and requirements of a single European market.

The strategy of entering the markets of Western European countries should combine the raw materials (with the highest possible degree of processing of raw materials) with the direction of penetration into the markets of products with a high degree of processing on the basis of

---

<sup>65</sup> Бураковський І., Немиря Г., Павлюк О. Україна і Європейська інтеграція // Економіка України, 2000, № 4.



Carefully performed diagnostics of the competitiveness of Ukrainian goods and services in the EU market.

Together with the priority attention for an effective export policy, it is necessary to focus also on the progressive introduction of the most modern forms in the practice of mutual economic relations, leading to the close interaction of the economic potential of Ukraine and the EU. Here, first of all, we are talking about the development of international industrial and scientific and technical cooperation.

The mechanism of implementation of Ukraine's foreign economic policy in relation to the EU and its member states should cover a complex of legal and multilateral instruments, including mutual protection and investment promotion agreements, the prevention of double taxation, legal assistance, protection of intellectual property ownership, in relation to the development of cooperation in the areas of science and technology, agriculture, energy, industrial policy, transport policy and communication, environmental protection, cooperation in the field of information.<sup>66</sup>

In concluding this section, the prospects of Ukraine's economic cooperation with the EU and its member countries depend primarily on the rationality of Ukraine's export policy towards this region. The strategy of entering the markets of the EU countries should combine the raw material direction with the direction of penetration into the markets of products with a high degree of processing on the basis of carefully conducted diagnosis of the competitiveness of Ukrainian goods and services in the EU market. An important promising task should be to enter the markets of EU countries with fundamentally new products: in the field of missile and aviation engineering, medium and large engineering, instrument making, individual industries of the electronic and electrical industries, production of welding equipment. As well as the introduction and development of medium- and long-term programs for the integration of Ukraine into the EU.

---

<sup>66</sup> Иванов И. Расширение Евросоюза: сценарий, проблемы, последствия // МЭиМО, 2000, №9.

## Conclusion

During the writing of the Thesis I tried to get acquainted with the current state of foreign economic relations of Ukraine with the EU countries, analyzed the state and dynamics of trade development with these countries, revealed problems hindering the development of cooperation, increase of trade volumes.

Finding that European integration is the main direction of the continent's development, which will determine both the situation in Europe itself in the third millennium and its place in the world.<sup>67</sup> European integration and membership in the European Union is a strategic goal of Ukraine because it is the best way to realize national interests, build an economically developed and democratic state, strengthen the position in the world system of international relations. For Ukraine, European integration is a way of modernizing the economy, overcoming technological backwardness, attracting foreign investment and new technologies, creating new jobs, increasing the competitiveness of the domestic commodity producer, entering the world markets, first of all, into the EU market. The main political benefits of consistent European integration are strengthening the stability of the democratic political system and its institutes, modernizing the legal framework and ensuring transparency of national legislation, deepening the culture of democracy and respect for human rights, etc.

The development of relations with the European Union in the long-term perspective should remain one of the priorities of Ukraine's foreign economic policy. The main efforts should be aimed at integrating Ukraine into the common European economic space by expanding the access of Ukrainian goods to European markets, removing economic barriers to trade and deepening industrial cooperation, harmonizing economic legislation with EU and WTO standards.

The paper provides recommendations for the further development of cooperation, enhancing the effectiveness of cooperation in various fields of the economy, identifies top priorities for Ukraine's integration into the EU. The formation of foreign economic relations and integration processes entailed the emergence of the associated process, the many problems that need to be overcome in order to further the successful functioning of Ukraine-EU relations and constructive dialogue between them.

In this section one can distinguish the following key issues of the development of Ukraine's relations with the EU countries, which require a first-rate solution:

1. Overcoming the negative influences of external factors, economic crisis, political and social instability.

---

<sup>67</sup> Enrico Spolaore, What Is European Integration Really About? A Political Guide for Economists\* (2013), <<http://sites.tufts.edu/enricospolaore/files/2012/08/Euro-June-2013.pdf>>

2. Increasing the role of the state, for which it is necessary:
  - Creation of a state long-term concept and policy in the field of the restoration of external relations and its regulation;
  - Formation of an agreed system of state regulation;
  - Accelerated creation of regulatory infrastructure and legal framework.
3. Improving the quality of products and providing a commercial type.
4. Lowering inflation in the Ukrainian economy.
5. Finding new markets for Ukrainian goods. Consultations on this matter with representatives of several EU member states testify, in particular, their fundamental readiness to reduce the customs and other charges on products exported from Ukraine to the EU and expansion of existing quotas in the framework of political and economic realities.

Thus, summing up the results of the research on the integration processes of Ukraine in the context of this study it should be understood that European integration for Ukraine is through the improvement and modernization of the economy, attracting foreign investments and new technologies, increasing the competitiveness of the domestic commodity producer, free movement within the integration association of a qualified worker forces, goods, services, factors of production, and all this involves entering a single common market. Ukraine's cooperation with the EU will help bring our country closer to high European standards, raising the standard of living and well-being of the population.

## Bibliography

### Table of legislation:

1. Official Journal of the European Union, Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part (2014)
2. Указ Президента України, “Про Стратегію сталого розвитку “Україна – 2020” (Київ, 2015)
3. Постанова Верховної Ради України “Про перелік, кількісний склад і предмети відання комітетів Верховної Ради України восьмого скликання” (2015)

### Books and articles:

1. Андрій Ключев, Прийняття Верховною Радою чергового пакету законів наближає Україну та ЄС до підписання Угоди про асоціацію, (РНБО України, 2013) <<http://www.rnbo.gov.ua/news/1473.html>>
2. Батаренко, А. О. Проблеми та перспективи європейської інтеграції України (Київ, 2014), С. 34–37
3. Бойко І.Й., Тищик Б.Й., Історія держави та права України (Київ, 2015)
4. Бураковський І., Немиря Г., Павлюк О. Україна і Європейська інтеграція // Економіка України, 2000, № 4.
5. Бутейко А., Наше майбутнє – наш вибір (Віче, 2001) №3
6. EU in Ukraine, Free Trade and Quotas: Myths and Realities <<https://euukrainecoop.net/2016/02/09/quotas/>> accessed 09 February 2016
7. European Commission, Association Implementation Report on Ukraine (Brussels, 2016)
8. European Commission, *European Union, trade in goods with Ukraine* <[https://mfa.gov.ua/mediafiles/sites/portugal/files/EU\\_Trade\\_in\\_goods\\_with\\_Ukraine.pdf](https://mfa.gov.ua/mediafiles/sites/portugal/files/EU_Trade_in_goods_with_Ukraine.pdf)> accessed 04 November 2016
9. European Commission, PCA with Ukraine enters into force (Brussels, 1998)
10. European Union External Action, EU-Ukraine relations Fact Sheet (Brussels, 2017)
11. Eurostat, “The EU in the world 2016” (2016) <<http://ec.europa.eu/eurostat/documents/3217494/7589036/KS-EX-16-001-EN-N.pdf/bcacb30c-0be9-4c2e-a06d-4b1dae4d493e>>
12. Enrico Spolaore, What Is European Integration Really About? A Political Guide for Economists\* (2013), <http://sites.tufts.edu/enricospolaore/files/2012/08/Euro-June-2013.pdf>
13. Журнал діло, Все про зовнішньоекономічну діяльність (2000)
14. Иванов И. Расширение Евросоюза: сценарий, проблемы, последствия // МЭиМО, 2000, №9.
15. Ivan Bielik, Eastern Partnership Vilnius Summit 2013 (2014)
16. Кухарська Н.О., Україна в сучасних інтеграційних процесах (Одеса, 2015)
17. Netherlands against EU association with Ukraine - preliminary results, accessed 7 April 2016 <[http://www.bbc.com/ukrainian/ukraine\\_in\\_russian/2016/04/160407\\_ru\\_s\\_netherlands\\_ukraine\\_referendum\\_provisional\\_results](http://www.bbc.com/ukrainian/ukraine_in_russian/2016/04/160407_ru_s_netherlands_ukraine_referendum_provisional_results)>
18. Network of experts in the field of development and management of European integration projects, TACIS Program and its results in Ukraine <<http://www.eufunds.in.ua/istoriya-tehnichnoji-dopomohy/prohrama-tasis-ta-jiji-rezultaty-v-ukrajini>>

19. News Channel "24", Russia and the rest: who trade with Ukraine the most  
<[https://24tv.ua/rosiya i reshta z kim naybilshe torguye ukrayina n839680](https://24tv.ua/rosiya_i_reshta_z_kim_naybilshe_torguye_ukrayina_n839680)>  
accessed 10 July 2017
20. Носс В.Г., Інтеграція України до Європейського Союзу: переваги на недоліки,  
<[http://confer-dsum.ucoz.ua/ fr/0/9724803.pdf](http://confer-dsum.ucoz.ua/fr/0/9724803.pdf)>
21. Маштабей В., Курс на інтеграцію (Віче, 2000) №8
22. М. Карлін, О. Борисюк, Фінансові Оффшори (Луцьк, 2016)  
<[http://esnuir.eenu.edu.ua/bitstream/123456789/10562/1/Фінансові%20офшори\\_пдф.pdf](http://esnuir.eenu.edu.ua/bitstream/123456789/10562/1/Фінансові%20офшори_пдф.pdf)>
23. Minfin, Foreign Direct Investment (Ukraine) < <http://index.minfin.com.ua/index/fdi/>>  
accessed 05 October 2017
24. Official BBC website, Ukraine has not signed the Association Agreement with the EU  
<[http://www.bbc.com/ukrainian/politics/2013/11/131129\\_ukraine\\_eu\\_assignment\\_uk](http://www.bbc.com/ukrainian/politics/2013/11/131129_ukraine_eu_assignment_uk)>  
accessed 29 November 2013
25. Official Brookings Institution website, Poroshenko Signs EU-Ukraine Association Agreement <<https://www.brookings.edu/blog/up-front/2014/06/27/poroshenko-signs-eu-ukraine-association-agreement/>> accessed 27 June 2014
26. Official Journal of the European Union, Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part (2014)
27. Побоченко Л.М., Бондаренко А.В., Інвестиційне співробітництво України з Європейським союзом  
<<https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwjP052K88PXAhVRKOwKHWEDDsgQFggxMAE&url=http%3A%2F%2Fjrn1.nau.edu.ua%2Findex.php%2FIMV%2Farticle%2Fdownload%2F5898%2F6648&usg=AOvVaw14R35hZ6882Y0MUXYgo4KK>>
28. Поздняков Э., Ганжа С., Новые страны на пороге Европейского союза (1999)
29. Полторацька О.Т., Кириченко А.І., Стратегічний вектор розвитку зовнішньоекономічних відносин України з Європейським Союзом. Економічний простір: Збірник наукових праць, №107, (Дніпропетровськ, 2016), С.262
30. Представництво Європейської Комісії в Україні Україна, Програми допомоги Європейського Союзу та співпраця України з ЄС (Київ, 2009)  
<[http://www.eeas.europa.eu/archives/delegations/ukraine/documents/virtual\\_library/59\\_eu\\_asst\\_eu\\_ua\\_coop\\_uk.pdf](http://www.eeas.europa.eu/archives/delegations/ukraine/documents/virtual_library/59_eu_asst_eu_ua_coop_uk.pdf)>
31. Секаров М., Торговельні відносини України з країнами ЕС (Український промисловець, 2010)
32. Сльозко О., Європейський вибір України в контексті інтеграції в ЄС (Таксон, 2008), С.63-81
33. Сіденко В.Р., Прорив в Європу (Політика і час, 1999)
34. Україна – Європейський Союз: зовнішньоекономічна діяльність і перспективи співробітництва (Київ, 1998)
35. Україна на міжнародній арені, Збірник документів в 2-х томах (Київ, 1996-1997)
36. Чалий В., Перспективи євроінтеграції України (Аргументи і факти, 2007) №25, С. 6-10
37. Федоришина, О.О. Проблеми інтеграції України до Європейського Союзу (2014) С. 158–162.

Other sources:

1. Official Embassy of Ukraine in the Federal republic of Germany website, *Trade and Economic Cooperation between Ukraine and Germany* <<http://germany.mfa.gov.ua/ua/ukraine-de/trade>> accessed February 2017
2. Official European Commission website, Press release – EU-UKRAINE RELATIONS <[http://europa.eu/rapid/press-release MEMO-95-83\\_en.htm](http://europa.eu/rapid/press-release_MEMO-95-83_en.htm)>
3. Official European Commission website, Overview of European Neighbourhood and Partnership Instrument (ENPI) results for 2007-2013 <[https://ec.europa.eu/europeaid/sites/devco/files/overview\\_of\\_enpi\\_results\\_2007-2013\\_en\\_0.pdf](https://ec.europa.eu/europeaid/sites/devco/files/overview_of_enpi_results_2007-2013_en_0.pdf)> accessed 8 September 2014
4. Official European Commission website, Monitoring Review of the TACIS NP Monitoring Programm Ukraine <<https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0ahUK Ewielfue98LXAhWSGOwKHY3uDCwQFggsMAE&url=https%3A%2F%2Feuropa.eu%2Fcapacity4dev%2Ffile%2F10296%2Fdownload%3Ftoken%3DJjoJ6p5k&usg=AOvVaw12s0W-afOjWZgEZt7grE2P>> accessed 27 October 2005
5. Official European Union website, Association Agreement between the EU and Ukraine Association Agreement Quick Guide <[http://eeas.europa.eu/archives/delegations/ukraine/documents/association\\_agreement\\_guide.pdf](http://eeas.europa.eu/archives/delegations/ukraine/documents/association_agreement_guide.pdf)>
6. Official European Union website, Countries <[https://europa.eu/european-union/about-eu/countries\\_en#country\\_eu28](https://europa.eu/european-union/about-eu/countries_en#country_eu28)> accessed 1 July 2013
7. Official European Union website, EU-Ukraine relations, factsheet <[https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/4081/%20EU-Ukraine%20relations,%20factsheet](https://eeas.europa.eu/headquarters/headquarters-homepage_en/4081/%20EU-Ukraine%20relations,%20factsheet)> accessed 1 September 2017
8. Official European Union website, History <[https://europa.eu/european-union/about-eu/history\\_en](https://europa.eu/european-union/about-eu/history_en)>
9. Official European Parliament website, Millennium Declaration <[http://www.europarl.europa.eu/summits/hell\\_en.htm](http://www.europarl.europa.eu/summits/hell_en.htm)> accessed 1999
10. Official Ministry of Economic Development and Trade of Ukraine website, Agreements between the Government of Ukraine and the EU on EU assistance <<http://www.me.gov.ua/documents/detail?lang=uk-ua&id=29838a36-411d-4e4f-a13d-8bb2ef99ed6e&title=ugodimizhuriadomukrainitas-schododopomogis>>
11. Official Ministry of Economic Development and Trade of Ukraine website, Trade and Investment cooperation between Ukraine and European Union <[https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUK EwjgJr94a\\_XAhVM2RoKHUoiDoMQFgg4MAI&url=http%3A%2F%2Fwww.me.gov.ua%2FDocuments%2FDownload%3Fid%3Dfb97ee90-8d2a-4d79-afbc-e355fba22236&usg=AOvVaw2TDgyXCIJoFaOvn5OzAhZn](https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUK EwjgJr94a_XAhVM2RoKHUoiDoMQFgg4MAI&url=http%3A%2F%2Fwww.me.gov.ua%2FDocuments%2FDownload%3Fid%3Dfb97ee90-8d2a-4d79-afbc-e355fba22236&usg=AOvVaw2TDgyXCIJoFaOvn5OzAhZn)>
12. Official Ministry of Foreign Affairs of Ukraine website, Ukraine and WTO <<http://mfa.gov.ua/en/about-ukraine/international-organizations/wto>>
13. Official Mission of Ukraine to the European Union website, EU's assistance to Ukraine <<http://ukraine-eu.mfa.gov.ua/en/ukraine-eu/eu-policy/assistance>>

14. Official State Minister of Georgia on European & Euro-Atlantic Integration website, Activities of the Office <<http://www.eu-nato.gov.ge/en/structure/activities>>
15. Official State Statistics Service of Ukraine website, Geographic structure of foreign trade in goods in 2015 <<http://www.ukrstat.gov.ua>>
16. Official State Statistics Service of Ukraine website, Statistics of foreign direct investment in Ukraine in 2017 <<http://www.ukrstat.gov.ua>>
17. Official Statistics Netherlands website, EU more important trading partner for Ukraine than vice versa <<https://www.cbs.nl/en-gb/news/2016/11/eu-more-important-trading-partner-for-ukraine-than-vice-versa>> accessed 25 March 2016
18. Official Permanent mission of Ukraine to the UNESCO website, EU-Ukraine relations <<http://unesco.mfa.gov.ua/en/about-ukraine/european-integration/ua-eu-relations>>
19. Official ProZorro website, The Official Resource on Public Purchasing in Ukraine <<https://prozorro.gov.ua/en/about>>
20. Official Ukrainian Parliament website, Structure <[http://w1.c1.rada.gov.ua/pls/site2/p\\_komity?pidid=2626](http://w1.c1.rada.gov.ua/pls/site2/p_komity?pidid=2626)> accessed 4 December 2014
21. Official Wikipedia website, Foreign trade of Ukraine <[https://uk.wikipedia.org/wiki/Зовнішня\\_торгівля\\_України](https://uk.wikipedia.org/wiki/Зовнішня_торгівля_України)> accessed 14 June 2017
22. The Observatory of economic complexity website, Germany <<https://atlas.media.mit.edu/en/profile/country/deu/>>
23. Wikipedia Website, EU-Ukraine Summit <[https://en.wikipedia.org/wiki/2008\\_EU-Ukraine\\_Summit#cite\\_ref-1](https://en.wikipedia.org/wiki/2008_EU-Ukraine_Summit#cite_ref-1)>

## **Annexes**

### **ABSTRACT**

In this Master Thesis the theoretical research of the current state of development of Ukrainian integration into the economic space of the European Union, its preconditions, prospects and analysis of relations between Ukraine and the EU was conducted.

Since the proclamation of independence by Ukraine, one of the strategic priorities of the state's foreign policy was the process of European integration. It is European integration that is now a non-alternative foreign policy course of the state as a guarantee of strengthening its international positions, the acquisition of additional guarantees of territorial integrity, sovereignty and national-cultural revival of the country, creation of preconditions for more effective defense policy, restructuring and preparation of the national economy for functioning in conditions of severe competition with the economic systems of other countries. An analysis of the current state of European integration processes suggests the need for a scientific search for solutions to foreign policy issues and the improvement of Ukraine's foreign policy.



## ABSTRACT

Master-Arbeit ist eine theoretische Forschung über den aktuellen Stand der Integration der Ukraine in der EU-Wirtschaftsraum, seine Hintergründe, Perspektiven und Analyse der Beziehungen zwischen der Ukraine und der EU.

Seit der Verkündung der Unabhängigkeit durch die Ukraine war eine der strategischen Prioritäten der Außenpolitik des Landes der Prozess der europäischen Integration. Es ist die europäische Integration, die jetzt ein nicht-alternativer außenpolitischer Kurs des Staates ist, als Garant für die Stärkung seiner internationalen Positionen, den Erwerb zusätzlicher Garantien für territoriale Integrität, Souveränität und national-kulturelle Wiederbelebung des Landes, Schaffung von Voraussetzungen für mehr wirksame Verteidigungspolitik, Umstrukturierung und Vorbereitung der Volkswirtschaft für das Funktionieren in Bedingungen des harten Wettbewerbs mit den Wirtschaftssystemen anderer Länder. Eine Analyse des aktuellen Stands der europäischen Integrationsprozesse legt die Notwendigkeit einer wissenschaftlichen Suche nach Lösungen für außenpolitische Fragen und die Verbesserung der ukrainischen Außenpolitik nahe.