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RISKS OF UKRAINIAN BUSINESS ENTERING THE EUROPEAN MARKET**РИЗИКИ ВИХОДУ УКРАЇНСЬКОГО БІЗНЕСУ НА ЄВРОПЕЙСЬКИЙ РИНОК****Kovalchuk A. / Ковальчук А. С.***Bachelor's degree student / студентка СО «Бакалавр»***Atamanchuk Z. / Атаманчук З. А.***Ph.D. in Economics, Assoc. prof. / к.е.н., доц.*

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Abstract. *The article is devoted to the risks associated with the Ukrainian foreign economic activity entities entering into the markets of European countries, particularly the European Union countries, studying. It is substantiated that entering the European market is an important step for Ukrainian companies, opening up new opportunities for growth and development. By expanding the geography of their activities, Ukrainian companies can increase their customer base, gain access to advanced technologies and innovations, and take advantage of various opportunities. It is argued that risk diversification is a key factor for successful entering into the European market. Ukrainian businesses that can minimize economic risks and adapt to the conditions of doing business in Europe by considering differences in business culture, overcoming language barriers, accounting for differences in values and expectations, discrimination, and social and cultural differences will have significant chances for success.*

Keywords: *risk, international business, European market, legislation*

Ukrainian enterprises entering into the European market opens up numerous new opportunities for Ukrainian entrepreneurs and also gives significant challenges. By expanding the geography of their activities, Ukrainian companies can increase their customer base, gain access to advanced technologies and innovations, and take advantage of various development opportunities. However, this process is accompanied by substantial political and regulatory barriers of the European Union (EU) market [1].

Many domestic and foreign authors have studied the risks of international business entities entering foreign markets, particularly the works of L. Artemenko, P. Bechko, Y. Gudz, I. Didovych, O. Minyaylo, A. Nesterts, Y. Polyakova, V. Chorny, O. Yashchuk, and others. The research of the impact of risks on the economic security of enterprises has been significantly contributed to by domestic scholars, including V. Bezbozhny, P. Bechko, O. Dubrova, Y. Zborovska, S. Klymenko, O. Kobylinska, O. Lyashenko, Y. Pogorelov, A. Romanova, B. Shevchyk, and others. However, the issue of the risks associated with Ukrainian enterprises entering the markets of European countries, particularly the European Union countries, requires further investigation.

The purpose of the article is to substantiate the risks associated with the entry of Ukrainian foreign economic activity entities into the markets of European countries, particularly the European Union countries.

One of the main problems faced by Ukrainian companies when entering the European market is connected with changes in legislation. The EU continuously updates and supplements its rules and regulations, which can create additional



difficulties for Ukrainian enterprises. For example, in the field of technical standards, there are numerous requirements that products and services exported to the EU must meet. These standards can significantly differ from those in Ukraine, so adapting to new requirements may require considerable efforts and investments. Furthermore, the sanitary and phytosanitary standards in the EU are extremely stringent. These standards aim to protect the health of people, animals, and plants, so Ukrainian producers must comply with these rules to gain access to the European market. This can be particularly challenging for food and agricultural product manufacturers, who are required to undergo thorough inspections and certification.

Intellectual property protection is another crucial aspect that requires attention from Ukrainian companies. The EU has clear legislation regarding the protection of patents, copyrights, and trademarks. Ukrainian companies need to thoroughly study these rules and comply with them to protect their innovations and brands from unauthorized use. Non-compliance with these norms can lead to serious legal issues and financial losses.

Customs restrictions also pose a significant challenge for Ukrainian exporters. The EU applies customs tariffs and quotas on imports from third countries, including Ukraine. These restrictions can increase the cost of goods for Ukrainian exporters, making them less competitive in the European market. High customs tariffs can significantly reduce the profitability of exports, and quotas can limit sales volumes.

However, in light of Russia's full-scale war against Ukraine, the EU has adopted Regulation 2022/870 dated by May 30, 2022, to support Ukrainian exporters by opening the European market to goods originating from Ukraine. Starting from June 4, 2022, the tariff restrictions provided for in the Association Agreement between the EU and Ukraine were temporarily suspended, including: import duties on industrial products, the application of the entry price system for fruits and vegetables, all tariff quotas on agricultural products, anti-dumping duties, and global safeguard measures concerning Ukrainian goods. At the same time, the European Commission reserved the right to reimpose tariffs in case of damage to European producers of these products. Initially, the new rules were to be in effect for one year, but on May 25, 2023, the EU Council adopted a regulation extending the suspension of all tariffs, quotas, and trade defense measures on Ukrainian exports to EU countries for another year, until June 2024 [2].

Geopolitical factors, such as the war in Ukraine and tensions between Ukraine and Russia, will generally have a negative impact on Ukrainian companies' access to the European market. The EU may impose additional sanctions against Russia, which could have indirect effects on Ukrainian businesses. Political instability and security risks may reduce the interest of European partners in cooperating with Ukrainian companies.

Certification procedures are another barrier faced by Ukrainian companies. To gain access to the European market, Ukrainian enterprises often need to undergo complex and lengthy certification processes. This can be prohibitively expensive and time-consuming, making it difficult to compete with European companies. For instance, product certification according to EU standards may involve numerous tests, audits, and inspections, requiring significant financial investments.



The need to adapt to new business standards is also an important aspect. The EU has its own rules and norms for conducting business. Ukrainian companies will need to adjust their business practices to meet European standards, which may require significant efforts and expenses. For example, it can include new quality management systems' implementation, making changes to organizational structures, and enhancing qualification of employees.

Political risk is also of great importance. Political instability, changes in government policy, and legislation in EU countries can create additional barriers to doing business. For instance, changes in customs regulations and regulatory barriers can increase the costs of adapting to new conditions and reduce overall business efficiency. The certification procedures, in particular, can lower the profitability of Ukrainian companies, delay the start of sales, and reduce potential revenues. This is especially relevant for firms seeking to quickly gain market share in a new market.

Despite all these challenges, entering the European market can also bring significant advantages for Ukrainian businesses. For example, access to a wide range of customers, new technologies, and growth opportunities can help Ukrainian companies become more competitive and successful in the global market. Additionally, adapting to European standards can improve the quality of products and services, positively impacting their reputation and attractiveness to consumers.

Overall, entering the European market is a complex and multifaceted process that requires significant efforts and investments. Political and regulatory barriers can create serious obstacles, but they can also stimulate Ukrainian companies to improve the quality of their products and services, promoting their development and growth. For successful entry into the European market, Ukrainian enterprises need to carefully study EU requirements, adapt their operations to new conditions, and be prepared for a prolonged adaptation process. Entering the European market can be a crucial step towards international success and growth for Ukrainian businesses [3].

While entering the European market promises significant opportunities and prospects for Ukrainian businesses, it is simultaneously accompanied by a number of economic risks. These risks can include fluctuations in exchange rates, inflation levels, and macroeconomic stability in EU countries. To successfully overcome these challenges, Ukrainian enterprises must be prepared for detailed analysis and risk management.

Fluctuation in exchange rate is one of the most significant risks. Currency risk lies in the fact that changes in the exchange rate of the hryvnia to the euro and can significantly affect the profitability of a business. For example, the devaluation of the hryvnia can lead to the cost of importing raw materials, equipment, and other components, necessary for production, increasing. This, in turn, can reduce the competitiveness of Ukrainian goods in the European market, where prices are more stable.

Exchange rate risk also includes additional costs and potential losses associated with the need to convert currency flows. For example, with significant fluctuations in the exchange rate, a business may suffer losses due to an unfavorable exchange rate, which reduces the overall profitability of operations. This is especially true for businesses that work with long-term contracts, where currency risks can accumulate in



the future.

Inflation risk is another critical aspect affecting the competitiveness of Ukrainian businesses in the European market. Differences in the level of inflation between Ukraine and EU countries can significantly impact the price attractiveness of Ukrainian goods and services. High inflation in Ukraine can lead to increasing prices for products, making them less competitive in international markets where inflation is lower and prices are more stable.

Price risk, which includes changes in the prices for raw materials and other resources, can also lead to unforeseen costs and business profitability reducing. For example, if prices for basic materials suddenly rise, it can force businesses to raise prices for their final products, making them less competitive in the European market.

Macroeconomic stability is another important factor to consider when entering the European market. Economic risk includes potential economic crises, recessions, and other macroeconomic shocks in EU countries that can negatively affect the demand for Ukrainian goods and services. For example, the economic downturn in the EU can lead to the consumer demand decreasing, which can directly affect the exports volumes of Ukrainian companies [4].

To minimize economic risks, it is recommended for Ukrainian companies to conduct a thorough analysis of currency markets and forecast exchange rate fluctuations. Using hedging instruments, such as futures contracts and options, can help protect against currency risks. Such instruments allow fixing the exchange rate for the future, which reduces uncertainty and potential losses.

Monitoring inflationary processes in EU countries and incorporating expected inflation rates into product prices is another important step. This allows businesses to adapt to changes in the economic environment and maintain the competitiveness of their goods and services.

Diversification of export markets is also a key factor in minimizing risks. It is necessary to avoid dependence on a single sales market, as this increases the vulnerability of the business to economic and political changes in a particular country. Entering several markets reduces risks and ensures income stability.

A thorough study of the political and economic situation in the EU countries where business is planned is another important aspect. This allows businesses to prepare for possible changes in legislation and regulation, as well as adapt their strategy to local conditions.

Cultural barriers are one of the most prominent obstacles for Ukrainian companies seeking to expand their operations in the European market. Differences in business culture are very important component of this aspect. The European market is characterised by strong competition, high business standards and clearly defined ethical rules. European companies strictly adhere to established standards, including product quality, environmental protection, and corporate social responsibility. Ukrainian companies that are accustomed to a more flexible and informal approach may find it difficult to adapt to these conditions. This can lead to conflicts with partners and loss of competitiveness if they cannot meet the expectations of their European colleagues.

Language barriers are another major obstacle for Ukrainian companies. Without



knowledge of the language of the target market, Ukrainian companies may have problems in communication with potential customers, partners and regulators.

This can lead to misunderstanding, delay in decision-making etc. For example, misinterpreting contracts or instructions can lead to serious legal problems. In addition, not knowing the language can limit access to important information about the market, competition and regulatory requirements.

Differences in values and expectations can also become a significant barrier for Ukrainian companies. European consumers generally value high product quality, environmentally friendly materials, and ethical production. They are willing to pay more for products that meet these criteria. Ukrainian companies that cannot meet these expectations risk losing customers. For example, using cheaper but less environmentally friendly materials can negatively affect the company's reputation and reduce its competitiveness.

Social barriers can also affect the success of Ukrainian companies in the European market. Ukrainian companies and their employees may face discrimination from European partners and customers because of their nationality, language, or other factors. This can lead to the trust lossing, employees' motivation redusing and the working atmosphere deterioration. For example, biased attitudes on the part of partners make it difficult to negotiate and conclude agreements [5].

The table below shows cultural and social risks in the sphere of international business (Table 1).

Social and cultural differences can create difficulties for Ukrainian companies. European countries have different social and cultural norms that may be unusual to Ukrainians. This can lead to misunderstanding, conflicts, and employee motivation decreasing. For example, in some European countries, it is very important to adhere to meeting times and business etiquette, while in Ukraine these aspects may be more flexible.

Table 1 - Cultural and social risks in the sphere of international business

Risk	Description	Consequences
Difference in business culture	Inability to adapt to European business practices	Loss of competitiveness, conflicts with partners
Language barriers	Inability to communicate with European customers and partners	Loss of opportunities, delays in decision-making
Differences in values and expectations	Inability to meet European standards of quality, environmental friendliness, and ethics	Loss of customers, problems with reputation
Discrimination	Bias from European partners and customers	Loss of trust, decreased employee motivation
Social and cultural differences	Misunderstanding of European norms and customs	Conflicts, decreased labor productivity
Lack of awareness about the Ukrainian market	Inability of European companies and consumers to assess the potential of Ukrainian businesses	Loss of opportunities, difficulties in finding partners and customers

Source: compiled by the author according to [5]



Lack of awareness about the Ukrainian market can also be an obstacle for Ukrainian companies. European companies and consumers may have limited information about the Ukrainian market and its potential. This can make it difficult for Ukrainian companies to find partners and customers. For example, European companies may not be aware of the high level of technological knowledge and qualification of Ukrainian professionals, which can lead to an underestimation of their potential.

Conclusions. In conclusion, entering the European market is an important step for Ukrainian companies, opening new opportunities for growth and development. Risk diversification is a key factor in successfully entering the European market. Ukrainian businesses that can minimize economic risks and adapt to the conditions of doing business in the EU will have significant chances of success.

However, to successfully enter this market, it is necessary to consider a number of cultural and social risks. Differences in business culture, language barriers, differences in values and expectations, discrimination, social and cultural differences, as well as lack of awareness about the Ukrainian market – all of these can become serious obstacles to success. Ukrainian companies must be prepared for these challenges and develop strategies to overcome them. This may include training employees, adapting business processes to European standards, engaging consultants from local markets, and other measures.

At the same time, European companies and consumers need to receive sufficient information about the Ukrainian market and its potential. Consultations on international law and doing business in the EU can help Ukrainian entities better understand the legal aspects and avoid potential problems. Support from government programmes and funds aimed at stimulating exports will help to increase additional resources for adaptation to new markets and minimise risks.

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Анотація. Статтю присвячено дослідженню ризиків, пов'язаних з виходом суб'єктів зовнішньоекономічної діяльності України на ринки європейських країн, зокрема, країн Європейського Союзу. Обґрунтовано, що вихід на європейський ринок для українських компаній є важливим кроком, який відкриває перед ними нові можливості для зростання та розвитку, а завдяки розширенню географії своєї діяльності, українські компанії можуть збільшити коло клієнтів, отримати доступ до передових технологій та інновацій, а також скористатися різноманітними можливостями. Обґрунтовано, що диверсифікація ризиків є ключовим фактором успішного виходу на європейський ринок. Український бізнес, який зможе мінімізувати економічні ризики та адаптуватися до умов ведення бізнесу в Європі шляхом врахування різниці в бізнес-культурі, подолання мовних бар'єрів, врахування відмінностей в цінностях та очікуваннях, дискримінації, соціальних та культурних відмінностях матиме значні шанси на успіх.

Ключові слова: ризик, міжнародний бізнес, європейський ринок, законодавство

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