

THE ECONOMIC IMPACT OF UKRAINE'S TRADE RELATIONS WITH THE EU AMID GEOPOLITICAL CHALLENGES: AN ANALYSIS OF TRADE DYNAMICS, RESTRICTIONS AND INTEGRATION

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ABSTRACT

This article analyzes the economic implications of Ukraine's foreign trade relations with the European Union (EU) amidst the ongoing geopolitical conflict with Russia. Using a vector autoregression (VAR) model and the Granger causality test, the study investigates the statistically significant impact of Ukraine's merchandise exports and imports to the EU on its national GDP from 2005 to 2023. The findings reveal that exports, particularly in countries like the Netherlands, Romania, and Bulgaria, have the most substantial effect on Ukraine's GDP. Despite infrastructural damages, trade disruptions, and unilateral trade restrictions from countries like Poland, Ukraine's reliance on the EU for both exports and imports continues to play a critical role in the nation's economic resilience and recovery. The article also highlights the EU's efforts to support Ukraine through initiatives like the Black Sea Grain Initiative and Solidarity Lanes. However, ongoing challenges, including logistical constraints and political tensions, hinder further integration and economic growth.

Key words: *Ukraine, the EU, foreign trade, GDP, economic integration, trade restrictions.*

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1. INTRODUCTION

Since Ukraine gained its independence in 1991, the newly created country has been on a path to build an open economy. Along with a majority of post-Soviet countries, Ukraine has chosen to actively interact with the European countries. The basis of the EU-Ukraine relationship is the Association Agreement. As part of this Agreement, the chapter on Free Trade Area (DCFTA) has been applied. It opens national markets and prohibits any measures that imply quantitative restrictions on exporting or importing goods or services.

Furthermore, the Agreement on DCFTA reduces or eliminates customs tariffs for both sides. Nevertheless, the process is a long one and includes the need to amend the legislation. It also includes reporting to the EU and periodic visits of supervisory authorities and other bodies^{1,2}. The signing of the Agreement increased the real GDP in 2016 by 2.4% after a sharp fall since 2012³. The new step in further integration with the European Union was taken on February 28, 2024⁴. At the onset of the full-scale invasion, Ukraine applied for EU membership within five days, requesting a special procedure. Article 49 TEU outlines a special procedure for states aspiring to join the European Union. A state must submit its application to the Council, which, after obtaining the Commission's opinion and the European Parliament's majority consent, makes a decision on the request's admissibility. However, unanimous agreement among all EU members in the Council is required⁵.

Despite the scepticism about Ukraine's application, the European Commission granted Ukraine official candidate status for the membership in June 2022⁶. This gesture is more politically motivated than economically driven. The war's economic repercussions will hinder Ukraine's tangible progress in its potential EU accession⁷. Similarly to Albania, North Macedonia, Montenegro, and

¹ Association Agreement between the European Union and Ukraine, (22014A0529(01), Art. 475(2), 2014.

² Association Agreement between the European Union and Ukraine, (22014A0529(01), Art. 475 (3), 2014.

³ Ievdokymov, V. et al.: Ukraine's foreign trade policy: integration changes in the context of cooperation with the EU, *Association agreement: driving integrational change*, 2019, pp. 491-504.

⁴ <<https://www.president.gov.ua/en/news/volodimir-zelenskij-pidpisav-zayavku-na-chlenstvo-ukrayini-u-73249>>, last accessed on 05/04/2024.

⁵ Kochenov, D. et al.: Admitting Ukraine to the EU: Article 49 TEU is the 'Special Procedure', *EU Law Live*, 2022, pp. 1-8.

⁶ <<https://www.bbc.com/news/world-61844552>>, last accessed on 05/04/2024.

⁷ Van der Loo, G. et al.: The EU-Ukraine Association Agreement after Ukraine's EU membership application: still fit for purpose, *European Policy Centre EU*, 2022, pp. 1-12.

Serbia, the candidacy process can take years, not to mention the primary need to end hostilities.

The problem addressed in this research is the challenge Ukraine faces in maintaining and enhancing its trade relations with the European Union, especially amidst the geopolitical instability caused by the ongoing Russian invasion and trade restrictions. The goal of the research is to evaluate the economic impact of Ukraine's foreign trade with the EU on its national GDP and understand how these trade relations have evolved in the context of significant disruptions. The purpose is to analyze the extent to which exports and imports with EU countries affect Ukraine's economic resilience and recovery, using statistical models and empirical data.

2. LEGAL FRAMEWORK AND TRADE IMPLICATIONS IN UKRAINE-EU RELATIONS

The Russian-Ukrainian war affected global wheat exports as two countries provide 30% of the world supply⁸. 25 African countries imported over one-third of their wheat from Russia and Ukraine⁹. Russia's blockade of the Black Sea, infrastructure destruction, and continuous missile strikes have significantly affected the agricultural product supply. First of all, in global terms, the Russian-Ukrainian war primarily exposes the population of African countries to famine as, for example, the World Food Programme procures half of its wheat for West Africa from Ukraine. The reaction of international community was reflected in two initiatives: The Black Sea Grain Initiative and Solidarity Lanes.

The Black Sea Grain Initiative, signed between Ukraine and Russia with the intermediation of Turkey and the UN, allowed for food and fertilizer export from Odesa, Chornomorsk, Pivdennyi – the key seaports of Ukraine in the Black Sea¹⁰. This was a crucial step for Ukraine's economy, as prior to the full-scale invasion, 70% of exports were driven by the activities of Ukrainian ports, with grain comprising 49.5% of the cargo.¹¹

⁸ <<https://www.theguardian.com/global-development/ng-interactive/2022/jun/09/the-black-sea-blockade-mapping-the-impact-of-war-in-ukraine-on-the-worlds-food-supply-interactive>>, last accessed on 11/04/2024.

⁹ Kohnert, D.: Will Putin's Ukraine War Provoke Famine and Upheaval in Africa, *SSRN Electronic Journal*, 2022, pp.1-19.

¹⁰ <<https://www.un.org/en/black-sea-grain-initiative>>, last accessed on 11/04/2024.

¹¹ Tulyakov, V. et al.: The impact of the Association Agreement between the European Union and Ukraine on mutual trade and Ukrainian ports cargo, *Journal for the International and European Law, Economics and Market Integrations*, 10(1) 2023, pp. 1-19.

In July 2023, Russia announced its withdrawal from the initiative, followed by missile attacks on the port of Odesa¹². Afterward, Ukraine unilaterally continued to export products from national ports, using the territorial waters of NATO countries – Turkey, Bulgaria and Romania, as well as by using the Danube River^{13, 14}.

Another initiative, Solidarity Lanes, was a part of the EU's action to help Ukraine not only export agricultural goods but also import necessary goods. The European Commission focused on enhancing additional freight rolling stock, vessels, and lorries, prioritizing the shipment of Ukrainian agricultural exports, expediting border crossing procedures, and increasing storage capacity for Ukrainian goods within the EU¹⁵.

Nevertheless, in May 2023, the European Commission announced temporary preventive measures under Article 4(9) due to market imbalances and rising prices in Bulgaria, Hungary, Poland, Romania and Slovakia. The measures were mainly aimed at limiting the amount of imported agricultural products, primarily wheat, maize, rapeseed and sunflower seed¹⁶. In return, all 5 States have committed to cancel unilateral measures on Ukrainian commodities. This is not the first time that the EU has used economic and monetary measures that go beyond the framework of national states and democratic responsibility to improve its competitiveness¹⁷. Trade restrictions were common during the COVID-19 crisis. Thus, in the spring of 2020, France, Germany and the Czech Republic imposed restrictions on the export of PPE to other EU Member States and third countries, referring to Article 36 TFEU and Article 10 of Regulation 2015/479, respectively¹⁸. In addition, it has been repeatedly noted that

¹² <<https://www.ifpri.org/blog/russia-terminates-black-sea-grain-initiative-whats-next-ukraine-and-world/>>, last accessed on 11/04/2024

¹³ Kormych, B., Averochkina, T., Kormych, L.: Black Sea, grain, and two humanitarian corridors: unblocking Ukrainian shipping amid the Russian invasion, *Small Wars & Insurgencies*, 35(8) 2024, pp. 1-37.

¹⁴ <<https://globalrightscompliance.com/wp-content/uploads/2023/11/20231115-Grain-Report-External.pdf>>, last accessed on 14/08/2024.

¹⁵ <https://transport.ec.europa.eu/news-events/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12_en>, last accessed on 15/04/2024.

¹⁶ <https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2562>, last accessed on 15/04/2024.

¹⁷ Tulyakov, 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*, 8(2) 2021, pp. 79-96.

¹⁸ Pauwelyn, J.: Export Restrictions in Times of Pandemic: Options and Limits Under International Trade Agreements, *Journal of World Trade*, 54(5) 2020, pp. 727-747.

EU trade policy is highly politicized. The values, identity, culture, institutions, economic competition, and new technologies of potential partners also play an important role in signing agreements¹⁹. In the pursuit of protecting its member states, the EU also has introduced an unprecedented policy called the EU's "geoeconomic turn". In the context of China's state capitalism and the growing American unilateralism, the EU adopted the Counter Coercion Instrument in October 2023 to equip the EU with the means to deter and retaliate against third countries that use economic instruments to coerce²⁰. Trade restrictions are also found outside the European Union. The most striking example is the corn war between the United States and Mexico. In 2023, Mexico imposed a ban on the import of genetically modified corn, which led the United States to challenge Mexico's unfair actions, which allegedly contradicted the USMCA agreement²¹.

Even though the European Commission in September 2023 announced the end of the market distortions and Ukraine agreed to introduce legal measures and to control the export of 4 aforementioned goods²², the Polish side continued to impose measures that prevent further exports of goods. The blockade started on November 6, on the three largest checkpoints Korcheva-Krakovets, Grebenne-Rawa Ruska, Dorohusk-Yahodyn by Polish truckers and later on farmers²³. The primary requirements include reinstating a mutual permit system for Ukrainian and EU road haulage operators and restricting Ukrainian carriers from conducting transport operations within the EU in accordance with existing EU legislation. According to *Le Monde*, weeks of the blockade are linked to unfair competition from cheaper imports²⁴. Amidst the war, the destruction of factories and the mining of fields, agricultural exports, crucial to the economy, have become more difficult to manage due to the blocking of the Black Sea routes and blockades on the Polish-Ukrainian border. All these circumstances have a significant impact on Ukraine's economy, including trade.

¹⁹ Leblond, P., Viju-Miljusevic, C.: EU trade policy in the twenty-first century: change, continuity and challenges, *Journal of European Public Policy*, 26(12) 2019, pp. 1836-1846

²⁰ Freudlsperger, C., Meunie, S.: When Foreign Policy Becomes Trade Policy: The EU's Anti-Coercion Instrument, *JCMS: Journal of Common Market Studies*, 62(4) 2024, pp. 1063-1079.

²¹ Hernandez-Lopez, E.: Corn War: a Trade Fight Between the United States and Mexico, *Cardozo Law Review*, 2024, pp. 64-94.

²² <https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4497>, last accessed on 15/04/2024.

²³ <<https://www.reuters.com/world/europe/why-are-polish-truckers-blocking-ukraine-border-crossings-2023-11-30/>>, last accessed on 15/04/2024.

²⁴ <https://www.lemonde.fr/en/europe/article/2024/02/20/polish-farmers-resume-ukraine-border-blockade-over-imports_6542520_143.html>, last accessed on 15/04/2024.

3. DATA AND RESEARCH METHODOLOGY

The authors of the study relied on general scientific and special methods of cognition. The method of legal interpretation was used to analyse the EU and Ukrainian legal documents. Using statistical, comparative, historical and descriptive methods, the main tendencies in trade flows of goods between the EU and Ukraine were identified and characterised. The methodological database was obtained from the official websites of the State Statistical Service of Ukraine, the European Union and the International Monetary Fund.

In the study, the authors attempt to identify the statistically significant impact of Ukraine's total merchandise exports and imports to the EU on national GDP, as well as the impact of Ukraine's trade with 10 most significant in trade countries on its GDP. To test the hypothesis that Ukraine's merchandise exports and imports to the EU countries have a statistically significant impact on Ukraine's GDP, the vector autoregression (VAR) framework was chosen since it provides a systemic way to capture the rich dynamics in multiple time series.

In particular, to prove the statistically significant impact of merchandise trade with the EU on Ukraine's GDP, the following VAR system was estimated:

$$GDP_t = \alpha_1 + \sum_{i=1}^p \beta_{1i} EXP_{t-i} + \sum_{i=1}^p \gamma_{1i} IMP_{t-i} + \sum_{i=1}^p \lambda_{1i} INFL_{t-i} + \varepsilon_{1t} \quad (1),$$

where GDP, EXP, IMP, INFL and ε denote respectively: gross domestic product of Ukraine in billion US dollars; export of Ukraine; import of Ukraine; rate of inflation in Ukraine (this indicator was chosen to take into account the impact of price growth in Ukraine on its nominal GDP) and error term. α is a constant term, β , γ and λ denote the coefficients to be estimated, p is the lag order selected.

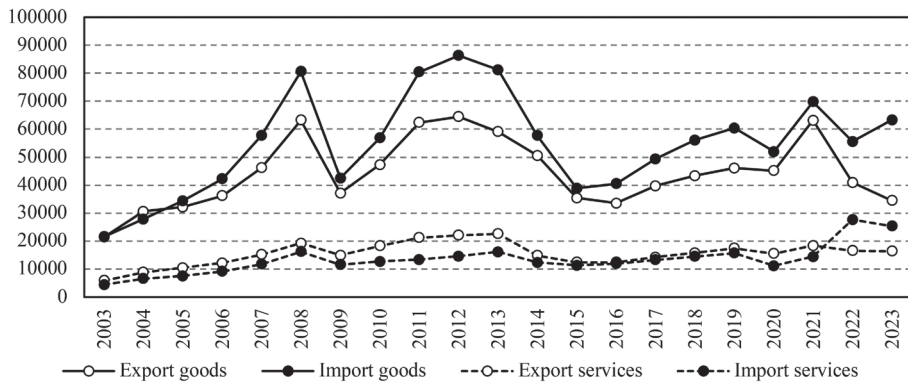
The model is estimated as follows. First, an unrestricted VAR is estimated. Then Granger causality testing is performed. The optimal number of lag length was chosen by looking at AIC and SIC criteria. The stability of VAR was checked: all AR roots are inside the unit circle and Autocorrelation LM test states that no serial correlation in the residuals was detected.

Yearly data for 2005-2023 was used, taken from the official websites of the State Statistical Service of Ukraine and the International Monetary Fund.

4. ANALYSIS OF UKRAINE'S FOREIGN TRADE WITH EU AND ITS IMPACT ON NATIONAL GDP

Ukraine's trade balance is mostly in deficit due to the prevalence of imports of goods over exports. Exports and imports of goods grew in 2003-2013, reaching peak values in 2008 and 2012 (Fig. 1). In 2014, imports sharply dropped by 28.99%, which is related to the beginning of the Russian invasion in the Eastern part of Ukraine. Until 2013, the share of Donetsk region's gross regional product (GRP) was 11-13% of Ukraine's GDP, but Russian aggression in Donbas caused a shock due to the loss of territory and disruption of infrastructure. After 2015, this share did not exceed 7-8%²⁵. A new stage of the war in February 2022 reversed any progress. It led to the largest recession in the history of Ukraine's independence. In 2022, GDP fell by 29.1%, while exports and imports fell by 35.2% and 20.36%, respectively. The significant decline was caused by the occupation of 18% of the territory of Ukraine and the destruction of economic entities, and the blocking of the Black Sea trade corridors.

Figure 1. Foreign trade goods and services of Ukraine 2003-2023 (millions of dollars)



Source: author's calculation on the basis of International Monetary Fund 2024²⁶; National Bank of Ukraine 2024²⁷.

According to Figure 1, between 2003 and 2013, exports of services grew by an average of 11.32% annually, while imports grew by 10.35%. The only exception was in 2009, after the financial crisis, when exports of services fell by

²⁵ Yakymenko, Y. et al.: *Ukraine: 30 Years on the European Path*, Kyiv, 2021, p. 392.

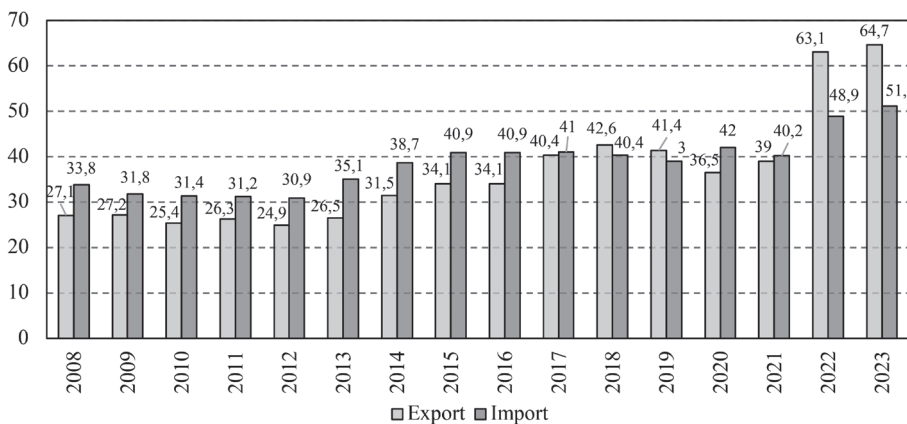
²⁶ <<https://www.imf.org/en/Home>>, last accessed on 21/02/2024.

²⁷ <<https://bank.gov.ua/en/>>, last accessed on 21/02/2024.

29.1% and imports by 40.2%. There were also declines in 2014 and 2020, due to crises such as the invasion in the Eastern part of Ukraine and the COVID-19 pandemic. In 2022, for the first time in 20 years, the balance of services was in deficit, which was the result of Russia’s full-scale war against Ukraine. Imports of services increased by 47.9%, while exports fell by 10.67%. This is mainly due to the fact that, due to the partial blockade of ports, Ukraine was forced to reduce the export of maritime transport services, increasing the import of automobile and rail transport services from European companies.

In the context of Russia’s aggression against Ukraine, the logical decision was to refocus on foreign economic relations with Western partners. As can be seen from Figure 2, during the analyzed period, the share of exports and imports of goods with the EU was mostly growing. After 2013, the share of the EU in exports surpassed 30% and constantly was rising by 1.042 on average annually until 2020. With the beginning of the global pandemic, it dropped by 11.84% due to the temporary suspension of international trade and strict rules for crossing the border with the EU. Nevertheless, in 2021 the share of exports rose and reached a record level in 2022. The share of 63.1% was reached by choosing western borders as an alternative way of export, mainly agricultural commodities, due to Russia’s blockade of the two biggest Ukrainian ports in Odesa and Chornomorsk.

Figure 2. The EU’s share in Ukraine’s trade in goods 2008-2023 (%)



Source: compiled by the author on the basis of World Trade Organization 2024²⁸, State Statistics Service of Ukraine 2024²⁹.

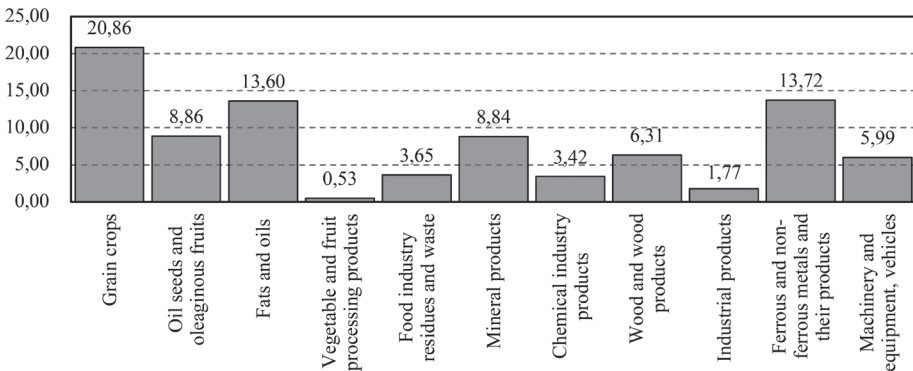
²⁸ <<https://www.wto.org/>>, last accessed on 12/04/2024.

²⁹ <<https://www.ukrstat.gov.ua/>>, last accessed on 21/10/2024.

Even though Ukraine increased its exports to the EU countries, usage of trucks and trains in logistics increased the cost of agricultural products, which in return lowered Ukrainian products' competitiveness. In addition, the state of the trade in Ukraine was becoming more difficult in regard to constant strikes on port infrastructure and grain storages. Despite the above obstacles and temporary restrictions from the EU, the upward trend continued in 2023. After a significant jump in 2022, exports grew by 1.025, while imports grew by 1.044. Thus, in the second year of the full-scale invasion, the EU's share of imports exceeded 50%.

In regard to the structure of exports to the EU, in 2023 it was dominated by grain crops, namely wheat and corn, with a share of 20.86% (Figure 3), while the second place was shared between ferrous and non-ferrous metals (13.72%), as well as fats and oils (13.6%). Ukraine exported to the European Union oil-seeds and mineral products with shares of 8.86% and 8.84%, respectively. Wood and wood products ranked 6th in terms of exports to the EU.

Figure 3. The structure of exports to the EU 2023 (%)

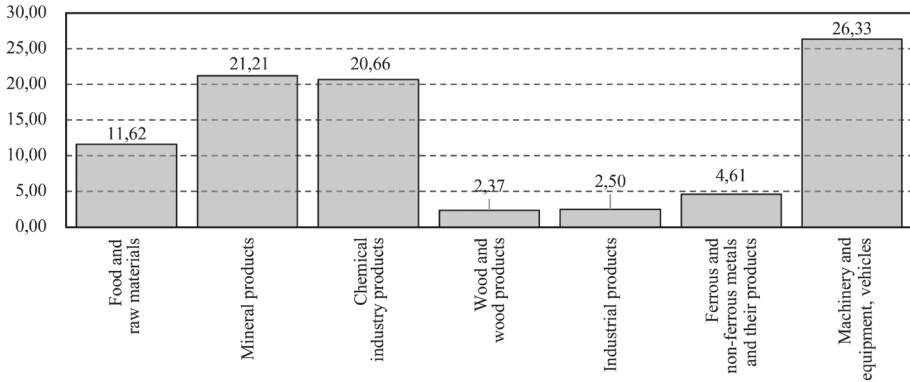


Source: compiled by the author on the basis of State Statistics Service of Ukraine 2024³⁰.

As can be seen from Figure 4, Ukraine primarily imported complex products, such as machinery, equipment, and vehicles (26.33%). In addition, the structure of imports included mineral products and chemical products in the proportion of 21.21% and 20.66%, respectively.

³⁰ <<https://www.ukrstat.gov.ua/>>, last accessed on 21/10/2024.

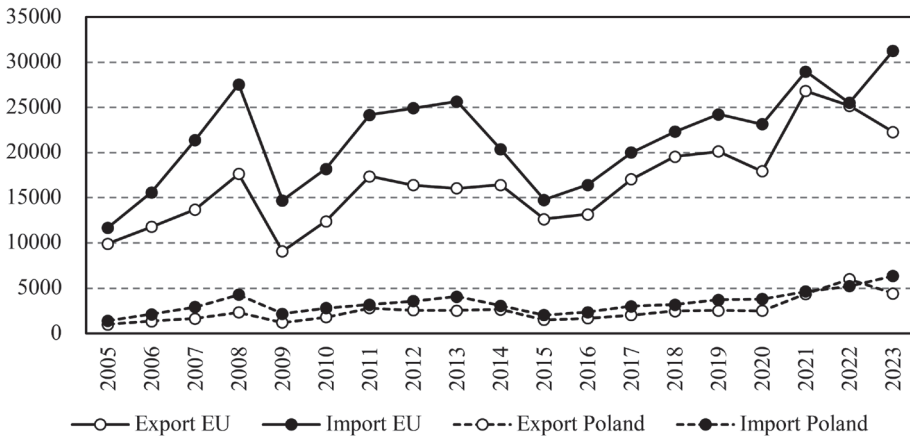
Figure 4. The structure of Ukraine’s import from the EU 2023 (%)



Source: compiled by the author on the basis of State Statistics Service of Ukraine 2024³⁰.

In the case of both the EU and Poland, there is a predominance of imports of goods over exports (Fig. 5). On average, imports from the European Union exceed exports by 32.5%. At the same time, imports from Poland exceeded exports by an average of 42.48% in 2005-2023. Nevertheless, in the first year of full-scale invasion in trade relations with Poland, exports exceeded imports by 12.59%.

Figure 5. Dynamics of trade in goods with Poland and the EU 2005-2023, millions of dollars



Source: compiled by the author on the basis of National Bank of Ukraine 2024³¹; State Statistics Service of Ukraine 2024³².

³¹ <<https://bank.gov.ua/en/>>, last accessed on 21/02/2024.

³² <<https://www.ukrstat.gov.ua/>>, last accessed on 21/10/2024.

Since 2019, Poland has been the main importer of Ukrainian products among European partners. In the pre-war period, i.e. in 2021, exports of goods to Poland accounted for 16.3% of total exports to the European Union, while with the beginning of the full-scale invasion, this number rose to 23.76%. Subsequently, it dropped by 3.93%, which may result from the start of protests at the Polish border in Q4 2023. According to the State Statistics Service, Ukraine mainly exported ferrous metals (23.7%), fats and oils (8.6%), wood and wood products (8.0%), electrical machinery (7.3%), ores, slag and ash (7.3%), and furniture (6.8%) to Poland.

After February 24, 2022, imports of goods from Poland accounted for 20.49% and 20.32% of total imports from the EU in 2022 and 2023, respectively. Among the imported Polish goods, the largest share is accounted for by fertilizers (10.7%), mineral fuels, petroleum and its distillation products (10.1%), plastics and polymeric materials (8.0%), means of land transport other than rail (7.8%), and nuclear reactors, boilers, and machinery (6.8%).

In the pre-war period, Poland was also important for the export of services. In terms of exports, it ranked second with a share of 10.3%, second only to Germany. The main exported services to the EU countries included transportation services (29.6%), telecommunications, computer and information services (27.9%), material processing services (21.3%), and business services (13.2%). In comparison, Ukraine imported transportation services (25.5%), business services (19.4%), and construction services (15.6%). It is worth noting that Poland's imports of services are significantly lower than those of other European countries, such as Germany, Ireland, and Cyprus.

The tension in Ukrainian-Polish relations had a direct impact on trade in goods. According to the National Bank of Ukraine, exports declined sharply in Q4 2023, primarily due to a 21.7% drop in agricultural exports. In this case, not only that the beginning of farmers' blocking of the border crossing points between Ukraine and Poland had a significant impact, but also the termination of the grain deal, as grain exports fell by 37.8% compared to Q4 2022. In February 2024, when the situation remained unchanged, grain exports fell by an additional 11.4%. Now, we are not talking about a constructive dialog, but rather an escalation of the conflict. A striking example was the spillage of grain by Polish farmers in late February, which the Ukrainian side perceived as an act of vandalism³³. These restrictions contradict not only the Deep and Comprehensive Free Trade Area but also Article XI of the GATT³⁴ which prohibits quantitative restrictions on the importation or the exportation of any product.

³³ <<https://www.reuters.com/world/europe/polish-farmers-step-up-protests-with-total-blockade-ukrainian-border-2024-02-20/>>, last accessed on 15/04/2024.

³⁴ <https://www.wto.org/english/res_e/publications_e/ai17_e/gatt1994_e.htm>, last accessed on 25/04/2024.

The results of the Granger test that evaluates the hypothesis of the significant impact of Ukraine’s total merchandise exports and imports to the EU on national GDP, as well as the impact of Ukraine’s trade with 10 most significant in trade countries on its GDP are shown in Table 1.

Table 1. Granger test for the impact of Ukraine’s total merchandise exports and imports to the EU and the rate of inflation on national GDP

COUNTRY	The impact on Ukrainian GDP of:			COUNTRY	The impact on Ukrainian GDP of:		
	Export from Ukraine	Import to Ukraine	Inflation rate in Ukraine		Export from Ukraine	Import to Ukraine	Inflation rate in Ukraine
Whole EU	9.319 (0.009) ^a	4.808 (0.090) ^c	2.203 (0.332)	Bulgaria	6.683 (0.035) ^b	9.446 (0.009) ^a	0.739 (0.691)
Czech Republic	2.622 (0.269)	0.592 (0.743)	1.686 (0.431)	Germany	3.009 (0.222)	2.309 (0.315)	2.334 (0.311)
Hungary	0.071 (0.965)	3.021 (0.221)	0.808 (0.667)	Italy	2.521 (0.283)	1.471 (0.479)	2.117 (0.346)
Netherlands	10.968 (0.004) ^a	0.203 (0.903)	2.317 (0.313)	Poland	1.813 (0.403)	0.554 (0.758)	2.332 (0.311)
Romania	6.181 (0.045) ^b	0.871 (0.646)	3.411 (0.181)	Slovakia	0.341 (0.843)	0.615 (0.735)	0.995 (0.607)
Spain	2.658 (0.264)	7.794 (0.023) ^b	2.993 (0.2238)				

Note: behind the country name the sample range is listed in parentheses. The numbers in the parentheses beside the Wald statistics are the P-values: a, b, c represent the 1%, 5%, and 10% significance levels, respectively. All coefficients are filled in the table.

Source: authors` calculations.

Thus, according to the Granger causality test for Ukraine, its export-import operations with the countries of the European Union have a strong statistically significant effect on its GDP. At the same time, the greatest statistically significant effect is exerted by exports, for which the probability of statistical error in the Granger test is less than 1%.

It should also be noted that the results of the Granger causality test for Ukraine indicate a positive statistically significant impact on Ukraine’s GDP of exports to Netherlands, Romania and Bulgaria, as well as imports from Spain, Bulgaria and the EU as a whole.

These results of the Granger test, on the one hand, indicate that Ukraine’s trade with Poland, due to the unjustified restrictions imposed by Poland, has ceased

to have a statistically significant effect on Ukraine's GDP, and on the other hand, they confirm Ukraine's assertions that Poland's territory is primarily used as a transit of products to other EU countries, and not for sale on the Polish domestic market.

5. CONCLUSION

The research underscores the pivotal role of Ukraine's foreign trade with the European Union, particularly its export activities, in shaping the national GDP. Through the application of a VAR model and the Granger causality test, the study finds a strong, statistically significant impact of Ukraine's merchandise exports to the EU, with the highest effect observed in trade relations with the Netherlands, Romania, and Bulgaria. Despite the challenges posed by the Russian invasion and subsequent disruptions in trade routes, Ukraine's export growth, especially of agricultural products, has contributed positively to economic resilience.

However, the analysis highlights several impediments to Ukraine's trade, such as the imposition of unilateral restrictions by Poland and infrastructural damages from Russian military actions. These factors have complicated Ukraine's trade flow and reduced its competitiveness. Additionally, while the EU has provided vital support through initiatives like the Solidarity Lanes and temporary measures to mitigate market imbalances, trade disruptions continue to affect Ukraine's economic recovery and long-term integration prospects.

In conclusion, while Ukraine's exports to the EU significantly impact its economy, ongoing geopolitical tensions, infrastructure destruction, and protectionist measures from neighboring countries pose challenges to sustaining this positive economic trajectory. Further efforts to stabilize and expand trade relations with the EU are essential for Ukraine's economic development and post-war recovery.

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