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DEVELOPMENT OF TRADE BETWEEN UKRAINE AND THE EU IN THE CONTEXT OF EUROPEAN INTEGRATION

РОЗВИТОК ТОРГІВЛІ МІЖ УКРАЇНОЮ ТА ЄС В КОНТЕКСТІ ЄВРОПЕЙСЬКОЇ ІНТЕГРАЦІЇ

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Abstract. For our country, deepening trade relations with the EU countries is extremely important, since Ukraine has identified European integration as the path to its further development. The development of these relations contributes to attracting foreign investment, expanding sales markets for Ukrainian goods and services, as well as the exchange of technologies and innovations with other countries. The article analyzes the indicators of Ukraine's foreign trade activity, outlines the problems and prospects of this activity on the path to European integration. The dynamics of Ukraine's export-import operations with its main trading partners - the EU countries - are considered. It is shown that Ukraine remains an export-oriented country, and expanding cooperation with the EU is a key factor for economic recovery. One of the problems of Ukrainian exports is that a significant share in its structure is represented by raw materials and semi-finished products, i.e. products with low added value. The focus is on the prospects and expectations of Ukraine's foreign trade with the EU countries in 2025 and the obstacles that Ukrainian exporters will face. Recommendations that are important for the economic integration of Ukraine into the EU are considered. With the deepening of Ukraine's integration into the EU economy, small and medium-sized businesses will receive an additional incentive for their development, and therefore the share of products with high added value will increase.

Keywords: foreign trade activity, export volume, import volume, trade partnership, European integration

Introduction.

In modern conditions, international relations in various sectors of the economy are significantly deepening. The successful development of foreign trade relations is an extremely important component of the economy of any country. For our state, the deepening of trade relations with the EU countries is extremely important, since Ukraine has identified European integration as the path to its further development. The development of these ties contributes to attracting foreign investment, expanding markets for Ukrainian goods and services, as well as the exchange of technologies and



innovations with other countries. Ukraine is actively entering international trade markets, has significant potential, but at the same time faces numerous challenges. These challenges include geopolitical instability, changes in international economic conditions, trade conflicts, as well as technical barriers and various trade restrictions. The development and diversification of foreign trade are becoming priority areas for ensuring the country's economic stability and competitiveness in the context of globalization.

The purpose of the article is to analyze indicators, outline problems and prospects of Ukraine's foreign trade activity on the path to European integration.

Analysis of recent research and publications. Trade plays an important role in the development of the country's economy. The issues of the development of Ukraine's foreign trade relations are of interest to many domestic scientists. Thus, in the work of Batrakova, T., Fomenko, S., the current state of foreign trade of Ukraine in conditions of economic instability is considered [1]. In the article of Dulyaba, N., Palisa, A., Dulyaba, O., the problems of development of foreign trade of Ukraine in conditions of domestic and global socio-economic challenges are investigated [2]. The work of Mitsenko N.G., Kabatsi B.I., Fedorenko A.O. analyzed the dependence of the Ukrainian economy on foreign trade, identified the main trends and changes [3]. However, foreign trade activity is characterized by dynamism and rapid changes associated with global processes in the world and in a particular country. That is why consideration of issues of development of foreign trade activity of Ukraine is important and relevant.

Presentation of the main material. Export is a key factor in the formation of GDP, growth in aggregate demand and indicators of socio-economic development. Export activity reflects the level of provision of necessary resources and the ability to use them effectively. Stable high export indicators indicate the level of competitiveness and stability of the economic situation.

Looking at the volume of Ukraine's foreign trade during 2020-2024, we can see an increase in export volumes in the pre-war period (Table 1). However, the volume of



exports decreased significantly in 2022 (reaching only 64.8% of 2021). In 2023, this reduction slowed down somewhat.

Table 1 - Dynamics of Ukraine's foreign trade volumes

Year	Export		Import		Balance
	thousands of USD	in % to previous year	thousands of USD	in % to previous year	
2020	49191824,5	98,3	54336136,7	89,4	-5144312,2
2021	68072328,8	138,4	72843126,6	134,1	-4770797,8
2022	44135592,5	64,8	55295748,4	75,9	-11160155,9
2023	36182902,9	82,0	63566999,8	115,0	-27384096,9
9 months 2024	30838474,7	112,9	51220521,0	110,0	-20382046,3

Compiled by the authors based on [4]

During the entire period under study, a negative balance of foreign trade volumes was observed. With the beginning of the full-scale invasion, the national currency was devalued, prices for imported goods increased; as a result of the decline in the purchasing power of the population, demand for imported goods fell, industrial production in Ukraine decreased, and, accordingly, the need for materials and components decreased.

While during 2021, as in several years before, the EU's share of Ukraine's merchandise exports fluctuated around 40%, in April 2022 it reached 81% against the backdrop of the country's maritime blockade. Despite the gradual decline, as of the end of 2022, the EU still accounted for 65% of exports. It is important that exports to the EU are almost the only ones where nominal growth was observed in 2022. During the year, exports to the EU grew by 5% and reached almost 28 billion US dollars. Total exports fell by a third during this period [5].

In 2024, 59% of all Ukrainian exports fell precisely to the EU market [4].

In imports, the EU's importance as a trading partner has also increased, but not as dramatically. As in the case of exports, the EU's share of imports has been around 40% for several years. Large-scale Russian aggression pushed this share to a maximum of 56% in July 2022, but the EU's role has gradually declined since then. At the same time, nominal imports from the EU, like imports in general, were much more volatile.



In March 2022, amid a sharp decline in economic activity in the first month of the war and the application of restrictive measures, including lists of critical imports, imports fell to \$800 million, 69% lower than in 2021. However, the situation gradually leveled off. In 2022, imports from the EU amounted to about \$27 billion, which is only 3% less than the corresponding period in 2021. In 2022, the balance of trade in goods with the EU was positive at about \$1 billion, which is atypical for economic relations between the partners [5].

There have also been changes in the geography of trade within the EU. The war has affected not only the direction of trade, but also changed the roles of EU member states as Ukraine's trade partners. In particular, there has been an increase in the role of countries that directly border Ukraine. In exports, the share of Poland, which was already the largest buyer of Ukrainian products in the EU, has increased from 20% to 24%. The value of exports to Poland in the eleven months of 2022 amounted to 6.2 billion US dollars, which is more than a third higher than in 2021 [6]. This made Poland the most important destination for Ukrainian exports among individual countries in the world, where Poland overtook China, which had held this position for several years.

But the most noticeable change was the growing role of Romania in Ukrainian exports, which is likely due to the blockade of Ukrainian Black Sea ports and the redirection of trade flows through Constanta. In January-November 2022, exports to Romania increased by 155%, making the country the second most important export partner of Ukraine in the world and in the EU [6].

There was an increase in the importance and value of exports to other neighboring countries. For example, the fourth most important export destination was Hungary, whose share increased from 6% to 8%. The value of exports to Hungary increased by 47% compared to the first eleven months of 2021. Exports to Slovakia increased by 62%, and to Bulgaria by 85%. At the same time, exports to Italy fell by 47%, pushing the country from second to fifth place among Ukrainian export destinations in the EU. Exports to Germany decreased by 18%, although Germany itself retained third place in the first eleven months of the year [3].



Changes in the geographical structure of imports from the EU have occurred, but not as striking. Poland has also become the largest supplier of goods to Ukraine, although its share increased only from 17% in 2021 to 20% in eleven months of 2022, and the value of imports increased by 12%. Germany, which was previously the largest supplier among EU countries, moved to second place, and imports from it fell by 24%. The growth of imports from Bulgaria and Romania by 286% and 81%, respectively, allowed them to move from fifteenth and twelfth to third and sixth positions, but the value still significantly lags behind the imports of the leaders - Poland and Germany [3].

Structural changes in trade in goods with the EU have also changed under the influence of new economic conditions, including the destruction of production facilities and infrastructure, labor migration, logistics problems, etc. At the same time, trade has also been affected by economic policy decisions. For example, an important factor for exports was the temporary improvement in access to the EU market due to the abolition of still applicable import duties, as well as tariff quotas and safeguard measures for Ukrainian goods for one year, starting in June 2022. On the other hand, the dynamics of imports were determined by decisions on both critical imports and preferential import conditions, in particular, vehicles.

The commodity structure of Ukrainian exports to the EU has sharply shifted towards agro-industrial products amid a decline in ferrous metal exports. While in 2021 the share of agricultural and food industry products was 29%, in eleven months of 2022 this figure was 45%. The main changes occurred due to the increase in grain exports, the export of which to the EU more than doubled, and the share increased from 7% to 16%. It should be noted that the increase in grain exports occurred primarily due to the greater export of corn, for which the EU standardly applies a zero duty, and therefore the abolition of tariff quotas for this product did not create the effect of "opening the market". Exports of oils and fats, mainly sunflower oil, increased by 46% [7].

The war had a very strong impact on Ukraine's trade with the EU. The developed economic ties with the EU before the start of the Russian full-scale invasion and logistical constraints provoked a rapid deepening of Ukraine's orientation towards the



EU, in particular towards its closest neighbors – Poland, Romania, Hungary, Slovakia, Bulgaria. At the same time, there was a restructuring of commodity flows - in exports, the dominant role was taken by the export of agricultural and food industry goods, and in imports - by mineral fuels.

In 2022, for the development of foreign trade, primarily exports, the issues of the existence of production capacities and transportation capabilities were dominant, while economic policy decisions were very important, but still secondary compared to physical constraints. However, physical trade restrictions are likely to ease in 2025, thanks to both further unblocking of maritime corridors and development of land infrastructure.

The EU's leading position in Ukrainian trade in goods is expected to remain in 2025, although further growth in the share is unlikely. As we can see from the trends in 2022 and 2023, as soon as logistical restrictions eased somewhat, the EU's role as a trading partner began to decline.

In terms of trade structure in 2025, exports to the EU are likely to maintain a high share of agricultural and food products. In 2025, exports to the EU will remain a priority, as this is the closest and most attractive market. At the same time, export figures for metallurgical products will be low due to problems with production capacities, a significant part of which was destroyed during the Russian aggression. Transport restrictions will also remain important for the export of metals, as well as for iron ore. Even taking into account the increase in the throughput capacity of road and rail checkpoints, significant queues indicate that there is still a huge lack of capacity to service Ukrainian foreign trade in conditions of limited access to sea routes.

It is hoped that in 2025, exports of other categories of goods to the EU will resume against the backdrop of the gradual relocation of enterprises and the restoration of disrupted supply chains.

It is very likely that in 2025, import values will exceed exports, as domestic production will continue to be constrained by military threats and logistical constraints, as well as a slowdown in world prices, while economic recovery needs will determine the growth of demand for imported goods.



Considering the main obstacles faced by Ukrainian exporters, the following should be highlighted:

- tariff and non-tariff restrictions on the export of Ukrainian goods;
- logistical problems associated with customs procedures and blocking of transportation at the borders;
- uncertainty about the future of autonomous trade preferences that Ukraine received after the start of the war;
- insufficient integration of Ukrainian business into European production chains;
- competition of Ukrainian producers not only with other European producers, but also with countries that already have established supplies and favorable conditions for entering EU markets.

In addition, it is worth mentioning the insufficient number of certified exporters in Ukraine. Thus, only 17,000 Ukrainian companies have the necessary certificates for trade with the EU, which is approximately 1% of the total number of enterprises in Ukraine [5].

The Ukrainian agricultural sector is already firmly integrated into the world market, but still faces resistance from European competitors. There is a need to form common strategic points of interaction between Ukraine and the EU. It is also important for Ukraine to create a transition period for the adaptation of Ukrainian business to EU requirements, especially in agro-industrial and environmental standards.

For businesses that want to sell products in European markets, it is important to monitor changes in European legislation.

Accordingly, the key recommendations for further steps in relations with the EU are:

- 1) agreements on the continuation of full duty-free access to the EU market;
- 2) efforts to further integrate into the EU common market within the framework of the Association Agreement, in particular through mutual recognition of assessment systems for industrial goods, recognition of equivalence for food, new steps towards integration into the public procurement market, etc.;



- 3) conclusion of new free trade agreements with EU partners to apply preferential cumulation of origin rules in determining the origin of goods within the framework of the Regional Convention on Pan-Euro-Mediterranean preferential rules, and therefore participation in and building new value added chains.

These measures are important for Ukraine's economic integration into the EU to overcome the consequences of the war, as well as as part of preparations for EU membership.

Ukraine must become a strategic partner for the EU, and this must be considered at all levels: from small farmers to large enterprises. It is also necessary to work more with European partners and use opportunities to develop strategic cooperation between Ukraine and the EU.

For the further successful development of exports, the state, business and public associations must together define tasks for the future:

- ✓ support for small and medium-sized businesses in entering European markets. And this is not only about state support and assistance from specialized associations. It is also important to support companies with experience in exporting to EU countries to their less experienced colleagues on this path;
- ✓ expansion of financial support programs for exporters, which will allow Ukrainian companies to access resources for development and entry into new markets;
- ✓ modernization of production facilities in Ukraine to achieve high quality standards that meet EU requirements;
- ✓ search for new markets outside the EU, in particular in Africa and Asia, which will allow diversifying potential risks;
- ✓ creation of a single institutional mechanism for communication between business and European partners.

Ukraine remains an export-oriented country, and expanding cooperation with the EU is a key factor for economic recovery.



For successful cooperation of domestic enterprises with EU countries, much needs to be done: this includes modernization of enterprise equipment, harmonization of product standards with the requirements of European countries, and production of innovative products that can interest European consumers. One of the problems of Ukrainian exports is that a significant share in its structure is represented by raw materials and semi-finished products, i.e. products with low added value. With the deepening of Ukraine's integration into the EU economy, small and medium-sized businesses will receive an additional incentive for their development, and therefore the share of products with high added value will increase.

Conclusions.

The European Union remains Ukraine's main trading partner. For the successful economic integration of our country into the European Union, a number of measures should be taken to overcome the consequences of the war and to use the opportunities for the development of strategic cooperation between Ukraine and the EU. Ukraine remains an export-oriented country, and expanding cooperation with the EU is a key factor for economic recovery.

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