STRATEGIC GOALS OF THE STATE REGULATION OF FOREIGN ECONOMIC ACTIVITY OF INDUSTRIAL ENTERPRISES OF UKRAINE IN THE CONTEXT OF THE EUROPEAN VECTOR OF DEVELOPMENT

Anatolii Shuhaii

Abstract. The article is devoted to the study of strategic goals of state regulation of foreign economic activity of industrial enterprises in Ukraine in the conditions of European integration. In the future, Ukraine will be part of a single market with more than 450 million consumers, which will create opportunities for industrial enterprises to expand their foreign economic activity and increase their export potential. The purpose of the article is to formulate strategic objectives of state regulation of foreign economic activity of industrial enterprises in Ukraine in the context of the European development vector. This article examines the role of state regulation in ensuring effective foreign economic activity of Ukrainian industrial enterprises and identifies strategic goals to be achieved in this process. In addition, the article analyses the main challenges and obstacles hindering the achievement of these goals and suggests ways to overcome them. Methodology: scientific research uses general and specific scientific methods, including the method of analysis and synthesis, the descriptive-analytical method, the systems approach, the method of systematisation, the graphical method and the method of comparison. Results. Nowadays, effective regulation of foreign economic activity of industrial enterprises is one of the most important factors of economic growth of Ukraine. Many studies have been devoted to the development of mechanisms of state regulation of foreign economic activity, but some aspects are still overlooked by scientists. The practical implications of Ukraine’s integration into the European Union are a crucial step for the development of the economy. The European Union is Ukraine’s most important trading partner. Thanks to this integration, Ukrainian producers have gained easier access to one of the largest markets in the world – the European Union market. When Ukraine becomes a full member of the European Union and is fully integrated into the single market, it will create more jobs and increase salaries by exporting high-quality products to European Union countries. Ukraine is a reliable partner of the European Union and is working towards membership. This process is not fast, but Ukraine is fulfilling the Association Agreement with the European Union, adopting necessary laws and carrying out reforms for the development of Ukraine. This will help transform Ukraine into a developed country with a high standard of living. The search for new and effective mechanisms for organising foreign economic activity and preserving export potential is extremely important for Ukraine, taking into account the European vector of development in the conditions of a state of war. The article argues for a timely study of the problem of formation of a mechanism of modern regulation of foreign economic activity of industrial enterprises, taking into account the impact of the external environment. It presents a number of administrative, economic and legal methods, as well as a periodisation of the formation and development of legislation in Ukraine on foreign economic activity. It also examines the process of foreign economic activity regulation, which refers to a system of measures capable of combining direct legislative regulation of export and import activities of enterprises with economic levers aimed at protecting and improving the structure of the domestic market. The Association Agreement signed between Ukraine and the European Union shows that Ukraine has opted for the European model of socio-economic development.

Key words: Eurointegration, EU, foreign economic relations, geopolitics, diversification, foreign economic activity, foreign economic activity of enterprises, foreign economic policy, international trade, world market, state regulation of foreign economic activity, import, export, martial law, national security, transformations.

JEL Classification: F16, F13, F51, F4, F15, F10, F02, F35

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1. Introduction

Ukraine's experience of European integration under wartime conditions is unique. By resisting large-scale Russian aggression, suffering huge human and financial-economic losses, Ukraine has acquired the status of a candidate for accession to the European Union (EU), continues European integration in various spheres, deepens the partnership with the EU in sectoral directions, implements the recommendations of the European Commission and puts into practice the provisions of the Association Agreement. The specificity of the current stage of Eurointegration is determined by a complex of various influences, challenges and threats. This section outlines some internal and external factors affecting Ukraine's Eurointegration, including the turbulence of geopolitical processes, problematic trends in the EU, the impact of Russia's aggression on Ukraine's movement towards the European community, and so on. Assessing the current state and peculiarities of cooperation between Kyiv and Brussels during the war, it is important to first note the clear and consistent political-diplomatic and financial-economic solidarity of the united Europe with Ukraine. Military, financial, economic and humanitarian assistance to Ukraine is of great importance. At the same time, given the scale, state and dynamics of the war in Ukraine, there is a clear need to improve existing aid instruments and to increase resources. In turn, an important component of joint resistance to Russian expansion is the deepening and development of economic contacts between Ukraine and the EU, in particular the liberalisation of mutual trade and the introduction of "visa-free regimes" in various areas of cooperation (Ukraine on the way to the EU: Realities and Prospects).

The search for new mechanisms for organising foreign economic activity and preserving export potential is extremely important for Ukraine, taking into account the European development vector in the context of the military situation. During the military state, the Ukrainian economy faced a number of problematic issues in any direction, especially in FE. Each problematic issue should be carefully studied, the factors influencing it should be identified, and on the basis of the analysis practical steps should be taken to minimise the associated risks.

The European vector of Ukraine's development is a strategic task for Ukraine. At present, Ukraine has the status of a candidate country for EU membership, but before joining the EU, Ukraine must carry out considerable work to adapt all legislation and economic sectors to the requirements of EU directives.

The study of the situation of foreign economic activity in the conditions of the military state will allow to identify short and medium-term trends in its development, to create a strategic plan for stabilisation and development of the Ukrainian economy.

Events in Ukraine are unprecedented. The country and the world lack sufficient experience in regulating foreign economic activity in such critical circumstances. Ensuring national security, stabilising the economy and integrating into the European economic space, as well as post-war reconstruction, are extremely important. At the same time, the full-scale armed aggression of the Russian Federation against Ukraine, which began on February 24, has significantly accelerated the country’s course towards EU accession.

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The EU is playing an increasingly important role in the implementation of Ukraine’s long-term national economic interests. This is mainly due to the following circumstances:

1. The EU is one of the most important economic centres in the world, which is in close proximity to Ukraine. Considering that the EU has 27 member states, its population is about 450 million people, its GDP is estimated at $17.2 trillion in 2022 (IMF World Economic Outlook Database, April 2022), and its defence spending reached €214 billion in 2021.

2. The EU is currently the world’s leading exporter and importer, with a 13.7% share of world trade in 2022 (Eurostat, The home of high-quality statistics and data on Europe).

3. The EU is the most developed global integration formation with significant scientific, technical, economic, industrial, financial, and investment potential.

4. The EU has a highly skilled workforce and a sufficiently flexible labour market.

5. The EU has gained considerable international experience in the development and regulation of economic integration processes, in the implementation of common legal, socio-economic, personnel, scientific-technical, monetary,
foreign trade and environmental policies among its member countries.

In view of the above, Ukraine aspires to join the EU and has set itself the strategic goal of integrating into this Union in the near future. Ukraine's desire for full participation in the political and economic life of Europe is determined by its geopolitical position and history. The development of Ukraine's foreign economic relations and the assessment of the country's economic potential to adapt to globalisation and Euro-integration processes are of particular importance. The main task of the state should be to actively implement reforms and modernise all sectors of the economy, creating favourable conditions for successful business and entrepreneurship in accordance with European standards, significantly improving the institutional structures of state regulation and bringing them closer to the principles of EU law.

Some Ukrainian companies are already implementing EU standards and norms and competing with EU companies. Undoubtedly, Ukrainian companies will benefit from easier access to the EU market and become more competitive on global markets. The modernisation of Ukrainian industry in line with international production standards will be essential to this process. Targeted assistance, investment and advice from the EU will help in the adaptation process and in the efforts to extend its influence in order to secure a permanent market for its production sector. Therefore, the problem of forming a modern mechanism for regulating the external economic activity of industrial production, taking into account the influence of the external environment and the desire to expand its influence to ensure a permanent market for its production sector, is relevant and requires a solution.

An important component of the stability of the economic activity of enterprises is their foreign economic activity. The effectiveness of this activity contributes to the reproduction of the country's export potential, the increase of the competitiveness of Ukrainian goods on the world markets, the formation of a rational structure of exports and imports, the attraction of foreign investment on mutually advantageous terms, and the provision of Ukraine's economic security.

For more than a year, Ukraine has been facing a war initiated by Russia, the largest since the Second World War. Since February 24, Ukraine has been under martial law. Throughout the full-scale war, the country's economy has suffered enormous losses, which continue to accumulate. A detailed analysis of the current situation and the factors influencing it will play an important role in stabilising and restoring the economy. Based on the conclusions drawn, prompt state regulation of foreign economic activity will be necessary to ensure national security.

Despite Ukraine's efforts in recent years to reduce its dependence on the Russian and Belarusian markets, the consequences of the break in economic relations with Russia and Belarus after the start of the full-scale war were difficult because of the significant share of these countries in trade turnover. The structure of imports from Russia and Belarus coincided in many items, resulting in a critically high overall share of the two countries in some import items.

Despite the ongoing war in Ukraine, the country has demonstrated its ability to defend itself and prevail with the support of the EU, the US and the international community. Ukraine's integration into the EU will have significant geopolitical implications for both Ukraine and the entire European continent. On 23 June 2022, the leaders of the 27 EU member states adopted a decision to grant Ukraine candidate status for membership in the European Union. This candidate status officially initiates the process of Ukraine's accession to the European Union and will therefore have an impact on the communication component.

Despite the full-scale war, progress in the implementation of the Association Agreement between Ukraine and the EU is evident, Ukrainian President Volodymyr Zelensky stressed. "As of today, we have fulfilled 72% of our obligations under the agreement. Today, at the summit, we presented progress in implementing the European Commission's recommendations. For the first time in our bilateral document, in the joint statement of the Summit, the intention to start accession negotiations and to start them as soon as possible is set out, and we have already started preparations for these negotiations and we are waiting for the relevant decisions of the European Commission and the European Council. The objective is to start negotiations this year," he added (Statement by President of Ukraine
At the 24th Ukraine-EU summit in February, the central issues were Ukraine's integration into the EU, military support and the tightening of sanctions against Russia. The EU has become Ukraine's main trading partner, accounting for over 55% of bilateral trade. It is important for us to maintain the pace of trade development and to continue autonomous trade measures, such as the full elimination of tariffs, as well as the continuation of agreements on car permits. In addition, the Ukrainian President announced that "one of the important achievements" of the summit was the approval by Ukraine and the EU of a plan of priority actions for 2023–2024 regarding Ukraine's integration into the EU's internal market. "Its implementation will make Ukraine a de facto member of the European Union at the sectoral level – industry, agriculture, energy, digital services, transport, finance, customs," he said. (Statement by President of Ukraine Volodymyr Zelenskyi at the briefing following the Ukraine-EU Summit).

The government aims to ensure Ukraine's full integration into the EU's customs area, energy market, food safety control system and more. All the steps taken by the EU to liberalise trade with Ukraine have allowed a greater share of trade to be directed towards the EU market.

Industrial enterprises in Ukraine have significant potential for developing foreign economic relations with EU countries, but state regulation of this activity remains one of the key problems. Insufficient coordination between different government bodies and ineffective mechanisms for regulating the foreign economic activity of industrial enterprises in Ukraine hinder their successful entry into foreign markets and their competitiveness in the context of European integration. In addition, the instability of the legislative framework and the lack of a consistent strategy for state regulation also complicate the situation and do not allow Ukrainian industrial enterprises to fully exploit their potential in the conditions of European integration.

2. Legislative Framework for Regulating Foreign Economic Relations

The main documents that define Ukraine's path to the EU and the priorities of European integration are:

2. The Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other. On 1 September 2017, following ratification, the Association Agreement between Ukraine and the EU entered into full force. The agreement provides for a deep and comprehensive free trade area between Ukraine and the EU, which will create the legal basis for the free movement of goods, services, capital and, in part, labour between Ukraine and the EU, as well as regulatory approximation aimed at the gradual integration of the Ukrainian economy into the EU's internal market.
3. The Action Plan for the Implementation of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand, was approved by the Cabinet of Ministers of Ukraine on 25 October 2017 by Resolution No. 1106 "On the Implementation of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand".
4. The Programme of Activities of the Cabinet of Ministers of Ukraine, approved by the Resolution of the Cabinet of Ministers of Ukraine of 12 June 2020 No. 471.
5. Some Measures to Implement Ukraine's Commitments in the Field of European Integration No. 2483-IX on 29 July 2022. On 23 June 2022, the European Council adopted a decision to grant Ukraine the status of a candidate country for membership of the European Union. The Resolution sets out measures to bring Ukraine's legislation into line with EU law and to implement fundamental political, socio-economic, legal and institutional reforms aimed at building a developed and sustainable democracy and market economy, uniting the efforts of the legislative and executive branches of government, as well as civil society, in the process of transforming Ukraine on the way to building a legal, socially and economically developed state and fulfilling the criteria for membership of the European Union.
6. The Law of Ukraine "On the Principles of the State Anti-Corruption Policy for 2021–2025" No. 2322-IX of 20.06.2022 approved the Anti-
Corruption Strategy for 2021–2025. The purpose of the law is to achieve significant progress in preventing and combating corruption, as well as to ensure coherence and consistency of anti-corruption activities of all branches of government and local self-government.

7. Order of the Cabinet of Ministers of Ukraine "On Approval of the Communication Strategy on European Integration of Ukraine for the Period up to 2026" dated 9 December 2022 ¹1155-r. In accordance with the Order, the Communication Strategy on European Integration of Ukraine for the period up to 2026 was approved and an operational plan for its implementation in 2022–2024 was approved. During the period of the aforementioned communication strategy, a governmental communication infrastructure on European integration was created. In particular, with the support of EU international technical assistance projects, the following new communication platforms have been created: "Pulse of the Agreement" (the Government's online monitoring system) – the Government's online monitoring system for the implementation of the operational plan for the implementation of the Association Agreement between Ukraine, on the one hand, and the EU, the European Atomic Energy Community and their Member States, on the other; "Eurointegration Portal" (the Eurointegration Portal) – the official website dedicated to Ukraine's European integration; "Eurointegration Digest" (the Eurointegration Digest) – a selection of the most important news of the week on Ukraine's European integration, etc. These information resources have sufficient dynamics of news content and diversity of formats of European integration content.

8. Decision of the Cabinet of Ministers "On Approval of the Plan of Priority Actions of the Government for 2023" dated 14 March 2023 No. 221-p. In accordance with the Order, the Plan of Priority Actions of the Government for 2023 was approved. This plan includes measures to bring Ukrainian legislation into line with the provisions of EU law, namely: implementing the recommendations of the European Commission on Ukraine's candidacy for EU membership of 17 June 2002; updating the Action Plan for the Implementation of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand; raising the issue of opening negotiations on Ukraine's accession to the EU; developing a national programme for normative-legal approximation of Ukrainian legislation to EU acts; conducting an analysis (self-screening) of the state of normative-legal approximation of Ukrainian legislation to EU acts; studying the possibility of Ukraine's accession to the Single Euro Payments Area (SEPA); adopting a plan of priority actions to strengthen the implementation of the Ukraine-EU deep and comprehensive free trade area for 2023–2024 within the framework of Ukraine's further integration into the EU internal market, and other relevant measures.

9. The Law of Ukraine "On Ratification of the Agreement between Ukraine and the European Union on Ukraine's participation in the EU's Digital Europe Programme (2021–2027)" No. 2926-IX of 23 February 2023. This law ratified the Agreement between Ukraine and the European Union on Ukraine's participation in the EU's Digital Europe Programme (2021–2027). One of the objectives of this programme is to develop advanced digital skills to operate and make optimal use of the future digital potential, as well as to manage the digital transformation of enterprises and public services in all sectors of the economy.

10. As part of the implementation of digital transformation, the Diya Business portal (Export in Times of War, Business Action 2022), the Office for the Development of Entrepreneurship and Export launched an online platform "Export in Times of War" in test mode with up-to-date information for Ukrainian exporters who are ready to deliver their products abroad in times of war.

11. The Deep and Comprehensive Free Trade Area (DCFTA), which is part of the Association Agreement between Ukraine and the EU and entered into force on 1 January 2016, has eliminated most import tariffs, making it easier for Ukrainian businesses and consumers to trade goods and related services with businesses and consumers in the EU. As a result of the reciprocal liberalisation of market access under the DCFTA and the reorientation of Ukrainian trade, the EU's share in Ukraine's exports and imports of goods has increased significantly.

12. A progressive development in the export of Ukraine is the Regulation (EU) 2022/870 of the
European Parliament and of the Council of 30 May 2022 (Pro temporary measures of trade liberalisation complementing the trade preferences applied to Ukrainian goods) on temporary trade measures complementing the trade preferences applied to Ukrainian goods in accordance with the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part, which entered into force on 4 June 2022. This document extends the opportunities for Ukrainian exporters provided for in the Association Agreement between Ukraine and the EU. It provides for the temporary suspension of: customs duties on industrial products; the entry price system for fruit and vegetables; tariff quotas for agricultural products; anti-dumping duties on imported goods originating in Ukraine; global safeguard measures on exports of goods from Ukraine.

13. In connection with martial law, the higher authorities of state power have taken a number of measures to stabilise Ukraine’s external economic activity and reduce certain risks and threats. In particular, the Law of Ukraine "On the Legal Regime of Martial Law" No. 389-VIII, as amended during the period of martial law, defines the content of the legal regime of martial law, the procedure for its introduction and lifting, the legal framework for the activities of state authorities, military command, military administrations, local self-government bodies, enterprises, institutions and organisations in conditions of martial law, guarantees of human and civil rights and freedoms, as well as the rights and legitimate interests of legal entities, which has a direct impact on the entire foreign economic activity of enterprises.

14. The Law of Ukraine "On Foreign Economic Activity" No. 959-XII of 16.04.1991 as amended in Article 9 establishes that the Verkhovna Rada of Ukraine is the supreme authority regulating foreign economic activity. During the state of war, the Verkhovna Rada of Ukraine adopted a number of laws related to the regulation of foreign economic activity and made decisions in response to discriminatory and/or unfriendly actions of other countries, including the imposition of full/partial trade bans (full/partial embargo) and the cancellation of MFN or special preferential treatment.


16. The Resolution of the Cabinet of Ministers of Ukraine "On the Prohibition of Export of Goods from Ukraine to the Customs Territory of the Russian Federation" of 27 September 2022 No. 1076 prohibits the export of goods outside the customs territory of Ukraine under foreign economic agreements where the country of trade and/or the country of destination is the Russian Federation.

17. The Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Lists of Goods Subject to Licensing and Quotas for 2023" No. 1466 dated 27 December 2022 approved a number of amendments, including changes to quotas for goods subject to licensing, as well as the list of goods subject to licensing. Licensing of exports of certain types of products was introduced. This process is aimed at ensuring the security and stability of markets and protecting the country's national interests.

18. Resolution of the Cabinet of Ministers "On the List of Critical Import Goods" of 24 February 2022 No. 153, as amended, regulates both theoretical and practical aspects, including those related to the resumption of economic activity of enterprises that depend on imported raw materials. Accordingly, by clearly regulating critical imports in times of war, the state is able to support both the production of goods needed for the domestic market and production intended for export.

19. The Order of the Cabinet of Ministers of Ukraine "On the Temporary Closure of Certain State Border Crossing Points and Control Points" of 26 February 2022, No. 188-p, provides for the closure of all checkpoints for road, rail and air traffic on the border with Russia and Belarus.

20. Order of the Ministry of Infrastructure of Ukraine "On the Closure of Seaports" of 28 April 2022, No. 256. According to the order, from the date of its official publication, the seaports of Berdiansk, Mariupol, Skadovsk and Kherson are closed until control over these seaports is regained.
3. Analysis of Foreign Economic Performance of Ukrainian Industrial Enterprises

The Ukrainian economy has experienced its most difficult year since independence. The country’s economy as a whole, as well as individual sectors, is determined, among other things, by the ratio of export and import volumes (Figure 1).

Most of the developed capitalist countries have a trade surplus, with a significant excess of exports over imports. Ukraine, for objective reasons, still shows the opposite tendency, especially since the beginning of the war unleashed by the aggressor country, Russia.

The war had a significant impact on foreign trade in goods. There were corresponding changes in the volume of imports and exports of goods. The data in Table 1 show the extent and nature of these changes.

Trade turnover in 2022 amounted to 103,676 million USD. During this period, Ukraine's total trade turnover decreased by 37,701 million USD (-26.60%) compared to 2021 (141,377 million USD). The total volume of exported goods in 2022 was 44,173 million USD. During this period, the total volume of goods exported from Ukraine decreased by 23,915 million USD (-35.12%) compared to 2021 (68,088 million USD). The total volume of imported goods in 2022 was 59,503 million USD. During this period, the total volume of imports decreased by 13,783 million US dollars (-18.81%) compared to 2021 (73,289 million USD).

Taking into account Russia’s full-scale war against Ukraine and the overall 26.6% decrease in trade turnover, trade turnover with the EU decreased by only 2%. The share of the EU in Ukraine's total exports averaged 29.9% in 2013–2015 and 38.7% in 2019–2021. The EU’s share in Ukraine's total imports averaged 37% in 2013–2015 and 40.7% in 2019–2021 (Analysis of trade relations between Ukraine and the EU under the DCFTA: current state and prospects for liberalisation, January 2022). It is also worth noting an increase in the EU's share in 2022, in the structure of Ukraine's exports – up to 63%, and imports – up to 46%. The largest amount of goods is exported to Poland ($6.6 billion), Romania ($3.8 billion), Hungary ($2.27 billion), Germany ($2.23 billion), Italy, and Spain (each at $1.5 billion). Turkey has become the largest export market outside the EU ($2.9 billion), surpassing China ($2.47 billion). However, exports to Turkey decreased by 29%, and to China – by 69% (Foreign trade in goods in 2022. State Statistics Service of Ukraine). Exports to Poland, Romania and Hungary increased. The export/import of goods to Russia and Belarus has stopped. The EU is now Ukraine's most

![Figure 1. Ukraine's trade balance for 2012–2022, USD million](source: prepared by the author according to the State Statistics Service of Ukraine, 2022)
important partner. The export structure has undergone significant changes, in particular there has been a significant decrease in exports of metals and metal products by 62%, mineral products by 57%, chemical products and rubber by 55% and stone, glass and ceramic products by 47%.

From the above data, it is clear that Ukraine's economy suffered significant losses as a result of Russia's military aggression in 2022. Such significant changes indicate a difficult economic situation in the country. The decrease in trade has a negative impact on the level of employment and production in Ukraine, as well as on the country's balance of payments. To improve the situation, it is necessary to actively work on making Ukrainian products more attractive to foreign buyers, develop new markets for sales, and improve infrastructure and logistics. It is also important to ensure stability and transparency in economic management and to fight corruption. Ukraine needs active measures to restore economic potential and development in the context of post-war reconstruction. This will require broad cooperation between government, business and international organisations.

The decline in imports was less pronounced than in exports. According to the State Customs Service of Ukraine (Statistical export and import of goods 2022. State Customs Service of Ukraine), the main trading partners for goods imports to Ukraine in 2022 were China – $8.68 billion, Poland – $5.55 billion, Germany – $4.45 billion, Turkey – $3.36 billion, USA – $2.18 billion, Bulgaria – $2.06 billion, Italy – $1.8 billion, India – $1.7 billion, Czech Republic – $1.54 billion and Romania – $1.51 billion. There were changes in imports in 2022, with an increase in imports from Bulgaria, India, Romania and Poland, but a significant decrease in imports from China, Belarus, Germany, Russia, the USA, Hungary and Italy. Thus, trade with EU countries fell by only 8%, with CIS countries by a significant 37% and with other countries by 22%. As can be seen, Ukraine has been able to redirect some foreign economic activity from CIS countries to EU countries, but the process is still ongoing.

As for the commodity structure of imports in 2022, it is as follows for the main commodity groups: 28.66% ($17.05 billion) – mineral fuels, oils and their distillation products; bituminous substances; mineral waxes; 8.79% ($5.23 billion) – land transport equipment; 8.38% ($4.99 billion) – electrical machinery and equipment, parts thereof; sound recording and reproducing apparatus, apparatus for recording and reproducing television images and sound, parts and accessories; 7.07% ($4.21 billion) – nuclear reactors, boilers, machinery and mechanical appliances; their parts; 4.16% ($2.47 billion) – plastics and articles thereof; 3.20% ($1.90 billion) – pharmaceutical products; 2.20% ($1.31 billion) – other chemical products; 1.94% ($1.15 billion) – optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; their parts and accessories; 1.6% ($0.95 billion) – ferrous metals; 1.35% ($0.80 billion) – fertilisers.

Before the full-scale war, Ukraine's trade with Russia was significant. In 2021, Ukraine exported $3.4 billion worth of goods to Russia and imported $6.1 billion. Taking into account that until February 24, 2022, Ukraine was significantly dependent on supplies of certain goods from Russia and Belarus, in 2021, 62%

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Source: prepared by the author based on data from the State Statistics Service of Ukraine, 2022
of diesel fuel and 50% of petrol came from Russia and Belarus, and now these routes have been lost. Ukraine has gradually shifted to fuel supplies from Poland, Lithuania, Romania, Slovakia, Greece, Bulgaria and Azerbaijan. Today, Ukraine receives 95% of its imported petrol and 72% of its diesel from EU countries. Therefore, Ukraine was able to quickly and drastically change the vector of petroleum product imports in order to obtain them in sufficient quantities to meet the needs of the economy.

The war has significantly affected traditional logistics routes for the import and export of goods from Ukraine. According to the State Customs Service of Ukraine (Statistical exports and imports of goods 2022. State Customs Service of Ukraine, 2022), there has been a change in the main international routes for the movement of goods and transportation: the main routes now include Poland, Slovakia, Hungary, Romania, and Moldova, thus radically shifting from CIS countries (-57.46%) to EU countries (+20.51%). The main types of transportation have also changed, from sea checkpoints (-71.43%) to checkpoints for automobile and railway connections.

It is worth mentioning the problem that currently characterises the export of agricultural (especially grain) and metallurgical products. The export of agricultural and metallurgical products is limited by insufficient infrastructure capacity, which could be provided to the maximum extent by maritime transport. Due to the blockade of sea ports, the disruption of logistical and production chains, as well as a significant increase in logistical costs, Ukraine's export market cannot develop normally (as it is known, during peacetime, almost 90% of Ukraine's grain, ore and other bulky goods were transported abroad precisely through sea ports, which are now blocked) (Restoring exports in times of war: difficult, but vital).

4. Identification of the Main Problems and Challenges in the Foreign Economic Activity of Ukrainian Industrial Enterprises

Ukraine's economy has been suffering for a year now from Russia's bloody war against Ukraine. And throughout this year, domestic businesses have been trying to stay afloat. Entrepreneurs have had to adjust to new, harsh conditions after recovering from the shock of the start of a full-scale invasion.

Countless businesses have suffered huge losses, especially at the beginning of the Great War. Obviously, there are businessmen who have lost everything as a result of the brutal destruction and occupation of part of Ukrainian territory. But in general, businesses have tried to survive and continue to operate, despite all the efforts of the Russian aggressor to destroy the economy – both through military operations and the energy crisis.

According to the Ministry of Economy (Ministry of Economy of Ukraine: GDP fell by 29.2% according to the results of 2022), the decline of the national economy in 2022 amounted to an unprecedented 29.2%, and consumer inflation reached 26.6%, which means that the prices of goods and services in Ukraine increased by an average of one quarter. There has also been a significant devaluation of the national currency – from 29 UAH/USD before the invasion to 38 UAH/USD currently on the spot foreign exchange market, which has also had an impact on the cost of goods and services.

In addition to the decline in revenues, there have been many other changes that have negatively affected the work of entrepreneurs and significantly complicated the ability to operate. According to the European Business Association (54% of such companies in Ukraine), 89% of companies felt the impact of Russian missile attacks on their operations.

The Kyiv School of Economics has identified the main problems that Ukrainian businesses faced during the war and that are likely to be faced during Ukraine's post-war recovery (Time for Work: How Ukrainian Business Recovered and Adapted During a Year of War). Since February 24, 2022 – the date of the start of full-scale aggression against Ukraine – the main challenges for entrepreneurs have been a drop in demand and customer bankruptcies, the destruction of supply chains and a lack of financing. Among other problems, there are the rising costs of raw materials, materials and energy resources, the inaccessibility of credit funds, the shortage of skilled workers, disruptions in communications and the Internet, the abandonment of stocking goods in warehouses (companies began to ship “on wheels”, trying to minimise stocking in order to avoid losses in the event of possible attacks on warehouses), changes in warehouse conditions (with the
beginning of the war, large companies), followed by medium and small enterprises, were forced to transport their stocks and goods to western Ukraine, thus forcing enterprises to change their warehouse chain, thereby increasing the complexity and cost of these operations) and difficulties in purchasing goods (problems are mainly related to limited assortment and suppliers, port blockades and congestion of railway infrastructure).

Experts predict that in the post-war future, domestic businesses will face a lack of knowledge, experience and technology, a shortage of skilled workers, and difficulties in obtaining financing to recover and adapt to new conditions. In addition, entrepreneurs may face increased competition, a lack of financially solvent customers, and limited access to available financial resources.

During the military conflict, Ukrainian infrastructure suffered direct losses of almost $138 billion (Research by the analytical team of the Kyiv School of Economics (KSE) 2022). Damage from destruction is estimated at $55.5 billion for residential buildings; the sectors most affected by the war are infrastructure at $35.6 billion, industry and business at $13.0 billion, education at $8.6 billion, energy at $6.8 billion and agriculture at $6.6 billion. As of 2022, at least 109 large and medium-sized enterprises suffered direct losses as a result of the full-scale invasion launched by Russia on February 24, 2022. Among the companies with the largest assets that suffered direct losses as a result of Russia’s armed aggression in 2022 were Mariupol Illich Steel Works, Azovstal, Nibulon, Motor Sich, Kremenchuk Oil Refinery, Zorya-Mashproekt, and others.

In the conditions of war, for objective reasons, Ukraine needs international assistance from partner countries to stabilize its foreign economic activity. Such assistance has been provided to Ukraine for a year, and according to a report (Report of the Kiel Institute for the World Economy (IWE) in Germany) from the Kiel Institute for the World Economy (IWE) in Germany, overall, in accordance with intergovernmental obligations, Ukraine has received assistance amounting to over 144 billion euros from January 24, 2022 to January 15, 2023.

Thus, Ukraine, as a European state in a geopolitical dimension, statistically confirms a change in the vector of its foreign economic policy. In recent years, as already mentioned, there has been an active reorientation of Ukrainian exports from the Russian market to other world markets, with the EU becoming the main foreign trade partner. The economic attractiveness of the EU for Ukraine lies primarily in the opportunity to join a highly efficient market economy culture and to bring its own economy up to an appropriate level. The most important component of European integration for Ukraine is real progress in implementing reforms and modernising the economy, creating a favourable environment for successful business and entrepreneurship in line with European standards. Poland, Slovenia, Slovakia and the Baltic countries have successfully realised this potential, especially in the development of small and medium-sized enterprises, investment, finance, budget, tax, judiciary and administration. In today’s context, the issue of diversification of external trade relations becomes particularly relevant.

5. Determination of Strategic Objectives of the State Regulation of Foreign Economic Activity of Industrial Enterprises of Ukraine in the Context of the European Vector of Development

Ukraine continues its pro-European reforms, adopting important European integration laws and deepening cooperation with Brussels in various areas. The strategic objectives of state regulation of foreign economic activity of industrial enterprises include:

1. In the context of globalisation and European integration processes based on international economic integration relations, in which Ukraine participates, it is necessary to form effective legal regulation of foreign economic relations in accordance with European and international standards and economic needs of national economic development. For this purpose, it is necessary to make appropriate changes in the national legislation, first of all in the legal acts regulating the relations between national legal entities and EU legal entities, i.e., having an international character.

2. Improvement of the legislative framework that will more actively promote the entry of domestic producers into the markets of EU countries, Asia, Africa and other countries,
based on the principles of the state's multi-sector foreign economic policy.

3. Thanks to the EU’s decision to apply autonomous trade measures in the form of the abolition of all customs duties, the agreement on road transport and the effective implementation of solidarity logistics routes, we have been able to maintain trade between Ukraine and the EU. This will increase the efficiency of trade. The Ministry of Economy and DG Trade have agreed on an updated Priority Action Plan for improved implementation of the FTA. The plan includes 29 measures to complete existing projects and start work on integration into the internal market in all eligible areas. For example, updating the necessary annexes to the agreement, monitoring compliance with legislation and approving market opening decisions. The implementation of this plan will allow Ukraine to integrate into the EU's internal market.

4. At the state level, it is necessary to stimulate the development of joint production, industrial and infrastructure projects between Ukrainian enterprises and EU countries.

5. The state needs to conduct a strategic review of its export and import policy and develop clear proposals for a gradual transition from exporting raw materials to producing high value-added products by national enterprises.

6. Increasing the competitiveness of goods is possible by improving their quality and technology, as well as by constant implementation of innovative policies, including raising the technical level, implementing energy-efficient and renewable technologies, increasing the level of mechanisation and automation of production, scientific and technological updating of production, etc. It is also important to create and implement import-substituting industries, cooperate with EU producers to transfer production (partially or fully) to Ukraine and replace imported products with domestic ones. Incentives developed under the government programme can be used for this purpose.

7. To attract international grants for the reconstruction of destroyed enterprises using innovative, environmentally friendly and technological solutions. The reconstruction of enterprises should be carried out in accordance with the highest standards of environmental safety and technological progress, which will contribute to the preservation of the environment and ensure sustainable development of production.

8. The business recovery plan should be based on the "build back better" principle, which means rebuilding with a rational use of resources, using modern technologies that promote energy efficiency and reduce environmental impact. It is also necessary to take into account the social component and the needs of the local population for jobs and social services.

9. The development and implementation of comprehensive measures to de-monopolise the economy, eliminate corruption in business conditions and attract foreign and domestic investment can help improve the economic situation in the country. Such measures aim at reducing monopolistic structures, ensuring fair competition and creating favourable conditions for business development. This can be achieved by reforming legislation and monitoring its implementation, reducing bureaucracy and introducing an e-government system that simplifies interaction between businesses and government agencies. In addition, it is important to attract foreign and domestic investment, which can become a source of funding to support the development of new technologies and job creation. Therefore, the development and implementation of comprehensive measures aimed at de-monopolisation of the economy, elimination of corruption in business conditions and attraction of foreign and domestic investments can help improve the economic situation in the country and create favourable conditions for business and investment development.

10. Improving the investment climate and increasing the efficiency of investment processes are among the main directions of state policy at the present stage.

11. To agree with the EU on a sufficient level of regular financial support for Ukraine from the EU and its member states on a grant and loan basis, and to coordinate such support with other developed countries and international organisations.

12. Further institutional deepening and development of Ukraine’s integration in key areas of economic interaction with the EU, including energy, industry, aviation, digital economy, agriculture, transport, migration and others, as well as in the field of simplification of customs control.
13. Introduce in bilateral relations with EU Member States targeted programmes for the reconstruction of the Ukrainian economy, infrastructure, industrial enterprises, etc., which would help to improve the state of destroyed objects.


15. Ensure Ukraine's accession to the Single Euro Payment Area (SEPA).

16. Strengthen cross-border cooperation in the transport sector with the authorities of European countries to prevent violations, optimise the border crossing process, speed up the passage of goods and vehicles, and declare and control goods.

17. Develop a Customs Code of Ukraine that is fully compatible with the EU Customs Code.

18. The development of Ukrainian customs IT systems should be carried out in accordance with the plan according to which all EU countries develop their customs IT systems, namely "MASP-C" (multi-annual strategic plan for customs) – a multi-annual strategic plan for customs, which is a working document for EU countries. This plan outlines which IT systems should be implemented by the customs services in the EU countries and by what deadlines.

19. Create conditions for the speedy return of Ukrainians living abroad to Ukraine, allowing highly skilled workers to participate in the country's economic recovery.

20. Create active business channels on Telegram to discuss legislative projects, highlight emerging business issues, analyse information and take it into account.

Obviously, the above proposals do not cover all areas and directions of state regulation of foreign economic activity and development of Ukraine-EU cooperation and require further study. However, the outlined measures and initiatives concern the key directions of Ukrainian European integration in the context of foreign economic activity regulation, which are crucial for ensuring internal stability and the country's development in the conditions of war.

6. Conclusions

Ukraine's strategic task is to fully integrate into the EU's internal market and become a full member. Currently, one of the most important issues is the adaptation of national legislation to the European legal framework, deepening the integration of Ukrainian businesses into EU markets, harmonisation of Ukrainian customs legislation with EU requirements, further sectoral integration, etc.

Ukrainian enterprises, which have suffered as a result of Russia's full-scale war against Ukraine, now more than ever need financial support from both the Ukrainian government and international organisations. The involvement of international organisations in the restoration of Ukrainian enterprises will be a new level of Ukraine's integration into the EU and will allow the reconstruction of industrial enterprises at a high technological, ecological and innovative level.

Ukraine's strategic goal is full integration into the EU's internal market and full membership. Currently, one of the most important issues is the adaptation of national legislation to the European legal space, deepening the integration of Ukrainian businesses into EU markets, harmonisation of Ukrainian customs legislation with EU requirements, further sectoral integration, etc.

Ukrainian enterprises, which have suffered as a result of Russia's full-scale war against Ukraine, now more than ever need financial support from both the Ukrainian government and international organisations. The involvement of international organisations in the reconstruction of Ukrainian enterprises will represent a new stage of Ukraine's integration into the EU and will enable the reconstruction of industrial enterprises at a high technological, environmental and innovative level.

State regulation of foreign economic activity should be strategically aimed at protecting Ukrainian manufacturers, stimulating the development of high-tech and competitive products for the international market, taking into account the requirements of EU legislation. It should also encourage the development of innovative enterprises. In order to develop strategic plans for the development of the export component of FEA, it is necessary to involve existing enterprises.

European integration as a strategic direction of Ukraine's development is not only a foreign economic vector, but also a value orientation for the entire Ukrainian society. Therefore, in order to solve this problem, it is necessary to study the
patterns and peculiarities of the development of Ukraine's foreign economic relations in the context of globalisation and European integration processes, taking into account the experience of economic policy implementation and institutional peculiarities of the European economic structure. Moreover, in order to ensure the declared innovative development of Ukraine, it is advisable to intensify cooperation in innovative projects with high-tech countries of the foreign economic vector.

Therefore, it can be concluded that Ukraine has great potential for deepening cooperation with the European Union in the field of foreign economic activity and customs regulation, which will contribute to the sustainable development of the country and its integration into the European economic space.

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