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## UKRAINE'S PARTICIPATION IN EUROPEAN INTEGRATION PROCESSES

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The article examines international economic integration processes, goals and forms of international integration. Special attention is paid particularly to European integration processes and the historical path of Ukrainian European integration. Positive shifts in the direction of further European integration are indicated: proposals and plans of European countries to help our country in the difficult time of being at war, by intensifying economic and political integration processes. The political component of integration processes is considered with an emphasis on historical events, the results of European integration in the last year 2021, the current state in 2022 and plans for the near future. The economic consequences of Ukraine's European integration are considered from the point of view of bilateral trade with the EU and the dynamics of Ukraine's GDP in recent years. It has been proven that the results of export-import transactions with the countries of the European Union have a positive effect on the level of GDP growth. The main focus is on the negative consequences for the country's economy, in particular the fall in GDP, which may occur as a result of the russia's full-scale invasion of the territory of Ukraine. The results of the activity of the single industry of IT services, which continues to actively develop in the conditions of the war and should ensure the transition of Ukraine to the post-industrial technological order, are considered. The need for further development of the IT industry, which is an active participant in integration processes and will have a direct positive impact on the country's economy in the future, is noted. It has been found that one of the promising ways of further European integration of Ukraine during the war is to increase the volume of export-import operations with EU countries, in particular through the provision of services by Ukrainian IT companies.

## УЧАСТЬ УКРАЇНИ В ЄВРОПЕЙСЬКИХ ІНТЕГРАЦІЙНИХ ПРОЦЕСАХ

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### Ключові слова:

інтернаціоналізація,  
міжнародна інтеграція,  
економічна інтеграція, експорт,  
політична інтеграція,  
ВВП України, євроінтеграція

В статті досліджуються міжнародні економічні інтеграційні процеси, цілі та форми міжнародної інтеграції. Особлива увага приділяється безпосередньо європейським інтеграційним процесам та історичному шляху української євроінтеграції. Зазначені позитивні зсуви у напрямку подальшої євроінтеграції: пропозиції та плани європейських країн щодо допомоги нашій країні у скрутні воєнні часи, шляхом активізації економічних та політичних інтеграційних процесів. Розглянуто політичну складову інтеграційних процесів з акцентом на історичні події, результати євроінтеграції за останній 2021 рік, теперішній стан у 2022 році та плани на найближче майбутнє. Розглядаються економічні наслідки євроінтеграції України з погляду на двосторонню торгівлю з ЄС та динаміку ВВП України за останні роки. Доведено позитивний вплив результатів від експортно-імпортних операцій саме з країнами Європейського союзу на рівень зростання ВВП. Зосереджено увагу на негативних наслідках для економіки країни, зокрема падіння ВВП, що може статись в результаті повномасштабного вторгнення росії на територію України. Розглянуто результати діяльності єдиної галузі ІТ-послуг, що в умовах війни продовжує активно розвиватись та має забезпечити перехід України до постіндустріального технологічного укладу. Зазначено необхідність подальшого розвитку ІТ-індустрії, яка є активним учасником інтеграційних процесів та буде мати безпосередній

позитивний вплив на економіку країни в майбутньому. З'ясовано, що одним з перспективних шляхів подальшої євроінтеграції України під час війни є нарощування обсягів експортно-імпорتنних операцій з країнами ЄС, зокрема через надання послуг українських ІТ-компаній.

### Statement of the problem

This study is very relevant for Ukraine, whose integration trends are considered in the context of the declaration of commitment to European values, which with incredible acceleration have set out on the path to their implementation. The economic prerequisites for Ukraine's integration into the EU were formed on the basis of economic and institutional assurance of sovereignty, assessment of economic potential and directions of structural restructuring, assessment of export potential, development of an export-import strategy and mechanism for regulating foreign economic activity, and many other economic aspects. Ukraine has taken important steps towards European integration, although Ukraine's choice in this direction was challenging for the country and had contradictory consequences. But this, without a doubt, is the best way to realize national interests.

### Analysis of recent studies and publications

Many researchers are invested in the impact of integration processes on all spheres of human life. Many researchers have paid considerable attention to the integration processes. I. Matyushenko, S. Berenda, and V. Reznikov [1], who studied and systematized the processes of European integration of Ukraine in the system of international economic integration, can be singled out among the domestic researchers. Vynnyk V. investigated the trends and prospects of Ukraine in the European integration processes [2]. The works of O. Stefanishyna [4] contributed to the expansion of ideas about integration processes, the importance of the European integration course of the Ukrainian government, which will allow us to finally wish a farewell to the remnants of the Soviet past, economic and technological backwardness and turn Ukraine into a developed country with a high standard of living.

Special attention in the study is paid to the unexpected acceleration of the European integration of Ukraine in the conditions of the full-on invasion of the territory of Ukraine by Russia.

### Objectives of the article

The purpose of the article is to investigate the current state of integration processes and to identify ways of further European integration of Ukraine in arduous time of war.

### The main material of the research

International economic integration aims to create and develop international economic relationships and unify the national economies of different countries of the world. Such a combination occurs due to the state policy of the countries of the world, aimed at regulating economic relations on the single common world market.

In order to implement international economic integration processes, it is necessary that the states

participating in these processes have a sufficiently close level of development of economic and political relations. The higher the level of socio-economic development of the countries, their compatibility in outlook and way of life, the more favorable the conditions for the integration grouping will be. The result of such integration should be the creation of equal conditions for the development of international trade and mutual financial settlements for the participating countries. The interweaving of the economies of the countries of the world takes place in order to implement the following goals:

- increasing the opportunities of each individual region to export/import goods, services, labor and financial resources;
- international regulation of economic processes, including through the elimination of barriers in international trade;
- transformation of regional farms into interstate economic complexes;
- improvement of the national structure of production, dissemination of advanced technologies and improvement of the quality of goods;
- increasing investment attractiveness and activity, which leads to acceleration of economic development;
- development of national economies to the level of countries participating in integration processes.

The implementation of the above-mentioned goals, which is economic integration, takes place in various forms, listed in Table 1.

The advantages of the international division of labor, the desire to develop international trade, the exchange of knowledge and technologies led to Ukraine's active participation in modern integration processes. For Ukraine, European integration is a way to modernize the economy, attract foreign investment and the latest technologies to overcome technological backwardness, access to world markets and create reliable mechanisms of political stability, democracy and security.

On the way to European integration, Ukraine has gone through a complex, multi-level and long-term process in the political, social, economic and cultural spheres. The first intentions of Ukraine to develop relations with the European Union were announced in the Resolution of the Parliament of Ukraine dated July 2, 1993 "On the main directions of Ukraine's foreign policy".

Among the CIS countries, Ukraine became the first to conclude the Agreement on Partnership and Cooperation with the European Union (UPC), which defined the legal mechanism of interaction between the two parties. The political part of this Agreement was signed on March 21, 2014, the economic part – on June 27, 2014.

On September 16, 2014, the Parliament of Ukraine and the European Parliament simultaneously ratified the Association Agreement between Ukraine and the EU. The full Association Agreement between Ukraine and the

Table 1 – Forms of economic integration

A form of economic integration	Essence	Example
Free trade zone	Gradual reduction and abolition of trade restrictions (tariff and non-tariff) for participating countries. Restrictions in relation to third countries are maintained.	CIS free trade zone
Custom Union	It provides for the establishment of a single customs tariff and the implementation of a single foreign trade policy in relation to third countries. In a number of cases, the customs union is supplemented by a payment union, which provides for the mutual convertibility of currencies and the functioning of a single settlement monetary system.	Customs Union of Russia, Belarus and Kazakhstan
Common market	In addition to goods and services, the integration process includes factors of production (capital and people) and to some extent coordination of foreign economic policy.	European Union
Economic union	Agreements on a free trade zone, a customs union, and a common market are supplemented by agreements on general economic and currency policy. Supranational institutes of management of the integration community are formed - councils of heads of state, councils of ministers, central bank, etc. At a certain stage of the formation of the economic and monetary union, it is envisaged to conduct a single currency policy and introduce a single currency with the active participation of a single central bank.	Economic and Monetary Union of the European Union
Political union	The transformation of the integration association into a confederal state with all the consequences that follow, in particular, the transformation of supranational governing bodies into central governing bodies with even greater powers and authority.	Swiss Confederation of Cantons

Source: compiled by the author based on [3]

EU entered into force on September 1, 2017. This is an international legal document, which at the contractual and legal level establishes the transition of relations between Ukraine and the EU from partnership and cooperation to political association and economic integration [4].

During 2021, the government of Ukraine paid great attention to the implementation of the Association Agreement with the EU. As of December 2021, 61 % of all obligations have been fulfilled, which means that more than half of the obligations have already been accomplished in half the term for which this Agreement was designed. More than 30 draft laws on a wide range of issues related to the protection of intellectual property rights, energy efficiency, energy, technical regulation, environmental protection, cyber protection, protection of citizens' health and others were also supported. Negotiations with the EU on revising the trade parameters of the Agreement were still in process. And during 2022, it was planned to make a joint assessment with the EU of achieving the goals of the Association Agreement, which was to become a road map for Ukraine's further integration into the EU. But the military events in Ukraine gave impetus to the rapid development of the European integration process of Ukraine.

In just two months of 2022, Ukraine completed a journey that takes years in peacetime, namely: on February 28, 2022, it applied for EU membership, on April 8, 2022, it received a questionnaire from the head of the European Commission, on April 17, 2022, it filled out the first part, and on May 9, 2022, 2022 also handed over the second part of this document. Finally, on June 23, 2022, Ukraine received a positive response regarding the acquisition of candidate status for EU membership [5]. Considering the above, there is every reason to hope for Ukraine's accession to the EU immediately after the end of hostilities on the country's territory.

The result of European integration from the point of view of bilateral trade between Ukraine and the European Union was the growth of export-import operations by almost two times, namely: the export of Ukrainian goods to the EU reached 26.8 billion US dollars; the volume of imports from 27 EU countries to Ukraine – 28.9 billion US dollars (see Fig. 1).

The trend towards active growth of export-import commodity operations with the EU had a short-term subsidence only in 2020 and was caused by the negative impact of the pandemic on the world economy. Taking

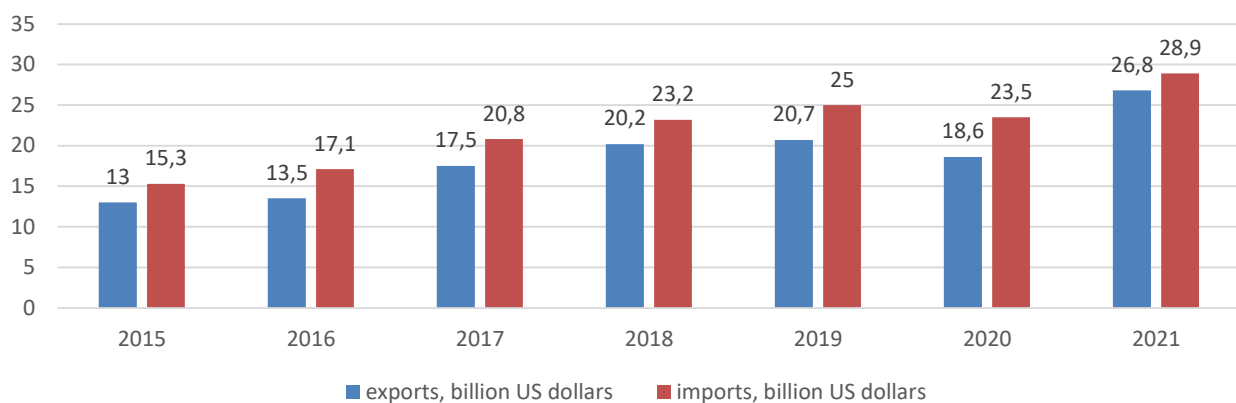


Fig. 1 – Volumes of export and import of goods between Ukraine and the EU in the period 2015–2021 [6]

into account that the share of exports of goods to the EU countries in 2021 reached almost 40%, attention should be paid to the growth of the nominal GDP of Ukraine in the same period (see Fig. 2).

For the first time in the entire history of independent Ukraine, the country’s GDP reached the mark of 200 billion US dollars. According to the data of the state statistical authorities, the main contribution to the growth rate of Ukraine’s GDP was provided by the growing consumption of households and the growth of investments, but the influence of the external sector partially neutralized the results of the growth of domestic demand. In particular, during the last four years, the balance of export-import operations had the following dynamics (see Table 2).

The share of the negative balance of export-import transactions in GDP has a tendency to significantly decrease from 8.6% in 2018 to 1.1% in 2021. One of the reasons for such a positive process was export-import operations with European countries during the last year of 2021. The results of trade in goods and services with EU countries in 2018–2021 are shown in Figure 3.

Against the background of growth in the volume of export-import transactions on the world market, imports to Ukraine are steadily ahead of exports, and EU countries are no exception. However, European integration processes have become one of the factors that have a positive impact on the country’s economy due to the active growth of export operations by 9.45 billion US dollars over the last

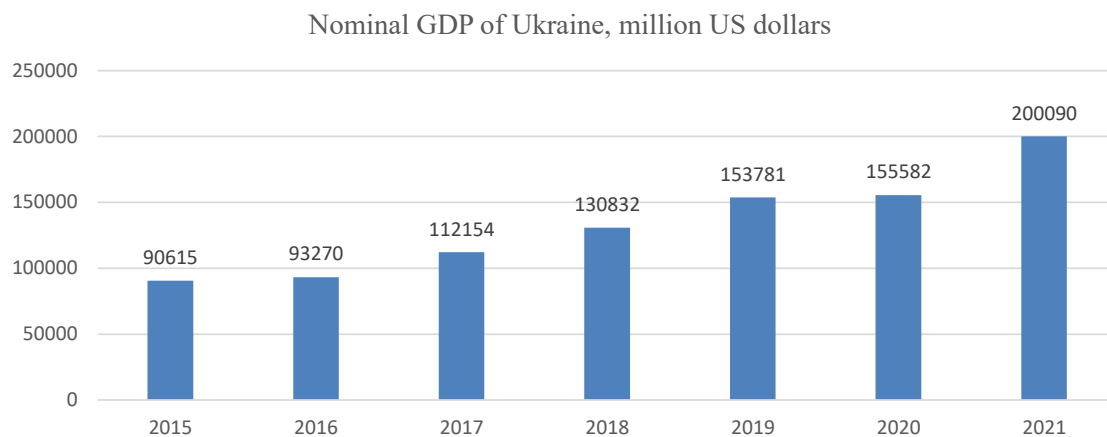


Fig. 2 – Nominal GDP of Ukraine in the period 2015–2021 [7]

Table 2 – Foreign trade balance of Ukraine in the period 2018–2021, million UAH

Nominal GDP		Export		Imports		Balance	
in a year		goods and services		goods and services		(export - import)	
year	million hryvnias	million hryvnias	% of GDP	million hryvnias	% of GDP	million hryvnias	% of GDP
2018	3558706	1608890	45.2	-1914893	-53.8	-306003	-8.6
2019	3974564	1636416	41.2	-1947599	-49.0	-311183	-7.8
2020	4194102	1637399	39.0	-1681526	-40.1	-44127	-1.1
2021	5459574	2224704	40.7	-2286067	-41.9	-61363	-1.1

Source: compiled by the author based on [8]

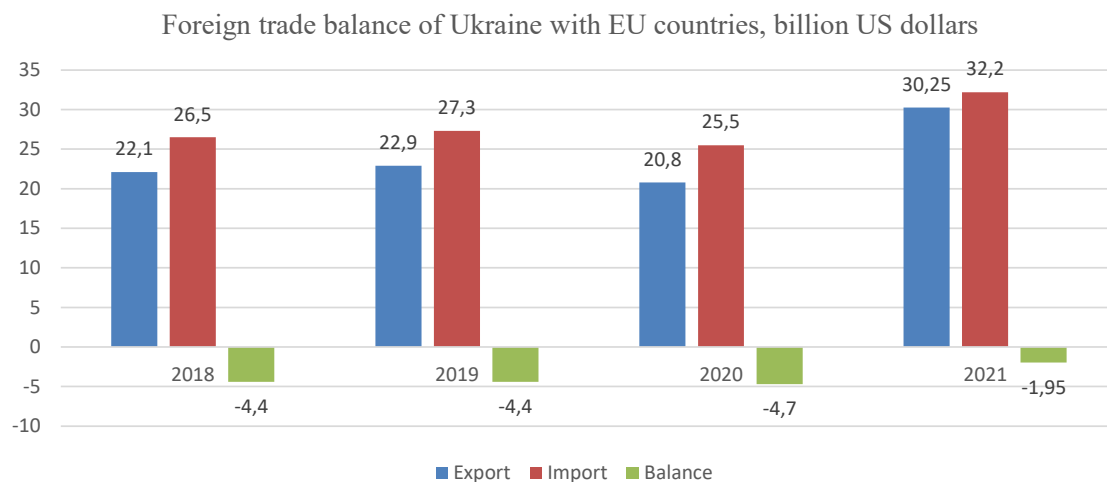


Fig. 3 – Foreign trade balance of Ukraine with EU countries in the period 2018–2021, billion US dollars [6]

year, while imports grew by only 6.7 billion US dollars in the same period.

Therefore, the gradual increase in export volumes to EU countries should become one of the priority factors that will have a positive impact on GDP growth rates.

According to the World Bank, published in March 2022, war events can cause a drop in GDP by 45.1%, the IMF predicts a drop in GDP by 35% already in 2022. Unlike the forecasts of the World Bank and the IMF, the EBRD forecast was announced at the level of 20%. Ukraine's economy is expected to recover by 25% in 2023 after a 30% drop in 2022, according to a new EBRD forecast. Such fluctuations in analysts' forecasts are definitely related to the above-mentioned intensification of European integration processes and inspire Ukrainians to further restore and rebuild the economy.

Further promotion of economic integration is a vital necessity for Ukraine. This process became especially significant after the beginning of the full-scale invasion of the territory of Ukraine by Russia, because the only remaining sales market for Ukrainian manufacturers is the European market, which increased by 6% in the period January-May 2022 compared to the same period in 2021. The war inevitably affected the geography of goods exports: the total volume of exports to the countries of Asia and Europe in 2021 was 40% and 38%, respectively, and during the first half of 2022, the share of the European market was 78% of the country's total exports.

One of the incentives for such growth was the decision of the European Commission, adopted in June 2022, to cancel tariffs and restrictions for Ukrainian exporters for one year. Understanding that half of the exports to Europe are ferrous metals, iron ores, grain and oil, it can be assumed that the adoption of such a decision by the Europeans will allow Ukrainian enterprises in these areas to export to the EU during the year without restrictions and quotas, which were stipulated by the association with the EU.

Powerful companies that strive to achieve the optimal scale of economic activity by cooperating with companies of other countries without any restrictions act as the engine of international economic integration. Such companies expand the sales markets of their products and, thus, revive international trade, contribute to the development of the economy and the elimination of borders in the international market. At the same time, powerful companies should not be understood only as large ones. In the conditions of globalization and internationalization, small and medium-sized businesses turned out to be no less mobile, capable of adapting to the new realities of the international market and implementing the latest technologies, being included in the production structure of large corporations and even successfully competing with large businesses.

In this context, it is especially inspiring that in the conditions of martial law, destruction of logistics, mobilization, forced relocation of businesses and mass theft of agricultural goods of Ukraine (which were supposed to provide the main revenues to the budget) by Russia, the country has the only industry that is growing during 2022. In the 1st quarter of 2022, the export IT industry of Ukraine provided record revenues in the amount of 2 billion US

dollars. In February 2022, the export figure from the IT industry in the amount of 839 million US dollars became the highest in the entire history of the Ukrainian IT market [9]. Export revenues from IT services of Ukraine for January-May 2022 amounted to 3.2 billion US dollars, which is 27% more than in the same period of 2021. The main consumers of Ukrainian services in this field are the USA, Great Britain, Malta, Israel and Cyprus. The share of US exports is 40%, and the share of European countries reaches 20% and is growing dynamically. In general, Ukraine has become one of the largest exporters of IT services in Europe [10]. According to optimistic forecasts of analysts, the share of exports of the Ukrainian IT industry was supposed to increase to 10% no earlier than 2025, but the results of the first half of 2022 demonstrate that the forecast indicators have already been reached and will exceed the planned by two times by the end of the year.

The Ukrainian government's strategy for economic recovery on the development of the country is based on the advancement of the IT industry, which should increase its share in the country's GDP from the current 4% to 40% within the next ten years. The main tool for achieving this goal should be the new developments of the Ministry of Digital Affairs: "Diya.City" and "Digital4Freedom". It should be noted that the global development trends of European countries, as well as Ukrainian ones, are aimed precisely at the transition to a post-industrial technological system, which should be based on the improvement of the service sector and the reduction of the share of agriculture and industry in GDP. Luxembourg, Cyprus, Malta, France and the Netherlands are the leaders among the EU countries in which the share of the service sector prevails in GDP today [11]. Cooperation with Cyprus and Malta has already begun, and we see that there is a prospect of increasing the export of IT services to other European countries.

Therefore, the course of the Government of Ukraine, in the direction of the maximum digitization of all processes and the development of the IT industry, achieved unprecedented results and gave hope for saving the country's economy in difficult wartimes.

### Conclusions

The events of 2022 demonstrated the ability of Ukrainians not only to reform internal processes, but also the ability to create a new history of Europe as a whole. Today, when 91% of Ukrainians are in favor of EU membership, and public support for Ukraine's integration into the EU is the highest in history, a unique situation has developed that has helped the political forces of Ukraine to realize national interests regarding European integration in the shortest possible time.

Analysis of the economic component of European integration processes from the point of view of bilateral trade in recent years has shown positive dynamics and a positive impact on GDP growth. Restrictions on sales markets during the full-scale war prompted domestic exporters to actively integrate into the European economy, because Europe remained almost the only sales market for Ukraine. One of the factors that will positively affect the growth of the country's GDP is the constantly growing

volume of export-import operations with EU countries, provided there is a positive balance.

The only industry that withstood the hardships of the war, has not stopped and actively continues to develop is the IT industry. The services of this industry are in demand all over the world, in particular on the European market, and export revenues save the Ukrainian economy, which is suffering losses due to the war. Further support of the IT business with favorable tax innovations, grant programs

for training Ukrainians in the IT sphere and the creation of new jobs for IT startups by the government will save the country's economy and implement ambitious plans for the structural diversification of the Ukrainian economy.

The European choice of Ukraine, both for the Ukrainians themselves and for the European community, opens up new prospects for economic and political cooperation, provides opportunities for economic development and the creation of a new security system in the world.

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