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TENDENCIES OF EUROPEAN INTEGRATION PROCESSES DEVELOPMENT IN UKRAINE

The article highlights the main trends in the development of the integration processes of Ukraine and the EU. Historical prerequisites and current trends of economic convergence are analyzed. The level of Ukraine's integration with the EU has been determined. The analysis of current processes is based on the comparison of trends in public opinion towards the choice of the European integration vector and the analysis of the characteristic features of the development of the European integration processes since the entry into force of the Association Agreement between Ukraine and the EU. In the analysis of public opinion, the results of the analysis in the dynamics are presented, as well as the modern attitude of the citizens of Ukraine to the choice of the European integration direction is characterized. Positive results of strengthening of integration are defined and its weaknesses are outlined.

Keywords: integration, EU-Ukraine Association Agreement, European integration, integration processes, international economic relations.

Fig. – 11 , Ref. – 7

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ТЕНДЕНЦІЇ РОЗВИТКУ ЄВРОІНТЕГРАЦІЙНИХ ПРОЦЕСІВ В УКРАЇНІ

У статті висвітлено основні тенденції розвитку інтеграційних процесів України та ЄС. Проаналізовані історичні передумови та сучасні тренди зближення економік.

Визначено рівень інтеграції України з ЄС. Аналіз сучасних процесів побудовано на співставленні тенденцій щодо громадської позиції до вибору євроінтеграційного вектору та аналізу характерних рис розвитку євроінтеграційних процесів з моменту набуття чинності Угоди про асоціацію між Україною та ЄС. При аналізі громадської позиції наведено результати аналізу в динаміці, а також охарактеризовано сучасне ставлення громадян України до вибору євроінтеграційного напрямку. Визначено позитивні результати посилення інтеграції і окреслено її слабкі сторони.

Ключові слова: інтеграція, Угода про асоціацію між Україною та ЄС, євроінтеграція, інтеграційні процеси

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ТЕНДЕНЦИИ РАЗВИТИЯ ЕВРОИНТЕГРАЦИОННЫХ ПРОЦЕССОВ В УКРАИНЕ

В статье отражены основные тенденции развития интеграционных процессов Украины и ЕС. Проанализированы исторические предпосылки и современные тренды сближения экономик. Определен уровень интеграции Украины с ЕС. Анализ современных процессов построено на сопоставлении тенденций в общественной позиции к выбору евроинтеграционного вектора и анализа характерных особенностей развития интеграционных процессов с момента вступления в силу Соглашения об ассоциации между Украиной и ЕС. При анализе гражданской позиции приведены результаты анализа в динамике, а также охарактеризованы современное отношение граждан Украины к выбору евроинтеграционного направления. Определены положительные результаты усиления интеграции и намечает ее слабые стороны.

Ключевые слова: интеграция, Соглашение про Ассоциацию между Украиной и ЕС, евроинтеграция, интеграционные процессы, международные экономические отношения.

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Formulation of the problem. In the current context of international economic relations, integration processes become a driving force in enhancing both the competitiveness of the integration union and each country. After the disintegration processes that took place in the USSR, the Ukrainian economy was characterized by a reorientation and search for potential directions of integration that could strengthen the country's position on the world stage. Long-term discussions about the economic feasibility of integration with the format union soviet countries or EU countries have led to a consolidation in the strategic directions of Ukraine's European integration. In this regard, it is relevant to study the problems, results and prospects of further development of Ukraine's European integration processes.

Analysis of recent research and publications. Many works have been devoted to the study of European integration issues, in particular by such scientists as: O. Kvasha, A. Sinyakova, O. Fedorishina, K. Sirenko, V. Kozyuk, A. Krysovaty, Ye. Saveliev, H. Mashtalyr, S. Leskiv and others. Without undermining the results of the research, it is necessary to point out the need to identify current trends of Ukrainian European integration in the context of economic reform.

The purpose of the article is to identify the main trends in the process of Ukraine's integration into the European Union.

Exposition of basic material. There are several levels of integration in the world practice: preferential trade zone, free trade zone, customs union, common market, economic and political integration. Describing the historical background and the level of integration within which Ukraine-EU cooperation takes place, it should be noted that the first legal basis for relations between Ukraine and the EU have become “The partnership and cooperation agreement (PCA) of 16 June 1994 (came into force 1 March 1998), which initiated cooperation on a wide range of political, trade, economic and humanitarian issues. The next important steps defining the European direction were the EU Integration strategy, the EU-Ukraine action plan, the association agenda, the ongoing negotiations on the Association Agreement. As of November 2014, certain parts of the Association Agreement have been provisionally applied. This has strengthened EU-Ukraine cooperation on human rights, fundamental freedoms and the rule of law; political dialogue and reform; and the displacement of persons. On September 1, 2017, the EU-Ukraine Association Agreement entered into force. The Association Agreement, including the Deep and comprehensive free trade area (DCFTA), is a key instrument for bringing Ukraine closer to the EU. The DCFTA offers to Ukraine the basis for modernizing its trade relations and economic development, by opening markets and harmonizing legislation, standards and regulations in various sectors. This will promote to ensure that key sectors of the Ukrainian economy meet EU standards. Thus, Ukraine is currently at the second level of integration, that allows to conclude that a large number of stirring are necessary at the stage of full EU membership.

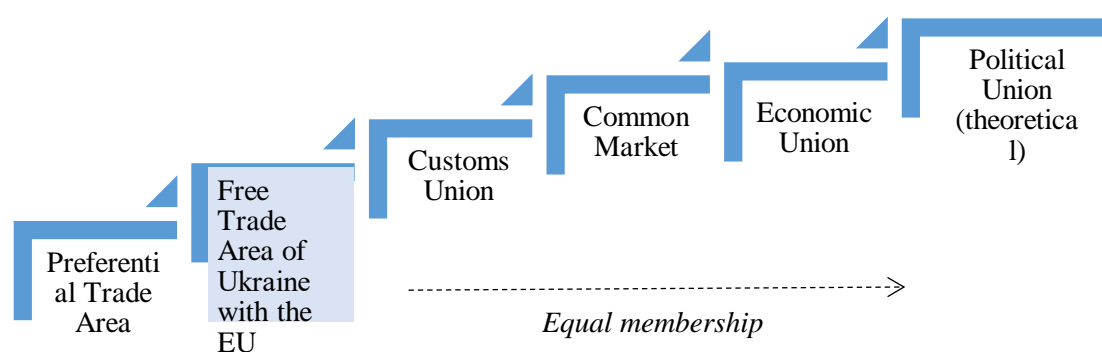


Figure 1. The level of Ukraine's integration with the EU

Our research was based on comparing the tendencies regarding the attitude of Ukrainian citizens to the choice of the European integration vector and the analysis of the characteristic features of the development of the European integration processes since the entry into force of the Association Agreement with the EU.

According to Ukrainian researchers on the path of European integration, there are also a number of internal obstacles related to the level of awareness of citizens, doubts about the benefits of such integration, EU requirements, disruption of relations with Russia and the CIS, public concern about Ukrainian producers' ability to withstand European rivalry and the fight

against corruption [4].

In 2018, the sociological company GfK Ukraine conducted a survey of the population within the project "Program to promote public activity "Join!". Almost two thousand people across Ukraine took part in the survey. According to the results of which for 30% of the polled, Ukraine's full EU membership is the best scenario for the development of integration processes. Most identify obstacles such as lack of funds and corruption. 21% of respondents believe that free trade without restrictions will be the best model for EU rapprochement. 20% of respondents are satisfied with the current level of relations, and 15% believe that it is necessary to abandon the idea of rapprochement, another 14% believe it is advisable to focus on the customs union (fig .2).

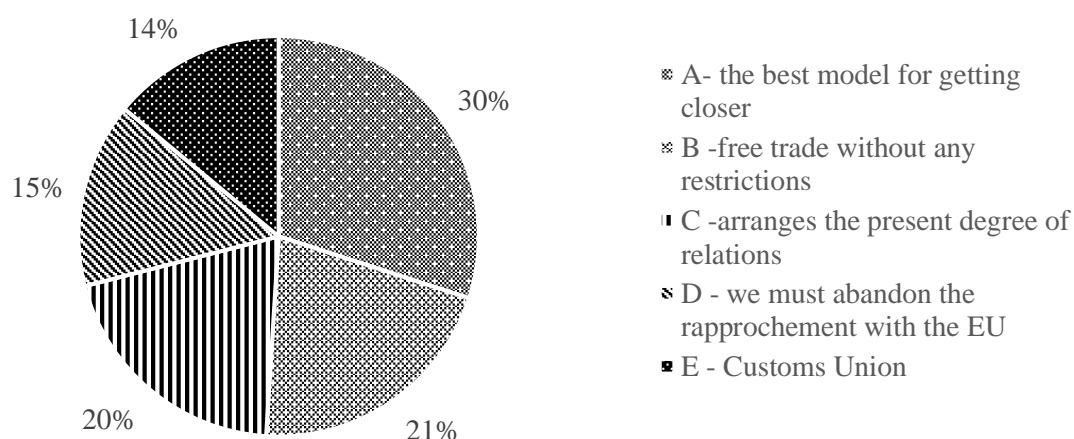


Figure 2. Choosing a population model for integration with the EU

Source: [3]

It is advisable to emphasize that in the West, 54% of those polled want full EU membership, while in the East only 13% are in favor of full membership and 25% are against it. Furthermore, 40% of Ukrainians claim that European integration will be successful if improvements are made to services in hospitals, public transport and social infrastructure [3].

Therefore, there are many internal problems, that slowing down the reforms, envisaged by the Association Agreement with the EU. The influence of the Russian factor, as well as the EU's presence at the stage of complex transformations related to the UK's exit from the EU, in search of a new model of development, exacerbates these problems.

For Ukraine, the evolution of pro-European sentiment in Ukrainian society is specific, due to the presence at the epicenter of two integration waves - the European and the Eurasian, which are radically different. Citizens' attitudes towards European integration were affected by both the inertia of the soviet heritage, the complex of the socio-political processes within the country, and powerful external influences. Under these conditions, the core of the supporters of the european integration course gradually formed and strengthened in the ukrainian society, but considerable resistance was constantly observed. Based on the Razumkov Center's research, it should be noted that during the period 2002-2017 there is a decrease in the number of opponents of European integration. Significant changes have been recorded since 2014. According to the research, the attitude of Ukrainian citizens to the Russian Federation has changed radically. In particular, most respondents emphasize the need to minimize or reduce contacts with Russia.

Since 2014. there is a trend of increasing European sympathy in society. In december

2017 almost 60% of ukrainian citizens have already supported Ukraine's accession to the EU (fig. 3.)

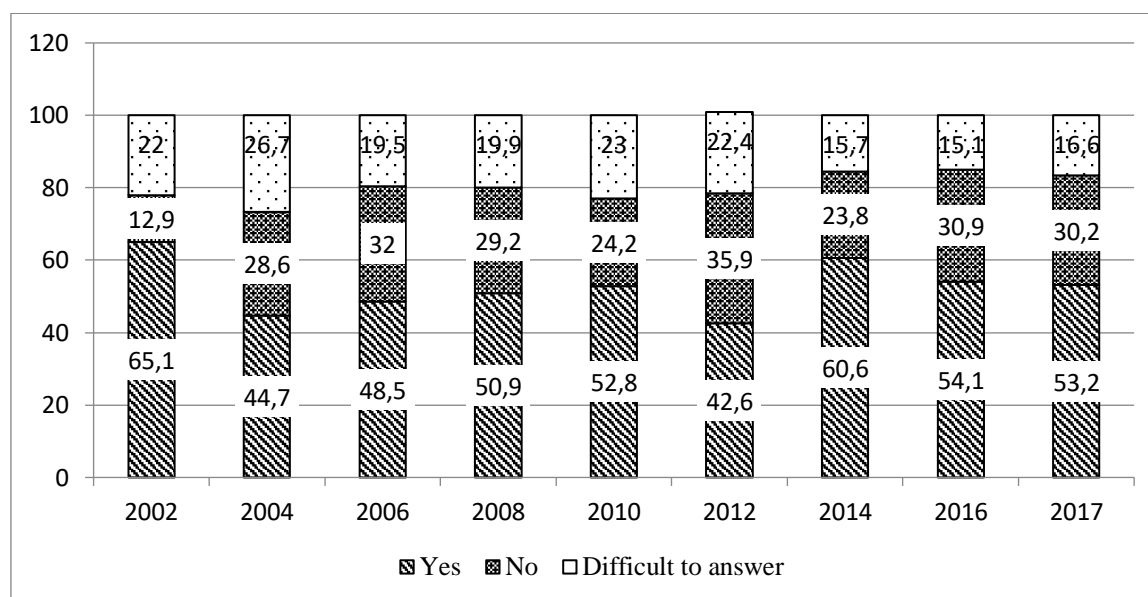


Figure 3. Distribution of answers to the question “Should Ukraine join the EU, %

Source: [7]

Thus, the positive attitude towards the EU is generally dominant among ukrainian citizens. As a result of the December 2017 survey according to the respondents, the attractive image of the European Union consists of a number of achievements and advantages, among which the respondents quite pragmatically note the following. First of all, it is a high level of social protection (46.4%). Important advantages of the EU are the rule of law (27.8%), advanced democracy (21.7%).

Estimating the potential positive and negative consequences of deepening Ukraine's integration with the EU, the majority (54.9%) of the respondents believe that the country will benefit from joining the European Union. However, about a quarter (22.5%) of people are pessimistic about losing. Compared to the results of a previous study in 2013, the proportion of positively minded citizens increased markedly (by almost 10%). Similar positive dynamics is also observed in estimates of personal gain or loss since joining the EU. From april 2013 till december 2017 the proportion of optimistic respondents increased (from 41.2% to 48.2%). Accordingly, the group of the convicted in the personal loss decreased (from 25.6% to 20.3%) [7].

The potential readiness of citizens to vote in a hypothetical referendum for Ukraine's accession to the EU is a rather demonstrative illustration of the level of pro-European sentiment in Ukrainian society. Comparing the results of the polls for 2017 and 2020, it should be noted that the number of those who do not want to participate in the referendum has decreased. Thus, in 2017 this share was 26.5%, and in 2020 - 5.9%.

Analyzing the current attitude of citizens to join the EU, it should be noted that 63.3% of those polled would support this position. The share of those who answered negatively is 21.6% (fig.4).

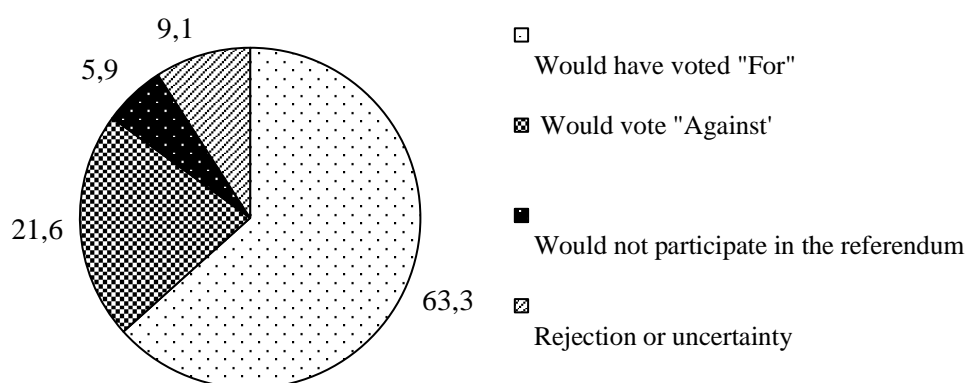


Figure 4. Results of a poll on a possible referendum on EU membership (2020), %

Source: based on [5]

The results of the survey differ significantly by region, with 78.4% of the citizens of Western Ukraine and 46.8% of the Eastern support.

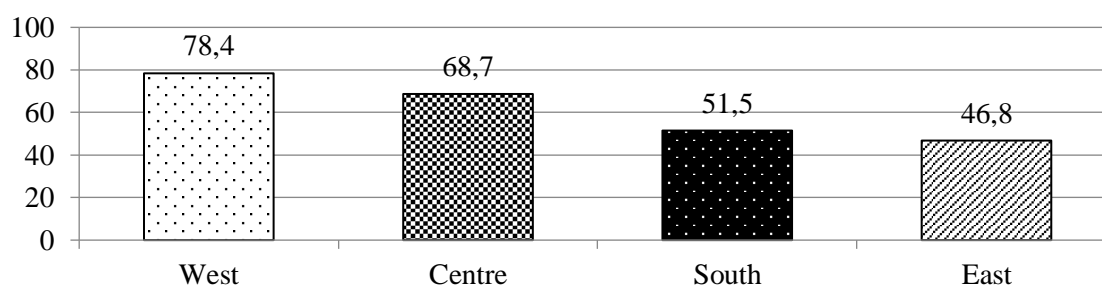


Figure 5. Results of the poll on the possible referendum on EU accession by region (2020), %

Source: based on [5]

It should also be noted that the political forces overwhelmingly support the European integration trend, in particular, "European Solidarity" - 95% would support this trend in a referendum, "Servant of the People" - 73, 3%, "Motherland" - 68.3% [5].

Thus, the majority of Ukrainian citizens are aware of the importance of European integration processes.

2018 is the first full year of implementation of the Association Agreement with the EU. The entry into force of the 2017 Agreement has raised challenges for the country to implement its provisions.

The annual monitoring of the implementation of the provisions of the Agreement shows some positive effects of the steps taken, although overall there is a significant failure to meet the planned within the framework of this Agreement. Significant static effects are observed in trade. The geographical structure of Ukraine's trade has changed. Thus, as of 2018, exports to EU countries accounted for 42% of total exports. About 15,000 Ukrainian enterprises export their goods to EU countries. Compared to 2013, in 2018 the growth rate of trade in goods amounted to 670%. Despite the negative balance of trade in goods with the EU countries as of 2018, it should be noted that the dominance of imports over exports has also decreased by 70% compared to 2013 (fig.6) [2].

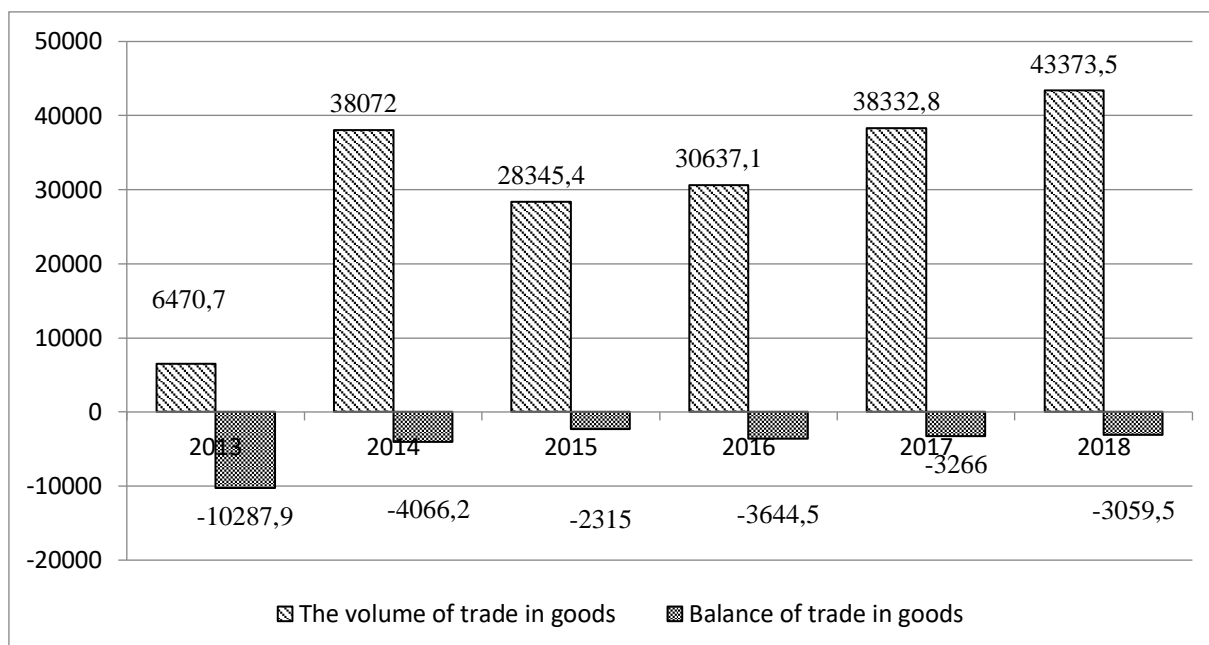


Figure 6. Dynamics of trade in goods and trade in goods with EU countries, mln. USA
Source: based on [6]

European integration certainly creates not only opportunities for export to the EU, but also increases access to third-country markets. It should also be noted that success in the field of European integration is a decrease in the pressure on Ukraine by the Russian Federation. In 2018, the approach to the implementation of the Agreement was changed in Ukraine, as the Government adopted an Action Plan for the implementation of the Association Agreement, which clearly outlines all the tasks and provides an opportunity to monitor the implementation of the Agreement and to plan additional measures based on this basis. Some changes have also taken place in the model of interaction between the Government and Parliament. Thus, in 2018 the list of priority European integration bills for consideration by the Verkhovna Rada for 2018-2019 was approved and is constantly updated.

However, as noted, not all results of the implementation of the Association Agreement with the EU are positive. The lack of institutional capacity of the ministries hinders the fulfillment of the tasks of the Agreement on time and in full. Significant opposition from individual interest groups reduces the effectiveness of passing European integration bills in Parliament.

Progress towards the tasks scheduled for 2018 was 52%. The greatest progress has been made in the areas of entrepreneurship (89%), agriculture (86%), reduction of technical barriers to trade (70%), social policy and employment (70%). (fig. 7).

The lowest levels of performance are observed in the areas of education, training, youth (13%), transport and postal services (15%), public procurement (16%), the environment and civil protection (22%).

Today the main areas of economic cooperation between Ukraine and the EU are energy, investment and trade. Let us first consider trade as the main driver of economic growth.

As noted above, the bulk of Ukraine's exports are exports to EU countries. Considering the structure of trade by countries, it should be noted that only half of the countries provide a positive trade balance (fig. 7).

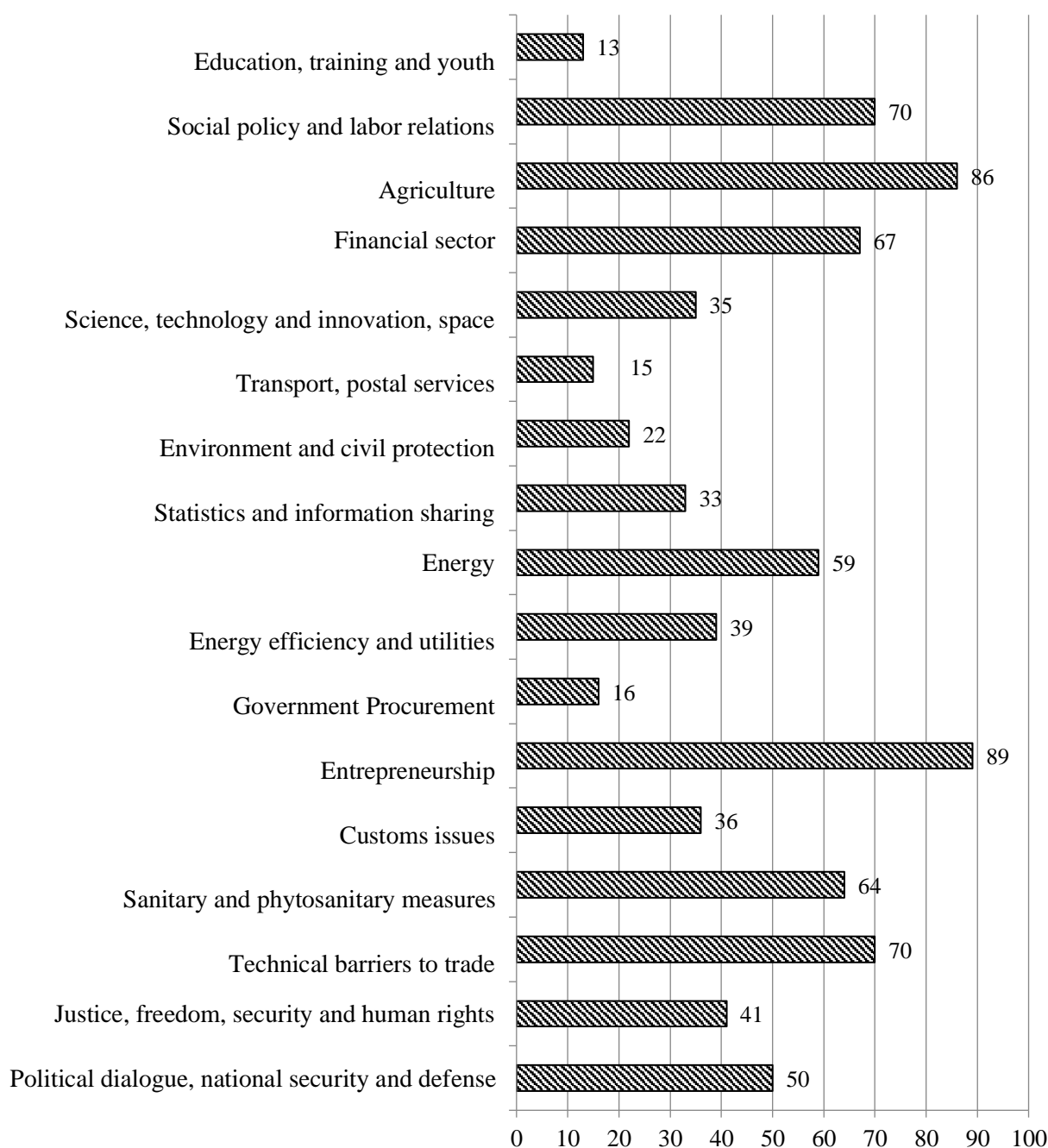


Figure 7. Progress in the implementation of the EU Association Agreement with the EU in 2018., %

Source: (EU-Ukraine Association Agreement 2018 Implementation Report, 2019)

The largest excess of exports over imports is observed in trade with the Netherlands, where the balance is equal to \$ 827 million. US, provided that exports to the country decreased by almost 5%. The smallest negative balance is observed with Germany -3.7 billion US dollars, but export growth to the country in 2018 was almost 26%. And the largest trading partner among EU countries - Poland provides a negative balance and an average export growth rate - 19% (fig. 8).

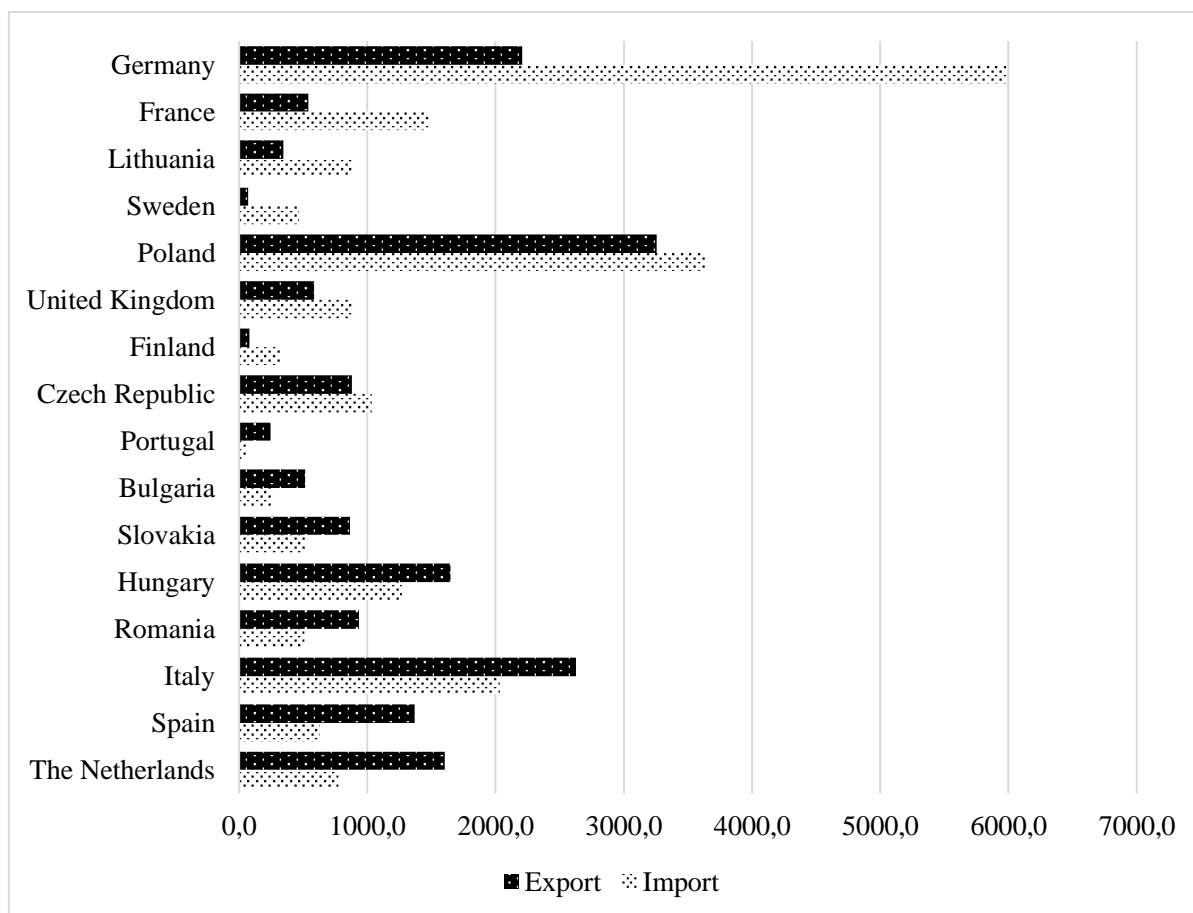


Figure 8. External trade with EU countries in USD million US 2018

Source: based on [6]

Increasing exports to the Visegrad countries shows a tendency to focus on near markets, although they are less competitive. Instead, in highly developed countries such as Germany, England, Italy and the Netherlands, the growth rate of exports is lower, that highlights the problem of diversification of markets for Ukrainian products. (fig.9).

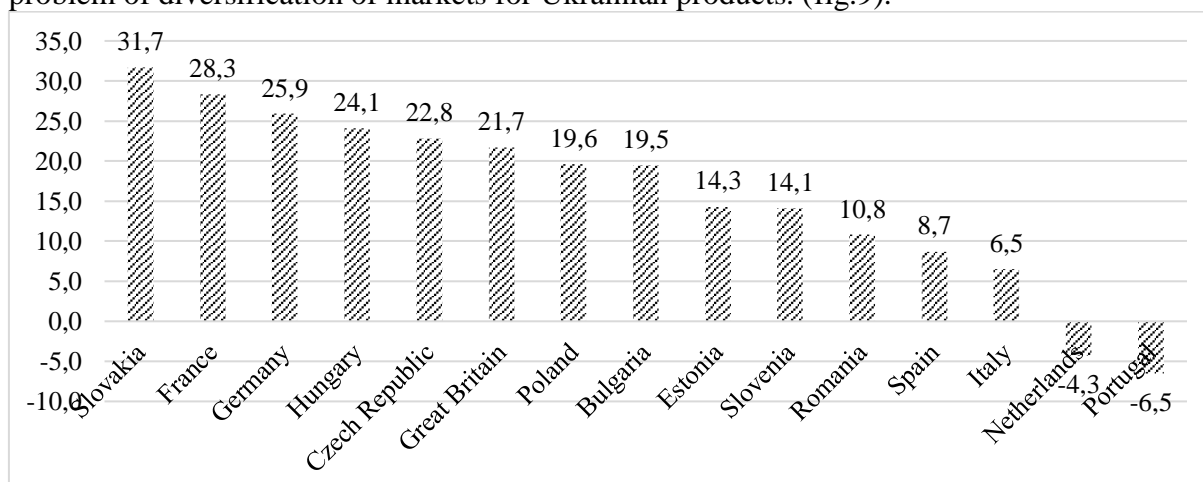


Figure 9. Ukraine's export growth to EU countries in % by 2017

Source: based on [6]

If we look at the commodity structure of exports to EU countries, we can clearly see the

raw material orientation. However, exports of finished goods are increasing every year, which is an indicator of the development of trade relations with the EU (fig. 10).

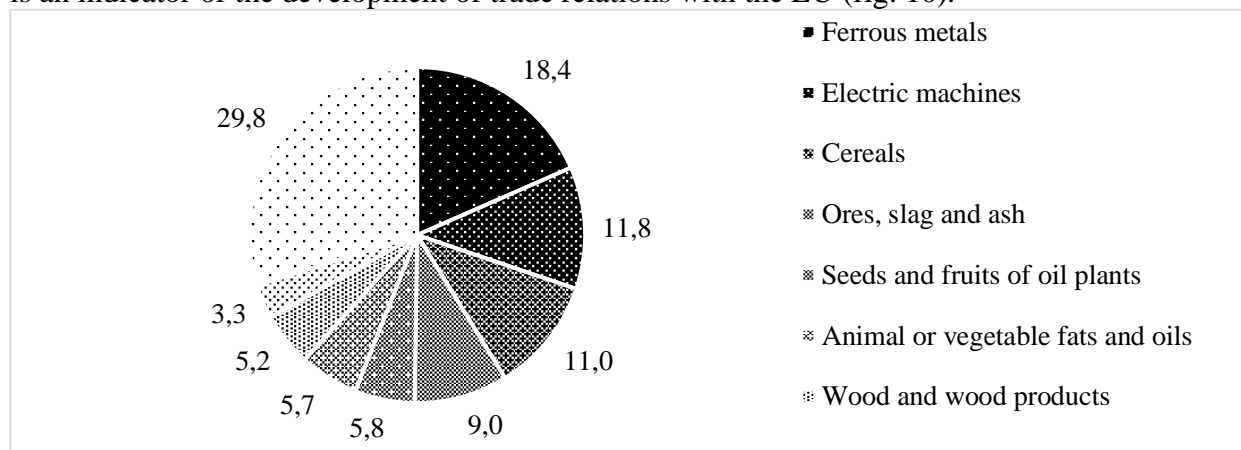


Figure 10. Commodity structure of exports to the EU countries in 2018 in%

Source: based on [6]

Another problem of Ukrainian trade integration with the EU is the small differentiation of export commodity structure. The reason for this may be the unwillingness of the domestic producer to meet the requirements and standardization of the European Union for imported goods.

The national producer has long focused on the markets of the CIS countries, which are similar in both development and regulation to the Ukrainian one. Currently, there is a reorientation towards a more complex European market, and most manufacturers are not ready to actively cooperate with the new market because of the relics of the soviet mentality. From here we have the problem of supplying raw materials and semi-finished products, instead of developing sales of finished products with higher added value.

As for the energy area of the Association Agreement, the Government Office for Coordination of European and Euro-Atlantic Integration reports that 59% of the conditions have already been fulfilled. In particular, in 2018, an agreement was reached between the EU and Ukraine on a new list of energy-binding acts required for implementation. Also, a new model of the electricity market was created, reliable and uninterrupted centralized heat supply was provided, efficiency of electricity and thermal energy production was improved through the reconstruction of thermal power plants and other steps [1].

However, all adopted regulations and changes are still valid only in theory. At present, the population of Ukraine still suffers from inefficient energy activities and excessively high utility bills. The energy dependency of Ukraine and the weak development of alternative energy sources are also an urgent problem. Although the country has a favorable geographical location and favorable climatic conditions for the development of the alternative energy sector. European countries have long taken a course in the development of solar and wind energy in order to green their electricity generation and to meet their own demand for energy.

European investments are very important for the country's development. If one looks at the dynamics of FDI from EU countries, there is a clear decline in investment inflows from both the general and the EU. This indicates a decrease in investor activity in the Ukrainian market (fig.11).

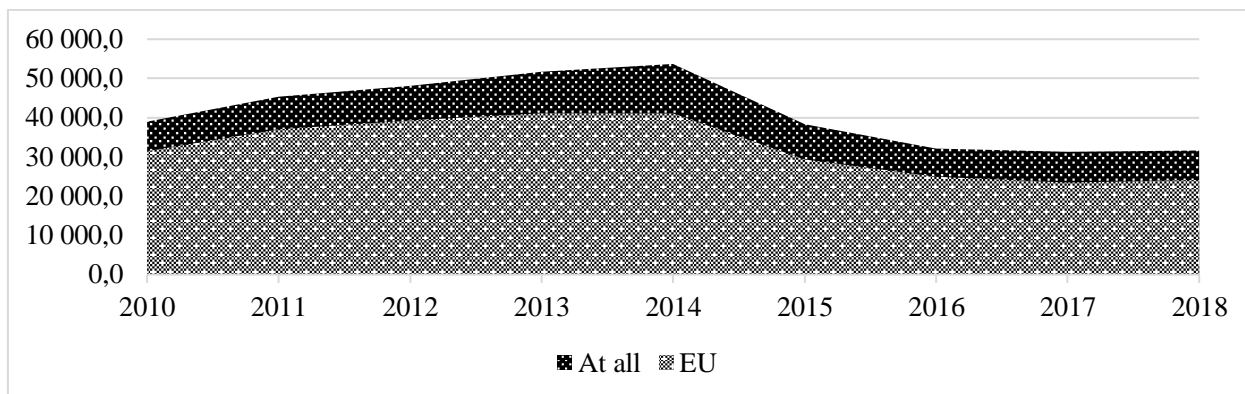


Figure 11. Dynamics of FDI from EU countries in 2010-2018 in million USD

Therefore, despite some positive static effects from the strengthening of Ukraine's EU integration processes, there are some weaknesses that need to be addressed to achieve dynamic effects.

Conclusions. Analysis of Ukraine's European integration processes shows the positive tendencies of their development. In particular, the European integration vector of the country is recognized and supported by the majority of citizens and political forces of the country. Therefore, there is reason to argue that Ukraine has passed the stage of choice between the European and Eurasian vectors of the country's integration development. Describing the current situation regarding the implementation of the Association Agreement with the EU, it should be noted that there are some positive changes that are envisaged by the Agreement, but the status of implementation of many of the provisions stated in it indicates a low level of their implementation. Given the positive economic impact of Ukraine's integration with the EU, it is necessary to strengthen the effectiveness of implementation of the Agreement in the direction of the transition to the next level of integration.

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