

THE IMPACT OF THE ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN UNION AND UKRAINE ON MUTUAL TRADE AND UKRAINIAN PORTS CARGO

Viacheslav Tuliakov *
Halyna Alekseiievska **
Sergey Yakubovskiy ***

ABSTRACT

European integration is a key priority of Ukraine's foreign policy. The main strategic document of interaction between Ukraine and the EU is the Association Agreement, the most important component of which is the Deep and Comprehensive Free Trade Area (DCFTA). The article presents the results of studying the dynamics, state, and structure of Ukraine's foreign trade with the countries of the European Union before the war. It was revealed that Ukraine continues to establish itself in international markets as a key player-exporter of agricultural products. It is emphasized that Ukraine is an important political and trade partner of the EU. It is demonstrated that both sides are striving for even greater convergence of relations that go beyond simple cooperation, towards gradual economic integration and deepening political cooperation. Despite the prospects for the further development of trade relations, which improved in 2021, 2022 made adjustments. In particular, the aggression of Russia against Ukraine had a negative impact on trade flows both in Ukraine and in the whole world. Despite this, since the beginning of the war in Ukraine, there has been an increase in merchandise exports to the EU, which because the blocking of seaports does not allow Ukrainian companies to directly deliver goods to Asia, Africa, and America, and they are forced to do this through the EU countries. As a result,

* Viacheslav Tuliakov, Corresponding member of the National Academy of Legal Sciences of Ukraine, National University Odesa Law Academy, Odesa, Ukraine; tuliakov@onua.edu.ua.

** Halyna Alekseiievska, Odesa I. I. Mechnikov National University, Odesa, Ukraine; g.alex@onu.edu.ua. 8

*** Sergey Yakubovskiy, Odesa I. I. Mechnikov National University, Odesa, Ukraine; syakubovskiy@onu.edu.ua.

after the outbreak of a full-scale war between Russia and Ukraine, the EU further strengthened the position of Ukraine's main trading partner.

KEYWORDS: *EU countries, association agreement, free trade area, export, import, port cargo, the war of Russia against Ukraine.*

1. INTRODUCTION

The diversification of the economy in the World markets and legal relationships, under the principles of subsidiarity and proportionality, can potentially lead to a situation where the state assumes the right to manipulate opponents. This undermines the legitimacy of power and may result in the widespread adoption of abusive practices, which can be seen as elements of a bipolar imperial ideology. Additionally, global, and regional imbalances, as well as political, social, and cultural conflicts, can disrupt the rule of law and create a situation where stable legal governance and the state of the economy are against the development of public policy. In the case of Ukrainian development, both in terms of the economy and political relationships, we find ourselves in a unique position. Before the Russian attacks on our sovereignty, our challenge was not merely survival, but rather the need to decolonize and assert our European integration and independence. The path towards closer assimilation with the West has become a crucial objective for Ukraine to break free from external influences and establish its own autonomous course.

The globalization of the world economy increases the intensity of trade flows between countries. Competition for resources, the need to preserve the environment, the Fourth Industrial Revolution, as well as global crises require states to adapt to new and rapidly changing circumstances. As a result of these developments, a transformation in trade relations also happens. Therefore, the study of the optimizing trade relations possibilities between Ukraine and the EU is important for the economic development of the country and will allow Ukraine to become a better functioning element of the World economic system.¹

After gaining independence in 1991, Ukraine began to actively build an economy open to foreign trade. In particular, the Ukrainian trade-to-GDP ratio exceeds 90%, while the corresponding global average is at the level of 59%. The total export of Ukraine exceeds 41% of the national GDP².

¹ Poliszczuk A. *Ukraine's foreign trade: measuring dichotomies between East and West*. *Studia Politologiczne*. Vol. 59 2021 p. 334-351 DOI: 10.33896/SPolit.2021.59.18

² The World Bank (2021) [<https://www.worldbank.org/en/home>] accessed on 10/06/2022

However, despite Ukraine's formal desire for openness to foreign trade and the inflow of foreign investments, for a long time, it was unable to officially formalize trade relations with the member countries of the World Trade Organization. This situation was caused by the fact that in the country almost immediately after gaining independence, financial and industrial groups were formed based on the socialist economy, the owners of which were not interested in spreading the generally accepted norms of competition to Ukraine. The situation changed after the Orange Revolution in 2004 when President Yushchenko's team managed to make the necessary changes to national legislation that allowed Ukraine to officially join the World Trade Organization in 2008.

Even though the majority of the Ukrainian population has always chosen the European Union as an integration direction for the country's development, the signing of an agreement on Ukraine's associated membership in the EU was associated with even greater difficulties. This was due to the desire of the Ukrainian business elite, primarily the leaders of oligarchic groups, to maintain an economic system in Ukraine that allows most of the foreign economic transactions to be carried out through companies with offshore jurisdiction without any control over the real business income.

In particular, during 2007-2012, 21 meetings were held as part of the negotiations on the Agreement on Associated Membership of Ukraine in the EU and 18 meetings as part of the discussion of the Agreement on the Establishment of a Deep and Comprehensive Free Trade Area (DCFTA) between Ukraine and the EU. During these meetings, representatives of Ukraine tried to preserve the privileged conditions for doing business with Ukrainian companies as much as possible. And the EU representatives tried to persuade the Ukrainian authorities to gradually introduce European standards in Ukraine.

The situation changed dramatically only in 2013, when, due to the threat of Ukraine's entry into the Customs Union organized by Russia, the business elite came out in favor of unambiguous support for the country's European integration.

Russia's annexation of the Crimean Peninsula in 2014 became a catalyst for the European integration of Ukraine. The process of signing the Agreement on Associated Membership of Ukraine with the EU was divided into two parts. At the beginning, in March 2014, the political part of the Agreement was signed, and in June 2014 - the rest. The implementation of the agreement following Article 486 began on November 1, 2014. The Free Trade Area Agreement entered into force in January 2016, and the Associate Membership Agreement, after its ratification by all EU Member States, entered into force in September 2017.³

³ Cabinet of Ministers of Ukraine. Association Agreement [<https://www.kmu.gov.ua/diyalnist/jevropejska-integraciya/ugoda-pro-asociacyu>] accessed on 28/05/2023

The plan for Ukraine's integration into the EU economy involves the reduction and elimination of most trade restrictions within the free trade area and a broad program of adaptation of Ukraine's regulatory norms to the standards of the European Union, which will necessarily lead to the abolition of non-tariff barriers for Ukrainian exports sent to the EU.

The implementation of existing international agreements is the main tool for bringing Ukraine closer to European countries: on the one hand, it contributes to the strengthening and deepening of political and economic ties, on the other hand, to the formation of common values for Ukraine and the EU, which was especially evident after the start of a full-scale war of Russia against Ukraine on February 24, 2022.

International trade is one of the main forms of modern international relations. Therefore, the issue of its development and regulation is an actual topic of research for many national and foreign scientists. A significant contribution to the theory and practice of international cooperation and the main aspects of Ukrainian international trade were studied by Manzhola V.A., Muravyov V.I., Filipenko A.S. (2007)⁴, Luginiets S. (2017)⁵, Kozak L.S., Fedoruk O.V. (2021)⁶, Taran S.(2021)⁷, Radzivivska S., Us I. (2021)⁹ et al.. Tulyakov V.

⁴ Manzhola, V.A., Muravyov, V.I., & Filipenko A.S. et al. Ukraine's integration into European legal, political and economic systems. Kyiv: VPTs Kyivskiy universytet 2007, p. 320 [in Ukrainian].

⁵ Luginiets S. *Transformation of Ukrainian foreign trade flows in the context of Ukraine EU association*. Journal of the European Economy. No. 16 (3), 2017

⁶ Kozak L.S., Fedoruk O.V. *Trends in the development of trade and economic relations of Ukraine with the countries of the world*. Visnyk National Transport University. Series «Economic sciences». Issue 2 (49), 2021 p.95-104

⁷ Taran S. (2021) Reduction of duties, expected simplification of freight transportation from the EU and other results of the Ukraine-EU summit on the trade agreement. Forbes. [<https://forbes.ua/ru/company/znizhennya-mit-ochikuvane-sproshchennya-vantazhnykh-pervezhen-z-es-ta-inshi-rezultati-samitu-ukrainaes-pro-torgovelnu-ugodu-25102021-2650>] accessed on 10/06/2022

⁸ Taran S., Yavorsky P., Pavytska Yu., Omelchenko I., Buchko M. (2021) Analysis of trade in services between Ukraine and the EU within the framework of the DCFTA. European Integration Portal. September 2021 [<https://eu-ua.kmu.gov.ua/analitika>] accessed on 10/06/2022

⁹ Radzivivska S., Us I. Ukraine's foreign trade: responses to global challenges. SHS Web of Conferencs M3E2 2021 107, 04001 <https://doi.org/10.1051/shsconf/202110704001>

(2021)¹⁰, Alekseievska H. (2020)¹², Lomachynska, I.(2020)¹³, Malyarenko T. (2021)¹⁴, Maslii N. (2021)¹⁵. They worked on identifying current trends and factors in the development of Ukraine's foreign trade, substantiating the possibility of attracting foreign investment, and studying the influence of external factors on the economic growth of countries.

The purpose of the article is to study the dynamics of trade relations between Ukraine and the EU within the framework of the association and free trade agreement.

2. METHODOLOGY

The methodological basis of the study is a systematic holistic approach combined with historical-logical, statistical, comparative, and descriptive methods based on data provided by the State Statistical Service of Ukraine and the European Commission.

3. RESULTS AND DISCUSSION

The Association Agreement with the EU led to the transformation of Ukrainian foreign trade. European countries have become the main trading partners of Ukraine. The development of relations between Ukraine and the EU is con-

¹⁰ Tuliakov V., Alekseievska H., Yakubovskiy S. *Legal and Economic Aspects of Monetary Regulation of The European System of Central Banks*. Journal for the International and European Law, Economics and Market Integrations. Vol. 8 No. 2, 2021 <https://doi.org/10.22598/iele.2021.8.2.4>

¹¹ Tuliakov, V., Arakelian, M., Ivanova, D, *A category "public order" and limitations on party autonomy in contracts for the carriage of passengers by sea*. Lex Portusthis, 2021, 7(4), стр. 28–56

¹² Alekseievska H., Derkach T. *The Influence of Developed Countries Central Banks' Unconventional Monetary Policy on the Economy of Ukraine*. Actual problems of international relations. Release 142., 2020 P. 99–108

¹³ Lomachynska, I., Babenko, V., Yemets *Impact of the Foreign Direct Investment Inflow on the Export Growth of the Visegrad Group Countries*. Studies of Applied Economics, [<http://dx.doi.org/10.25115/eea.v38i4.4007>] 38 (4) 2020

¹⁴ Malyarenko T. *China's Belt and Road Initiative in the Contested Eastern Neighborhood: A Case Study of Ukraine*. Lex Portus, (7). 2021. 2, 39-63. <https://doi.org/10.26886/2524-101X.7.2.2021.3>

¹⁵ Maslii, N., Ilchenko, S., Khumarova, N., Demianchuk, M., Skribans, V. Instruments for ensuring the balanced development of maritime and inland waterway transport in Ukraine. E3S Web of Conferences, 2021, 255, 01021 DOI:10.1051/e3sconf/202125501021

stantly promoted by work within the framework of the association. Representatives of the EU and Ukraine meet regularly to discuss issues and experience in applying the agreement within the framework of the summit. The summit takes place once a year. The summit provides general guidance on the implementation of The Association Agreement, as well as an opportunity to discuss any bilateral or international issues of mutual interest.

To bring the key sectors of the Ukrainian economy in line with the EU legislation legal norms and standards in the following areas should be changed: intellectual property rights protection; equal rule for competition; fight against corruption¹⁶.

The main document confirming the preferential nature of the origin of products is a certificate for the carriage of products EUR.1. And for products whose value does not exceed 6,000 euros - an invoice declaration (Article 22 of Protocol I to the Association Agreement)¹⁷ ¹⁸. It should also be noted that “currently almost 300 companies have already received the status of the authorized exporter and can export to the EU without EUR.1. The number of enterprises producing products of animal origin, the production conditions of which comply with EU requirements, has also increased to almost 400.

The Realization of the agreements with the European Union has increased the competitiveness of Ukrainian products in the European market. In general, the EU canceled more than 98% of tariffs, and Ukraine more than 99%. At the same time, Ukraine supplies products under 32 EU tariff quotas¹⁹.

Thanks to the implementation of agreements with the EU from 2013 to 2021, the trade turnover between Ukraine and the EU increased by an average of more than 60%.

¹⁶ European commission (2022) Trade Ukraine. [<https://ec.europa.eu/trade/policy/countries-and-regions/countries/ukraine/>] accessed on 10/06/2022

¹⁷ Association Agreement between the European Union and Ukraine. Government portal. Official website [<https://www.kmu.gov.ua/en/yevropejska-integraciya/ugoda-pro-asociacyu>] accessed on 09/06/2022

¹⁸ EU-Ukraine Deep and Comprehensive Free Trade Area (2022) European commission. [<https://trade.ec.europa.eu/access-to-markets/en/content/eu-ukraine-deep-and-comprehensive-free-trade-area>] accessed on 10/06/2022

¹⁹ European commission (2022) Trade Ukraine, *op. cit.*

Table 1. Foreign trade goods of Ukraine with the European Union

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Export (millions of dollars)	16573.5	17004.7	13015.2	13497.7	17533.4	20157	20750.7	18604.9	26794.6
Specific weight in total (%)	26.6	31.5	34.10%	37.10	40.50	42.6	41.5	37.8	39.3
Import (millions of dollars)	26766.9	21059.8	15330.20	17138.2	20799.4	23216.5	25012.2	23859.7	28946.5
Specific weight in total (%)	35.3	38.7	40.0	43.8	41.9	40.6	41.1	43.9	39.7
Balance	-10193	-4055.1	-2315	-3640.5	-3266	-3059.5	-4261.5	-5254.8	-2151.9

Source: State Statistics Service of Ukraine. 2022²⁰; Ministry of Economy of Ukraine. 2022²¹.

The signed agreement and the free trade zone helped to support Ukrainian trade after the downturn during the 2014-2015 crisis. The volume of trade in 2015 and 2016 decreased significantly, and in 2017 there is already an increase. The increase in trade with the EU was also facilitated by the fact that the EU granted Ukraine Autonomous Trade Measures (ATM) in addition to the benefits included in the Association Agreement for several industrial and agricultural products from October 2017 for three years. In 2020, COVID-19 made its adjustments and the volume of trade, both exports and imports, decreased. In 2021, the economies of countries will gradually recover from quarantine restrictions, and an increase in trade volumes is observed. The EU is Ukraine's largest trading partner, accounting for 39.5 % of its trade. Ukraine ranks 15th in the EU in terms of trade, accounting for about 1.2% of total EU trade.²²

As for the commodity structure of Ukraine's exports, it should be noted that according to a study by Berlin Economics GmbH, the share of processed products in Ukrainian exports to the EU increased by 10% to 43% in the period from 2013 to 2020, while the share of raw materials decreased by 5%.²³ Ukrainian businesses withstood high competition in the EU markets and demonstrated the ability to further not only quantitative but also the qualitative expansion of their products to the EU markets in the first years of the free trade zone.²⁴

²⁰ State Statistics Service of Ukraine (2022) [<http://www.ukrstat.gov.ua>] accessed on 10/06/2022

²¹ Ministry of economy of Ukraine. Official website (2022). [<http://surl.li/hktma>] accessed on 10/06/2022

²² European commission (2022) Trade Ukraine. *op. cit.*

²³ BE Berlin Economics (2020) URL: <http://surl.li/hktel> accessed on 10/06/2022

²⁴ Poliszczuk A. *Ukraine's foreign trade: measuring dichotomies between East and West. Studia Politologiczne. op. cit.* p. 348

Compared to 2013, an increase in Ukrainian exports occurred by 10%. The largest share of Ukrainian exports belongs to the products of the agro-industrial complex and the food industry (more than 40%), products of the metallurgical complex, engineering products, and mineral products. The main growth in exports was demonstrated by such goods as sunflower oil, animal products (dairy products, honey, eggs, poultry meat), as well as prepared food products. The EU has become a key market for Ukrainian organic products. Exports of electrical cable products, household appliances, furniture, and glass products to the EU grew slightly less. The number of Ukrainian companies exporting to the EU has grown at an impressive pace, from around 11,000 in 2015 to over 14,000 in 2020.²⁵

EU exports to Ukraine since 2013 increased to 44.6% of the total volume of imported goods. A characteristic feature of imports from European countries in recent years has been an increase in the share of energy carriers.²⁶

Among European countries, the largest volume of goods is exported to Italy (metallurgical products, oil, and wheat) and Poland (mainly ores and vegetable oil). Also, the European trading partners of Ukraine are Germany, France, Hungary, the Netherlands, and the UK.

As you can see, in the context of Ukrainian exports, there is a clear trend toward the growth of technologically less capacious products. The agricultural and food industries account for more than 45% of all exports, while in 2010 it was 17%. And at the same time, more technologically sophisticated goods occupy a smaller share, but they prevail in Ukrainian imports. The benefits for agricultural trade lie in the partial improvement of the terms of trade, and the reduction of asymmetries due to duty-free access to Ukrainian agricultural products within tariff quotas.²⁷

From 2013-2021 Ukrainian trade of services showed trends relevant to the economic development of the country.

²⁵ European commission (2022) Trade Ukraine. *op. cit.*

²⁶ Kozak L.S., Fedoruk O.V. *Trends in the development of trade and economic relations of Ukraine with the countries of the world. op. cit.* p. 97-98

²⁷ Poliszczuk A. *Ukraine's foreign trade: measuring dichotomies between East and West. Studia Politologiczne. op. cit.* p. 349

Table 2. Foreign trade services of Ukraine with the European Union

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Export (millions of dollars)	4195,7	3889	2927,90	2950,90	3452,70	3979,00	4469,00	4461,10	4494,2
Specific weight in total (%)	29,5	34,5	30,10	30,60	32,20	34,2	28,6	38,7	34,2
Import (millions of dollars)	4212	2945,8	2750,10	2336,70	2532,50	3353,60	3726,20	2927,00	3232,7
Specific weight in total (%)	56	51,9	49,80	44,10	46,20	53,2	53,7	51,2	42,5
Balance	-16,3	943,2	177,80	614,20	920,20	625,40	742,80	1534,10	1261,5

Source: State Statistics Service of Ukraine 2022²⁸; Ministry of Economy of Ukraine 2022²⁹.

One of the main consequences of the crisis of 2014-2015 was the critical decline in the volume of international trade, including with the EU. The exports of services to the EU fell to a minimum value of 2.9 billion dollars in 2015. The volume of Ukrainian imports of services reached the lowest value of 2.3 billion dollars in 2016. The Association Agreement generally contributed to the resumption and growth of services trade. Restoration of pre-crisis services exports to the EU took 4 years. From 2013 to 2019, growth was only 6.5%. In 2020, service exports to the EU remained at 2019 levels. The import from the EU is below the pre-crisis level. Imports increased during 2017-2019, and in 2020 sharply decreased by almost 20%.

In 2021, the trade of services demonstrated a slight growth. Since 2016, the EU has become the major trading partner. The major consumers of Ukrainian services are Germany, Great Britain, Poland, Cyprus, and the Netherlands.³⁰

Due to Ukraine's location on the Black Sea coast, it has a significant market for shipping and port services, which are used by many shipping companies. Maritime infrastructure has great advantages for foreign activity, such as a relatively low cost of transportation and high throughput, which allows for transporting large consignments. Today, the port industry of Ukraine includes 13 seaports, which have different specializations.³¹

²⁸ State Statistics Service of Ukraine (2022) *op. cit.*

²⁹ Ministry of economy of Ukraine. Official website (2022) *op. cit.*

³⁰ Taran S. (2021) *Reduction of duties, expected simplification of freight transportation from the EU and other results of the Ukraine-EU summit on the trade agreement.* *op. cit.*

³¹ Mihai N., Hryshyna L., Khmarska I., Pogoryelova E., Hryshyna N. *Evaluating performance and development priorities of port industry in Ukraine.* MATEC Web of Conferences 339, 010. ISTMSML 2021. 13 DOI:<https://doi.org/10.1051/mateconf/202133901013>

The rate of “availability and quality of port infrastructure” (World Economic Forum) for Ukrainian ports is increasing every year (Table 3). And from 2014 to 2020, the score increased by 0.8 points and is equal to 3,9 out of 7 possible. Ukrainian ports have been actively developing and increasing the volume of services provided since 2014, especially the growth that was noticeable during 2017-2019 (growth from 0.61% to 18.6% per year), but for the last two years, this industry has shown negative transshipment dynamics. In 2021, seaports handled 153.3 million tons of cargo (3.7% less than in 2020).

Table 3. Cargo handling the seaports of Ukraine 2014-2021

Year	Quality Marine ports (WEF)	Exports, thousand tons	Imports, thousand tons	Transit, thousand tons
2014	3,2	103 067	15 932	20 338
2015	3,2	103 942	17 958	15 904
2016	3,4	100 202	15 976	10 328
2017	3,5	98 517	20 418	11 905
2018	3,8	99 034	23 783	10 221
2019	3,9	120 988	25 849	11 024
2020	3,9	122 999	23 669	10 056
2021	-	118 202	24 071	8 678

Source: compiled by the author based on World Economic Forum 2021³²; Center of transport strategies 2022³³; Mihai N. et al. 2021³⁴

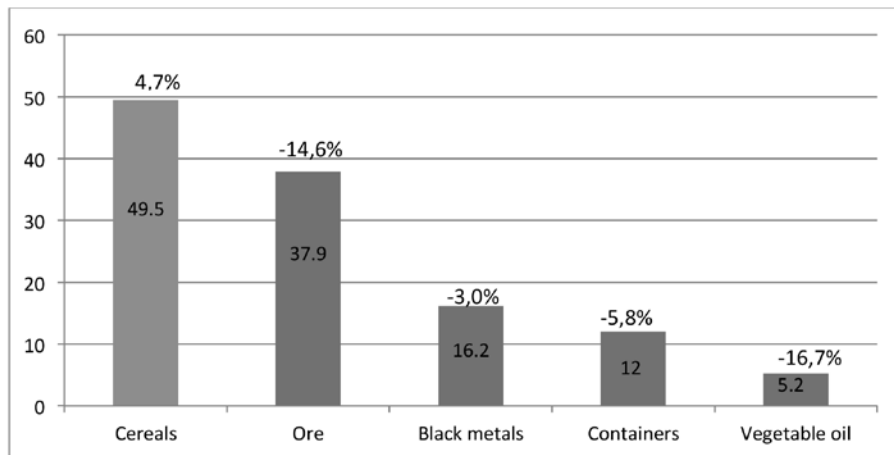
According to Table 3, exports significantly dominate the dynamics of cargo handling by Ukrainian ports. Its share is more than 70%. And in general, there is an upward trend in exports, except for 2017 and 2021, when there was a noticeable decrease in indicators. The volume of imports is growing every year except for the last two years. Transit remains critically small and during 2014-2021 its volume decreased by more than 50% (Table 3). The largest ports of Ukraine are Yuzhny, Chernomorsky, Odesa, Mykolaiv, and Mariupol. They account for 90% of all cargo transshipment in Ukraine.

³² World Economic Forum (2021) [<https://www.weforum.org/reports/the-globalcompetitiveness-report-2020>] accessed on 10/06/2022

³³ Center of transport strategies (2022) [<https://en.cfts.org.ua/>]

³⁴ Mihai N., Hryshyna L., Khmarska I., Pogoryelova E., Hryshyna N. *Evaluating performance and development priorities of port industry in Ukraine. op. cit.* p.3-4

Fig.1. Key cargoes and their dynamics by transshipment in 2021 (million tons)



Source: compiled by the author based on State Statistics Service of Ukraine 2022³⁵; Mihai N. et al. 2021³⁶

The main cargoes of the Ukrainian ports are ore, cereals, black metals, containers, and vegetable oils. Ore transshipment, as a major type of cargo for our ports, decreased by 14.6% in 2021, while in 2020 there was an increase of 18.8%. This reduction significantly affected the overall figure for 2021. But in 2021, given the record harvest and exports of 70 million tons. Most of the increase in transshipment was accounted for by cereals (growth of 4.7 percent).³⁷Based on the presented data, the main import products of the European Union countries are also actively delivered using ports.

The strengths of the Ukrainian port industry are advantageous geographical location at the intersection of transport corridors of Ukrainian seaports to ensure transit cargo flows to Europe, Asia, and the Middle East; deep-sea approaches (service vessels with a large capacity); availability of promising areas for the development of seaports; territorial proximity of the seaport to the raw material base and production; sufficient capacity for handling and storage of goods in the modes of export, import, transit, and cabotage; the presence of transport hubs in the seaports of Ukraine, providing the technical possibili-

³⁵ State Statistics Service of Ukraine (2022) *op. cit.*

³⁶ Mihai N., Hryshyna L., Khmarska I., Pogoryelova E., Hryshyna N. *Evaluating performance and development priorities of port industry in Ukraine. op. cit.* p.3

³⁷ *Ibid.*, p. 4

ty of transshipment from/to pipeline, rail, road, and river transport; railway connection with neighboring countries.³⁸

Also, another advantage of the Ukrainian transport system is the inclusion of Ukraine in the Transport Corridor Europe-Caucasus-Asia (TRACECA) routes. This strategic route provides trade between Europe and Asia, the volume of which in general exceeds 2 trillion US dollars, of which only transport services account for over 200 billion US dollars. Ukraine is also part of the Chinese Silk Road, through which the first cargo began to be delivered in 2019^{39,40}.

The advantages of Ukrainian ports are the basis for further expansion of trade relations between Ukraine and the EU through the integration of ports into the European transport system. This is possible because the management structure of Ukrainian ports is similar to the management structure of ports in Spain, Romania, Bulgaria, and Italy.⁴¹ Also since May 2018 the Ukrainian Sea Ports Administration is an observer member of the European Sea Ports Organization (ESPO).

In 2021 Ukraine and the European Union began the process of revising part of the Association Agreement about trade in goods, especially its liberalization. This was originally provided for by Art. 29 of the Association Agreement - the trade issue will be re-examined and reconsidered after five years the agreement came into force.

As is known, the EU and Ukraine noted most import duties. But for some Ukrainian exports, tariff quotas, and import duties still apply. In particular, food, transport, and electrical equipment. In this connection, the main issues of the revision of the Agreement relate to:

- an increase of quotas for honey, processed tomatoes, fruit juices, poultry meat, cereals, and flour, since much larger volumes are currently exported than prescribed in quotas, discussion of issues where else cooperation can move along the entry price system;
- industrial visa-free and integration of Ukrainian producers in European industry;

³⁸ Order of the Cabinet of Ministers of Ukraine 23.12.2020 № 1634-r On amendments to the Strategy for the development of seaports of Ukraine for the period up to 2038. [<https://ips.ligazakon.net/document/KR201634?an=1>] accessed on 09/06/2022

³⁹ *Ibid.*

⁴⁰ Center of transport strategies (2022) *op. cit.*

⁴¹ *Ibid.*

- progress in the approximation of Ukrainian legislation with the EU in terms of the DCFT, in particular, the further improvement in trade operations outside of tariff liberalization (reducing non-tariff barriers and liberalizing trade in services);
- acceptance of the equivalence of sanitary and phytosanitary measures;
- conclusion of a special agreement in the sphere of road, rail, and water transport for the liberalization of transportation;
- gradual mutual opening of public procurement markets based on the decision on the compliance of Ukrainian law with EU law
- adherence of Ukraine to the common transit system and simplification of customs procedures with the EU.⁴²

The successful decision of the above-listed issues and their implementation will allow: to simplify export and open markets for food and agricultural products; resolve the issue of lack of permits for Ukrainian carriers and liberalize international freight traffic between countries, in particular, transit; “to conclude Agreements on Conformity Assessment and Acceptance of industrial products (ACAA) for mutual recognition of certificates of conformity between Ukraine and the EU.”⁴³ Appropriate steps in these areas have already been taken. Ukraine has already passed a preliminary assessment of readiness for the ACAA Agreement on the compliance of legislation with European standards and is undergoing the second stage for the proper functioning of the national infrastructure.

Another important issue for further cooperation is the formation of a single digital market and the “green deal “. To date, negotiations have already been completed to update the appendix of the Agreement on telecommunications, postal and courier services, as well as international maritime transport. All this is part of the process of launching the domestic market regime in these sectors. These actions will make it possible to conclude an agreement on mutual recognition of these services, launch cross-border digital trade, and advance Ukraine’s integration into the Digital Single Market of the European Union.

Thanks to the free trade zone agreement, Ukraine’s ports are a significant part of the European transport network. The integration of Ukraine’s port facilities in the EU is important, as it makes information exchange and advanced technologies between countries faster and more accessible. It will help promote

⁴² Ministry of Foreign Affairs of Ukraine (2022) [<https://ukraine-eu.mfa.gov.ua/en/2633-relations/torgovelo-ekonomichne-spirobitnictvo-ukrayina-yes/dostup-ukrayinskih-tovariv-do-rinku-yes-ugoda-asaa>] accessed on 10/06/2022

⁴³ *Ibid.*

the promotion of Ukrainian terminals in the international arena, there will be a standardization of port services in Ukraine in compliance with European standards, which in turn will lead to better work and higher quality of services.

Despite the prospects for the further development of trade relations, which improved in 2021, 2022 made adjustments. In particular, the war of Russia against Ukraine had a negative impact on trade flows both in Ukraine and in the whole world. Military operations on the territory of Ukraine have a significant negative impact on the ability of Ukraine to interact in the field of trade with the rest of the world. This is due to the destruction of production facilities and transport restrictions, in particular the closure of ports.

The invasion of the Russian Federation into Ukraine has led to the fact that Ukraine's trade and investment relations with the EU have faced restrictions. In particular, it has had a significant impact on supply chains. For example, in the first month of the war, the EU automotive industry faced a shortage of Ukrainian components, which caused a temporary suspension of production. In particular, Ukraine accounts for about a fifth of European supplies of harnesses that fasten electrical cables for cars. Also immediately, the world community and in particular the EU leaders began to talk about the global food problem, as Ukraine stopped exporting food products, including wheat and sunflower oil.⁴⁴

In general, the trade turnover of Ukraine for the first 5 months of 2022 decreased by more than 20% compared to the same period in 2021. But about the development of trade relations with the EU countries, the drop was much smaller, only 2.8%, and the trade turnover amounted to 19.7 billion dollars. At the same time, exports amounted to 11 billion dollars and imports - 8.7 billion dollars⁴⁵ It is also worth noting the increase in exports with EU countries, which because the blockade of seaports does not allow Ukrainian companies to directly deliver goods in Asia, Africa, and other countries, and they have to do this through the EU countries.

For example, in June 2022, Ukraine's exports to Asia amounted to only 27% of the level of June 2021, to Africa - 11.2%, to America - 55.6%, and to the EU countries - 114.5%⁴⁶. As a result, after the start of a full-scale war between

⁴⁴ Briefing European Parliament. EU-Ukraine trade and investment relations and the impact of Russia's war. 1 April 2022. [[https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/639321/EXPO_BRI\(2022\)639321_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/639321/EXPO_BRI(2022)639321_EN.pdf)] accessed on 20/07/2022

⁴⁵ State Statistics Service of Ukraine. Bulletin of the current state of trade relations between Ukraine and the EU [<http://surf.li/hktgn>] accessed on 20/07/2022

⁴⁶ National Bank of Ukraine [https://bank.gov.ua/files/ES/Tov_m.xlsx] accessed on 20/07/2022

Russia and Ukraine, the EU further strengthened the position of Ukraine's main trading partner.

4. CONCLUSION

Today, both for Ukraine and for the European Union, it is extremely important to strengthen mutual relations. Ukraine is an important strategic partner for the EU. The geographical position of Ukraine, its resources, and its population make it a key regional player that has a significant impact on the prosperity, stability, and safety of the European region. As a result of interaction, Ukrainian enterprises get a profitable entry into the world's largest market. At the same time, it is easier for EU businesses to access our national market and establish new business contacts with local partners.

The EU has strengthened its leading position as a trading partner of Ukraine since the signing of the DCFTA. But there is a shortage of Ukrainian exports to European countries due to a significant share of high-value-added imports. The expansion of new markets by domestic exporters is still held back by a long and capital-intensive process of bringing Ukrainian products in line with European standards. The raw nature of Ukrainian exports also determines the high dependence of foreign trade on shocks in world markets. Also, the dependence of the Ukrainian economy on the supply of energy carriers and high-tech products causes large volumes of imports. One of the most promising options for a trade deficit is to increase exports not only of raw materials but also of more high-tech products with higher added value, which are produced both in the food and processing industries and in others. In addition, at present there is a need to update technological processes at Ukrainian enterprises to gradually transform the Ukrainian economy into a more innovative and knowledge-intensive one and, as a result, more competitive in world markets.

In the future, after the end of the war, an increase in trade between the EU and Ukraine is expected. This is confirmed by the simplification by the European Commission of the conditions for the transportation of goods by freight transport between Ukraine and the EU, which will facilitate transit and use the EU infrastructure for transporting Ukrainian exports to third countries. A good incentive for the growth of Ukrainian exports is also the abolition by the European Council of duties on Ukrainian goods for a year⁴⁷. In June 2022, the regulation on trade liberalization with Ukraine came into force. First of all,

⁴⁷ Deutsche Welle. The European Parliament approved the liberalization of trade with Ukraine [https://www.dw.com/ru/evroparlament-odobril-liberalizaciju-torgovli-s-ukraino-j/a-61852948] accessed on 20/07/2022

duties on industrial products are abolished, the application of the entry price system for fruits and vegetables and all tariff quotas for agricultural products is suspended, and anti-dumping duties introduced earlier on some Ukrainian goods are stopped. But at the same time, Ukraine must still comply with European rules by the Association Agreement, not introduce new restrictions on imports from the EU.

Based on the results of the conducted analyses, it should be expected that in 2022 and the previous future the share of the EU in Ukraine's trade will significantly exceed 50%; in 2021 it was 40%. But there is a risk that due to hostilities and significant destruction, the volume of Ukrainian exports in general, and in particular to the EU, may be reduced, as well as the number of duties paid by exporters, and far fewer Ukrainian producers will be able to benefit from duty-free trade since very many suffered as a result of the war.

And now it is rather difficult to assess how Ukrainian industry will be able to take advantage of these new opportunities provided by the EU. But still, this kind of liberalization will allow those producers who have retained the production process to increase export volumes. And in the future, it is necessary to seek expansion, as well as the list of countries that would liberalize access for Ukrainian goods to their markets and prolong the validity of the previously described decisions. The effect of trade liberalization, in particular, the abolition of duties in the current conditions of significant disruption, interruption of industrial relations, and supply chains, can have a positive effect if they are valid for more than one year.

In general, the development of Ukraine's trade relations with both the EU and the rest of the world will greatly depend on the degree of support from its trading partners, on rebuilding and restoring the damage caused to Ukraine by the war, as well as on the grade of openness of Ukraine's seaports for export-import operations. However, it is essential to remain vigilant against potential abuses of power and ensure that the benefits of diversification are shared equitably. Unfortunately, after the end of the war, there will be certain risks of organized crime influencing marine trade. But by promoting effective communication and collaboration, European Union and Ukraine can navigate the complexities and challenges of diversification while fostering a just and prosperous society.

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