

# EUROPEAN PERSPECTIVES OF INTERNATIONAL ECONOMIC INTEGRATION OF UKRAINE

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**Abstract.** The article explores the key opportunities and risks faced by Ukraine on its path toward European integration under the current conditions of Russia's full-scale aggression against Ukraine. The status of a candidate for EU membership engenders a plethora of opportunities and advantages for the country, particularly by enhancing the prospects established in the Association Agreement and other sectoral agreements between Ukraine and the EU. The present study analyses the structure and dynamics of Ukraine's foreign trade with European countries, focusing on the demand within the EU for Ukrainian agri-food products, which currently represent the leading category of Ukraine's exports to Europe. The study examines the complex conditions under which Ukraine's agricultural potential is developing and identifies the main external and internal risks affecting the further expansion of foreign trade in agricultural and food products with EU Member States. Moreover, it underscores the challenges associated with trade liberalisation within the EU framework, in addition to the pace and nature of Ukraine's economic integration with European markets. The role of institutional development and public administration in the context of Ukraine's European integration is a subject to which particular attention is devoted. The analysis explores how reforms in the rule of law, anti-corruption initiatives, and the modernisation of public institutions impact Ukraine's prospects for integration into the European market. The article also addresses the key challenges confronting the country's administrative structures, such as ensuring economic resilience, maintaining a stable regulatory environment, and enhancing the efficiency of state governance. The mechanisms by which to attract foreign investment and to improve Ukraine's credibility among European partners are examined, with particular emphasis on the significance of institutional co-operation between Ukraine and the EU. This encompasses aspects such as legal harmonisation, the implementation of European governance practices, and the effective operation of the labour market. Moreover, the article considers the specific challenges of implementing the European integration agenda during wartime in Ukraine. The primary risks identified in this context encompass the duration and conduct of the full-scale war, disruptions in trade and logistics with the EU, active opposition by the Russian Federation to Ukraine's European aspirations, and the absence of full consensus among EU member states regarding Ukraine's accession. Other risks include the gradual decline in EU interest in supporting Ukraine's integration, the slowdown of critical reforms (particularly in the areas of the judiciary, law enforcement, anti-corruption, and public administration), the shortage of qualified specialists in European integration, and the limited involvement of local governments. The article concludes that the restoration of peace and stability is imperative for the continued development of economic relations between Ukraine and the EU.

**Keywords:** European integration, international trade, agri-food products, international trade regulation, institutions, governance, foreign economic contracts, Russian-Ukrainian war.

**JEL Classification:** F13, F15, Q17, O43, F51

## 1. Introduction

In the context of intensifying global competition on one hand, and Russia's full-scale military aggression against Ukraine on the other, trade integration has become particularly relevant for Ukraine.

A fundamental rationale for the establishment of trade agreements is the protection and realisation of national interests, with primary emphasis on sustainable economic growth, global competitiveness, market access, efficient resource allocation, the stimulation

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of businesses (across the size spectrum), and the enhancement of population welfare. Consequently, Ukraine seeks to develop foreign trade relations with various countries and is especially interested in deepening co-operation with the European Union (EU) on both bilateral and multilateral levels within the framework of the World Trade Organisation. Since 2014, Ukraine has been pursuing a progressive course towards European integration, evidenced by the ratification of the Association Agreement with the European Union. Despite the ongoing state of war, Ukraine has made significant progress in implementing reforms related to European integration over the past eight years.

In response to Russia's full-scale invasion of Ukraine in February 2022, President Volodymyr Zelenskyy submitted Ukraine's application for EU membership, thereby accelerating the country's integration process. By June of that same year, the European Commission had recommended granting Ukraine candidate status, a recommendation which was subsequently officially confirmed by the European Council. These developments have had a considerable impact on the trajectory and pace of Ukraine's European integration efforts, thus rendering this process a matter of key priority for the country's post-war recovery.

The European Union continues to be a pivotal partner in Ukraine's foreign economic relations. It is evident that the proportion of EU countries in Ukraine's exports has increased steadily over time, with a notable rise from 34% in 2015 to over 53% in 2022. In the six-year period under consideration, there has been a marked increase in the volume of exports, which have more than doubled. Concurrently, imports from the EU have increased by 88%. The agro-industrial sector is considered to be one of the core pillars of Ukraine's economy, playing a significant role in national development. Prior to the outbreak of the full-scale war, the sector demonstrated stable growth, with an annual increase of 5-6%. Agricultural production accounted for 10% of the country's GDP, and when combined with agro-processing, this figure reached 16%. Ukraine was a global leader in the production of several types of food products, contributing approximately 6% of global caloric consumption through its trade. The country has been identified as the global leader in sunflower oil production, the third-largest producer of rapeseed, and the fourth-largest producer of barley. Moreover, Ukraine has been actively engaged in the export of a variety of other agricultural products. The trade in agri-food commodities has been shown to generate substantial revenues, with annual earnings of around 22 billion USD, accounting for 41% of the country's total export volume.

However, trade in agricultural and food products with the EU has periodically been confronted with

challenges, including difficulties in establishing connectivity with engineering networks, the presence of protective barriers for market access (including EU quotas), incomplete harmonisation of Ukrainian legislation on food safety, veterinary, and phytosanitary standards with EU norms, issues related to blocked tax invoices, and discrepancies between agricultural logistics capacities and increasing production demands. These pre-existing challenges were further exacerbated by new issues arising from the war, including disruptions to the grain corridor and bans on Ukrainian agricultural exports imposed by several EU countries (namely Poland, Hungary, Slovakia, Romania, and Bulgaria). These factors pose significant threats to the sector's future development, the preservation of Ukraine's export potential, and the broader economic recovery in the post-war era. In light of these circumstances, the necessity to pursue a more closely aligned relationship with the European Union has become imperative, particularly with regard to trade relations in agri-food products. This necessitates a thorough examination of the current state of Ukraine's integration process and a risk assessment considering the ongoing war.

## 2. Review of the Literature

The impact of integration processes on trade with the European Union, particularly in the agri-food sector, has been extensively covered in the scholarly works of foreign authors. The European Union utilises trade preferences, thus allowing the majority of developing countries preferential access to its markets under various schemes. A study by M. Cipollina et al. (Cipollina, Laborde & Salvatici, 2013) examined the effects of this policy on trade using highly disaggregated 8-digit data within a theoretically grounded gravity model framework.

In their seminal study, Braga et al. (Braga, Qineti, Cupak & Lazorcakova, 2017) explored a set of diverse factors that stimulate agricultural exports. To this end, they employed Albania as a case study. The authors analyse the influence of the Albanian diaspora, exchange rate stability, price dynamics, trade liberalisation, and institutional distance on the country's agri-food exports.

The present study draws upon the research conducted by K. Pawlak et al. (Pawlak, Hagemeyer, Michalek & Dunin-Wasowicz, 2022) which investigates the consequences of Brexit on the trade of agricultural products between the United Kingdom and the EU. As is typical in EU trade negotiations, agricultural products pose significant challenges due to their complex nature, the intricacies of the Common Agricultural Policy (CAP), and the sector's vital role in national economies. These factors contributed to the prominence of agriculture as a contentious

issue in the trade negotiations between the EU and the UK.

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Y. Lapinska's (2014) study focuses on specific determinants of intra-industry trade in agricultural and food products between Poland and its EU trading partners. The empirical analysis shows a positive correlation between the level of economic development of Member States (measured by GDP per capita) and the intensity of trade with the EU. Factors such as Poland's EU membership and linguistic similarities with its Slavic trading partners further facilitate trade. Conversely, significant differences in economic size and level of development have a negative impact on trade intensity. Trade imbalances between Poland and its partners also reduce the volume of intra-industry trade. The complexities of the Common Agricultural Policy (CAP) and the sector's vital role in national economies. These factors made agriculture one of the most contentious issues in the EU-UK trade talks.

The topic of European integration and its impact on Ukraine's development has been a focus of domestic scholars. M. Palinchak et al. (Palinchak, Prykhodko, Khymynets, Shynkar, Yehorova & Roshko, 2016) analyse the political and economic relations between Ukraine and the European Union, taking into account the EU's enlargement dynamics and the prospects for further enlargement. V. Sidenko et al. (2018) assess the opportunities and risks for the Ukraine-EU Association Agreement in the context of the EU's Economic and Monetary Union, and how these processes may affect Ukraine's integration path.

In their 2023 study, O. Shnyrkov and O. Chuhaiev conducted an examination of the impact of the ongoing war on Ukraine's economic integration with the EU. The focal point of their investigation was changes in trade structures and the evolving dynamics of bilateral relations.

A substantial corpus of research has been produced by Ukrainian scholars, exploring the dynamics and structure of mutual trade and the outcomes of trade integration between Ukraine and the EU. In their study, O. Yatsenko et al. (2020) explore the priorities and effects of modernising international trade,

identifying trade asymmetries and evaluating Ukraine's economic integration with the EU.

A review of extant academic literature reveals a consensus among domestic experts and policymakers regarding the strategic importance of Ukraine's relations with the European Union. However, given the pivotal role of agri-food exports in Ukraine's economy, there is an urgent requirement for in-depth analysis of the current state and future prospects of this trade segment, especially in the context of European integration, evolving trade conditions, and the risks posed by the ongoing war. The objective of this article is to assess the current state and risks associated with Ukraine's agri-food trade with the European Union within the framework of European integration and under the influence of the ongoing war with Russia.

### 3. International Economic Agreements of EU: Research and Approaches

The European Union (EU) has been actively promoting international economic integration through the conclusion of agreements with various countries and regions worldwide. The core directions of the EU's international economic integration include the following (European Commission, (n.d.)):

- EU internal market. The EU focuses on creating a large single market characterised by the free movement of goods, services, capital and labour between its Member States. This is achieved by eliminating tariff and non-tariff barriers, harmonising regulations and implementing common market standards.
- Association agreements. The European Union enters into association agreements with neighbouring countries with a view to deepening economic ties and providing support for political reforms. These accords frequently encompass free trade areas, regulatory co-operation, and enhanced collaboration in services and investment sectors.
- Trade agreements. The EU is actively negotiating trade agreements with countries and regions around the world, such as Canada, Japan, Mexico and South Korea. These agreements aim to promote open and regulated trade, reduce tariff barriers and foster stronger economic ties (European Commission, (n.d.)).
- Eastern partnership. The European Union has established a strategic partnership with countries in Eastern Europe and the South Caucasus region through the Eastern Partnership initiative. The overarching objective of this initiative is to enhance political association and economic integration.

It is imperative to emphasise that the ongoing war exerts a substantial influence on the pace and nature of Ukraine's economic integration with the EU. In this context, the restoration of peace and stability is a crucial prerequisite for further development of economic relations between Ukraine and the European



Union. The significance and pertinence of Ukraine's economic integration with the European Union (EU) can be examined through several key aspects:

- The potential for Ukraine to increase trade volumes with EU Member States is significant following its accession to the European Single Market. The reduction of tariff and non-tariff barriers facilitates easier market access for Ukrainian businesses, enabling them to reach new customers and expand their market presence.
- The European Union (EU) continues to be a significant contributor to foreign direct investment (FDI) in Ukraine. The process of closer integration has been demonstrated to have a number of economic benefits, including the stimulation of foreign investments, which in turn has contributed to the development of the Ukrainian economy. Furthermore, enhanced competitiveness of domestic enterprises has been observed, as well as the promotion of the transfer of advanced technologies.
- The process of aligning with European standards and regulations has been identified as a mechanism that supports Ukraine in implementing internal economic reforms. This alignment has been demonstrated to enhance governance, fortify the legal system, increase transparency, and nurture endeavours to combat corruption. These reforms have been identified as key contributors to the modernisation of the country and the enhancement of the living standards of its citizens.
- The simplification of employment procedures for Ukrainian citizens in EU countries has been demonstrated to engender enhanced opportunities for securing higher-remuneration employment, whilst concomitantly ensuring elevated levels of social protection for Ukrainian workers.
- The EU extends to Ukraine a plethora of opportunities for active co-operation in scientific research, innovation, and education. This collaboration is conducive to the exchange of knowledge, the development of high-tech industries, and the enhancement of the country's global competitiveness.
- The EU actively promotes multilateralism and international co-operation, including in the field of agricultural trade. In accordance with its trade negotiation priorities, the EU persists in its endeavours to establish a more equitable and transparent global trading system.

In this context, the EU's agricultural policy, as outlined in the Agreement on Agriculture, emphasizes three key priorities (European Commission, (n.d.)):

**Domestic support.** The reduction of trade-distorting support measures is a critical step towards the establishment of a fairer system for agricultural trade. The EU has reformed its internal support system, focusing on non-trade-distorting measures, which has improved market functionality. The EU has been

instrumental in encouraging the adoption of similar reforms by other members.

**Market access.** Facilitating market access for agricultural products is an integral part of the global trade system. The EU's position is that inclusive and comprehensive negotiations within the World Trade Organisation (WTO) are to be encouraged, with these encompassing both agricultural and non-agricultural markets, as well as services. The issue of market access constitutes a pivotal element in the context of bilateral free trade agreement negotiations.

**Export competition.** The EU's position on future trade negotiations is that they should be based on the commitments made in the Nairobi Package, particularly with regard to stricter regulations on export credits and guarantees, international food aid, and state trading enterprises involved in agricultural exports.

#### 4. Ukraine's Export to EU: Statistics and Data

In light of the rapidly evolving geopolitical, political, economic, and humanitarian conditions, there are several critical risks that could impede Ukraine's progress in its pursuit of European integration.

- Prolonged full-scale war and its consequences. The ongoing war has resulted in significant human, temporal and financial losses, thereby slowing down the pace of reforms and, in some cases, rendering their implementation impossible. The uncertainty surrounding the duration and intensity of the conflict further complicates long-term planning and development.
- Potential decline in trade volumes with the EU. The war has had a disruptive effect on logistical and production chains between Ukraine and the EU, which may result in a decline in trade volumes. This is due to the fact that Ukrainian producers run the risk of losing European consumers who may switch to alternative suppliers, either temporarily or permanently.
- Active opposition by the Russian Federation. Russia continues to impede Ukraine's European integration efforts across a number of domains, including the political, economic, and security spheres. This poses a direct threat to Ukraine's strategic orientation towards the EU.
- Lack of full consensus among EU Member States. The divergent views among EU member states regarding Ukraine's potential accession create a considerable degree of uncertainty. Some countries have expressed concerns regarding the potential consequences of further EU enlargement, which could potentially hinder Ukraine's integration process.
- Gradual decline in EU interest. However, as time progresses, there is a possibility that the EU's commitment to supporting Ukraine's European

integration may diminish, particularly if the conflict persists and economic challenges within the EU escalate.

– Slowdown of critical reforms. Recent progress in the reform of key sectors, including the rule of law, the judiciary, law enforcement, anti-corruption, and public administration, has been observed to be in a state of deceleration. Furthermore, a paucity of communication with EU Member States with regard to Ukraine's reform achievements serves only to exacerbate prevailing scepticism with regard to the country's preparedness for accession.

– Shortage of qualified specialists. There is a conspicuous absence of skilled professionals in the field of European integration, resulting in diminished efficiency in the management of the expanding array of tasks associated with Ukraine's EU membership aspirations.

– Limited involvement of local authorities. Local self-governance bodies continue to play a marginal role in the planning and implementation of national reforms, including those directed towards European integration. This under-involvement has a detrimental effect on the overall effectiveness of integration policies.

The Association Agreement, encompassing the Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine, was negotiated between 2007 and 2011 and signed in 2014. The DCFTA has been provisionally applied since January 1, 2016, and the full Association Agreement entered into force on September 1, 2017, following ratification by all EU Member States. This agreement is regarded as the cornerstone for deepening political ties, strengthening economic relations, and promoting shared values between Ukraine and the European Union.

The Priority Action Plan (PAP) for deepening the implementation of the DCFTA for 2023–2024 outlines specific measures to accelerate and monitor the full implementation of the agreement, facilitating Ukraine's further access to the EU Single Market (European Commission, n.d.). The European Union (EU) continues to be Ukraine's primary trading partner, representing 39.5% of Ukraine's total trade in 2021. Ukraine, in turn, is a significant trading partner for the EU (15th largest), representing

approximately 1.2% of the EU's total trade volume. The overall trade turnover between the EU and Ukraine reached nearly EUR 52.4 billion in 2021, which is almost double the figure recorded in 2016, the year in which the DCFTA came into effect (European Commission, n.d.).

In 2022, Ukraine's exports to the EU amounted to 27.6 billion EUR, representing a 70% increase compared to 2020. The leading export categories included iron and steel (20.8% of total exports), ores and slag (12.5%), animal and vegetable fats and oils (8.5%, notably sunflower oil), electrical machinery (7.8%), and cereals (7.3%).

With regard to the import of goods from the EU to Ukraine, the total value amounted to 30.1 billion EUR in 2022, representing a 42.7% increase in comparison with 2020. The primary categories of imported goods were machinery (14.8%), transport equipment (10.2%), mineral fuels (9.4%), electrical equipment (9.3%), and pharmaceutical products (5.9%).

Ukraine is currently in the process of aligning its trade legislation with the regulatory framework of the European Union. This alignment is being implemented in the following areas: competitiveness; technical barriers to trade (TBT); sanitary and phytosanitary standards (SPS); customs and trade facilitation; and the protection of intellectual property rights.

Despite the six-year implementation of the Deep and Comprehensive Free Trade Area (DCFTA), trade with the EU remains subject to restrictions. The EU's approach to safeguarding its internal market entails the implementation of various barriers that impose restrictions on Ukrainian exports. It is important to note that certain Ukrainian industrial goods are still subject to trade tariffs, which has a negative impact on their competitiveness in European markets.

For other Ukrainian products, particularly fruits and vegetables, the "entry price" system was applied. This mechanism serves to equalise prices by imposing a surcharge on Ukrainian export goods based on the average European price for similar products. To illustrate this point, consider a scenario in which Ukrainian apples are imported into the EU at a price of 1 euro per kilogram. In contrast, the average

Table 1

**Dynamics of Foreign Trade Between the EU and Ukraine**

Year	Goods and services			Goods			Services		
	Export from Ukraine to EU, billion EUR	Import from EU to Ukraine, billion EUR	Balance, billion EUR	Export from Ukraine to EU, billion EUR	Import from EU to Ukraine, billion EUR	Balance, billion EUR	Export from Ukraine to EU, billion EUR	Import from EU to Ukraine, billion EUR	Balance, billion EUR
2019	19,9	30,0	-10,1	16,3	21,1	-4,8	3,6	8,9	-5,3
2020	27,2	34,9	-7,7	24,1	28,3	-4,2	3,2	6,6	-3,4
2021	31,3	38,0	-6,7	27,6	30,1	-2,5	3,7	7,9	-4,2

Sources: prepared on the basis of (European Commission, (n.d.))

market price in the EU is 3 euros. Consequently, an additional surcharge of 2 euros is levied on the Ukrainian exporter.

Another significant trade barrier is the use of quotas, which allow a specified volume of Ukrainian goods to enter the EU market tariff-free. In the event of quotas being exceeded, the importation of Ukrainian products is subject to additional duties, which results in an increase in the overall cost of these products. At present, quotas are applied to 40 categories of goods, including honey, tomato paste, and poultry meat.

In response to the full-scale invasion of Ukraine by Russia, the EU adopted a regulation introducing temporary trade liberalisation measures with a view to supporting Ukrainian exports. These measures entailed the complete suspension of tariffs and trade defence instruments for a period of one year, commencing on June 4, 2022, and concluding on June 5, 2023. This action resulted in the provision of substantial economic relief to Ukraine during this pivotal juncture.

The EU's proposal for the further liberalisation of trade with Ukraine entails the elimination of all trade restrictions on Ukrainian exports. Nevertheless, non-tariff barriers persist, particularly with regard to compliance with EU quality standards. Consequently, Ukrainian companies that were previously unable to meet these stringent standards will still be excluded from EU markets, even after the removal of all customs duties.

One of the most significant obstacles for Ukrainian agricultural exports is the war and its devastating consequences. It is evident that a significant number of Ukrainian companies have sustained considerable damage as a result of active hostilities. It is evident that the destruction of certain production facilities has occurred, whilst others are situated within temporarily occupied territories. This has resulted in the impracticability of transporting goods to areas under Ukrainian government control, and moreover, to EU markets. In addition to these challenges, many surviving enterprises face other logistical and operational difficulties:

- Loss of maritime access. The war has resulted in Ukraine being cut off from its Black Sea ports, which previously handled 60% of the country's exports. This has had a considerable impact on export capacity, resulting in significant limitations, and has led to a notable increase in transportation costs.
- Fuel shortages and border delays. Ukraine has experienced fuel shortages and protracted queues at border checkpoints, which has further complicated logistics and reduced the speed of the movement of goods into the EU.
- Destruction of logistic hubs. The war has resulted in the destruction of key logistics centres, thereby

reducing Ukraine's capacity to manage large-scale exports.

- Railway gauge discrepancies. The exportation of substantial quantities of Ukrainian agricultural products by rail poses considerable challenges due to the disparity in railway track gauges between Ukraine and the EU. This necessitates the implementation of protracted and costly transshipment procedures at border crossings.

Notwithstanding the potential for the EU to fully lift trade restrictions on Ukrainian goods, logistical challenges are likely to persist. For a considerable number of Ukrainian producers, the aforementioned infrastructure and transportation bottlenecks may potentially overshadow the benefits of an open EU market, thereby limiting their capacity to capitalise on emergent export opportunities. The temporary full liberalisation of trade has proven particularly beneficial for Ukrainian producers and exporters who previously operated under limited tariff-free quotas. These quotas, frequently modest in scale, were often fully utilised within the initial months of each year. For certain products – such as honey, processed tomatoes, grape and apple juices, barley groats and flour, malt, wheat gluten, sugar, starch, oats, and poultry meat – Ukrainian exporters continued to supply large volumes to the EU even after exceeding the quota limits and incurring customs duties.

Despite the temporary trade liberalisation measures, a significant issue emerged when five EU countries – Poland, Hungary, Slovakia, Bulgaria, and Romania – unilaterally imposed bans on Ukrainian agricultural exports. The implementation of independent trade policies by certain EU Member States has been identified as a contributing factor to the erosion of European Union unity. This development has been viewed with concern, given its potential implications for the stability of the internal market. Poland, in particular, has signalled its intention to block a wide range of Ukrainian imports into the EU under the free trade regime, which could have a profoundly negative impact on Ukraine's economy. The ongoing war has had a profound impact on all sectors of Ukraine's economy, with agriculture and food production experiencing significant disruption.

The blockade of Ukrainian seaports, which had previously functioned as the primary hubs for exporting agricultural products, compelled producers to explore alternative logistical routes. Prior to the war, Ukrainian agricultural producers predominantly relied on traders and brokers to manage their international trade. However, in the current unstable environment, many producers have been compelled to independently identify buyers and arrange the export of their goods, even in small quantities.

At present, rail and road transport represent the primary means of exporting Ukrainian goods to EU

countries. Nevertheless, this transition has given rise to a number of logistical and legal challenges, particularly in view of the rapid changes to both Ukrainian legislation and the regulations of importing countries.

Given the evolving legal and logistical landscape, Ukrainian producers must carefully consider the following factors when exporting agricultural products to the EU:

- Government export restrictions. In the context of martial law, the Ukrainian government has imposed export restrictions on specific agricultural commodities, including rye, oats, buckwheat, and salt. Furthermore, export licensing requirements have been implemented for a range of products, including wheat, meslin (a wheat-rye mixture), poultry meat and eggs, cattle, sugar, millet, and others. However, the licensing process has been streamlined, allowing exporters to obtain licences automatically within 24 hours.

- Customs accreditation for exporters. In order to engage in international trade, exporters are required to complete customs accreditation procedures. This process entails registering with the Ukrainian customs authorities and acquiring a unique identification number. Applications are submitted at customs offices or border checkpoints during the initial export transaction. Nevertheless, it should be noted that such processes are susceptible to delays resulting from administrative inefficiencies.

- Customs declaration procedures. The customs declaration continues to be the primary document required for the purpose of export. It is evident that declarations can be submitted in either paper or electronic form; however, it is imperative to ensure that such declarations comply with the Ukrainian customs regulations. All goods crossing the Ukrainian border are required to be declared at the designated customs office. In the context of rail and road transport, it is imperative to note that a distinct customs declaration is mandatory for each individual vehicle or railcar.

- Foreign economic contracts (FEC). Exporters are required to formalise a foreign economic contract (FEC) with their international counterparts for the export of agricultural products. To prevent future disputes, contracts must clearly state the terms and conditions, including: price and total contract value; quantity and quality of goods; packaging and labelling requirements; payment terms and procedures; delivery terms (e.g., Incoterms); penalties for breach of contract; force majeure clauses; dispute resolution procedures.

In the EU, agreements for product delivery can occasionally be concluded through email correspondence. However, Ukrainian legislation stipulates the requirement for a written FEC in

instances where at least one of the parties to the contract is a Ukrainian resident. In the context of international trade, exporters are obligated to adhere to the stipulated contractual standards set forth by the relevant international trade organisations. For instance, the Grain and Feed Trade Association (GAFTA) and the Federation of Oils, Seeds and Fats Associations (FOSFA) have standardised contract forms. Failure to comply with these standards has the potential to render the contract invalid, particularly in cases involving arbitration. When entering into foreign economic contracts (FECs) for agricultural exports, Ukrainian exporters and their international partners typically choose among the following payment methods:

- Advance payment (prepayment). This method is considered particularly suitable when initiating business relationships with new counterparties. The buyer pays in advance, thereby reducing the risks for the seller but increasing the buyer's exposure.

- Letter of credit. A letter of credit constitutes a commitment on the part of the buyer's authorised bank to transfer funds to the seller upon the fulfilment of specific terms. Payment is issued to the vendor upon presentation of the requisite documentation, including shipping receipts and quality certificates, as stipulated in the terms of the letter of credit.

- Collection (Incasso). This method involves the seller authorising their bank to collect payment from the buyer through the buyer's bank. This is done in exchange for the transfer of documents confirming the shipment of goods. The buyer acquires the aforementioned documents upon fulfilling the stipulated payment obligation. The Ukrainian legislation governing foreign economic contracts establishes a maximum settlement period of 365 calendar days, with exceptions for transactions under 400,000 UAH. However, the National Bank of Ukraine (NBU) subsequently reduced this maximum period to 90 calendar days for export-import operations, with the aim of streamlining currency inflows.

- Product origin certification and customs duties. In accordance with the provisions of the EU-Ukraine Association Agreement, the export of agricultural goods from Ukraine to the European Union is subject to the imposition of specific quotas. Export volumes within these quotas are exempt from import duties, while shipments exceeding quota limits are taxed accordingly. With regard to the matter of export duties, it is incumbent upon Ukrainian exporters to verify whether specific products are subject to such charges. This verification process is to be conducted in accordance with the Ukrainian Classification of Goods for Foreign Economic Activity (UCGFEA). Export duties apply to certain commodities, including those listed under the Law of Ukraine "On Export



Duty on Live Cattle and Raw Hides" and the Law of Ukraine "On Export Duty Rates for Seeds of Certain Oil Crops".

– Compliance with safety and quality standards. It is incumbent upon exporters to ensure that they are in compliance with the technical, environmental, sanitary and phytosanitary standards of the importing country, which vary depending on the product type. Comprehensive information regarding the EU's product import requirements can be found on the European Commission's website. Additionally, European buyers often require certificates of conformity to internationally recognised standards, such as:

- ISO 22000 – Food Safety Management Systems.
- FSSC 22000 – Food Safety System Certification.
- BRC – British Retail Consortium Global Standards.
- IFS – International Featured Standards.

Although these certificates are not legally mandatory for entry into the EU, they are often prerequisites for product placement in major European retail chains. A significant proportion of prominent food companies and European supermarkets mandate that their suppliers possess certifications that have been recognised by the Global Food Safety Initiative (GFSI).

Consequently, exporters are obliged to conduct a comprehensive analysis of the legal requirements of the importing country and the specific commercial demands of their European counterparties during the negotiation phase.

Permits for international road transportation. Prior to the war, Ukrainian agricultural exporters frequently encountered restrictions on the utilisation of their own vehicles for international transportation, primarily due to non-compliance with the EU's environmental standards. It was imperative for exporting companies to obtain specific authorisation in the form of special permits for the purpose of facilitating international road transport, thereby enabling access to European markets. However, the disruption of Ukraine's traditional export routes, coupled with a sharp slowdown in food supplies, prompted several EU countries to ease or remove transportation permit requirements for Ukrainian carriers. According to the European Business Association, as of April 2022, bilateral and transit permits for Ukrainian cargo traffic have been waived in seven EU countries, including: Bulgaria, Hungary, Italy, Denmark, Latvia, Estonia and Lithuania. Similar transit exemptions have also been introduced by Georgia, Turkey and Slovakia. In addition, a permit-free transit system has been established for all humanitarian cargo passing through Moldova, Romania, Slovenia, Austria, the Czech Republic, Poland, Germany, the Netherlands and Lithuania. Notwithstanding these relaxations, certain countries continue to enforce minimum environmental

requirements, including the Euro 3 emission standard, for Ukrainian trucks crossing their borders. In the context of foreign trade operations, exporters are obligated to adhere to the provisions stipulated in the foreign trade contract with regard to the resolution of disputes, or any applicable arbitration clause. The absence of clearly defined dispute resolution terms has the potential to result in significant financial losses for the exporter. It is imperative to delineate the jurisdiction, applicable law, and the *modus operandi* for arbitration or litigation in the contract to ensure legal protection and mitigate risk.

## 5. Export-Import Structure of Agricultural Products

In order to analyse changes in EU demand for agricultural products, it is necessary to examine the export-import structure of this commodity group in 2022 and to review the dynamics of external trade between 2002 and 2022. Agricultural products can be divided into four main categories: animal products, plant products, fats and oils, food products (Figure 1). A perusal of trade data from 2022 reveals that the largest share of exports was accounted for by food products, which constituted 54% of the total. This was followed by animal products, which accounted for 22% of exports, plant products (20%), and fats and oils (4%). In contrast, the import structure revealed different proportions: plant products – 39%, food products – 32%, animal products – 19%, fats and oils – 9%.

A detailed analysis of each product category is to be conducted:

– Animal products. The "animal products" category is further subdivided into five distinct subcategories. In 2022, the leading export subcategories were meat and edible meat offal, accounting for 38% of total animal product exports, valued at €18 billion. A study of the latest available data sets reveals that dairy products, birds' eggs, natural honey and other edible animal products accounted for 41% of total animal product exports, with a value of 19 billion EUR. With regard to the import aspect, the predominant subcategory within the animal products sector was that of fish and crustaceans, mollusks, and other aquatic invertebrates, constituting 71% of the total animal product imports, with a total value of 26 billion EUR.

– Plant products. The "plant products" category is further subdivided into nine distinct subcategories. In the context of exports, the predominant share was accounted for by cereals, which constituted 32% of the aggregate plant product exports, with a valuation of 15 billion EUR. With regard to imports, the leading subcategory was: A study of plant product imports revealed that edible fruits and nuts, as well as citrus



fruits and melons, constituted 27% of the total, with a value of 21 billion EUR.

– Fats and oils. The "fats and oils" category is distinguished by its significant trade volumes, with exports amounting to 11 billion EUR and imports reaching 20 billion EUR. This category comprises a variety of edible oils and animal or vegetable fats.

– Food products. The food category covers a range of processed food products. In 2022, the leading export subcategory was: beverages, spirits and vinegar: accounting for 32% of total food exports worth 39 billion EUR. In contrast, the main import subcategory was residues and waste from the food industry; prepared animal feed: 24% of food imports, worth 15 billion EUR.

In 2022, the foreign trade turnover of animal products between the EU and other countries amounted to 85 billion EUR. It is evident that the value of exports (48 billion EUR) surpassed that of imports (37 billion EUR), thereby resulting in a favourable trade balance of 11 billion EUR. Between 2002 and 2022, trade in animal products within the EU more than doubled, corresponding to an average annual growth rate of 5.0%. During this period, exports exhibited a comparatively faster growth rate (5.6%) in comparison to imports (4.4%).

In 2022, the EU's foreign trade turnover in plant products reached 126 billion EUR. Exports, amounting to 47 billion EUR, were lower than imports, which stood at 78 billion EUR. This resulted in a trade deficit of 31 billion EUR. From 2002 to 2022, EU trade in plant products increased threefold, with an average annual growth rate of 5.9%. During this period, exports exhibited an increase of 5.6%, while imports demonstrated a slightly higher growth rate of 6.1%.

For the "fats and oils" product group, the trade balance was negative to the tune of €9 billion in 2022, due to lower export volumes (11 billion EUR) in comparison to imports (20 billion EUR). The total foreign trade turnover for this category amounted to 31 billion EUR in 2022. Between 2002 and 2022,

trade in oilseed crops within the EU increased significantly, with an average annual growth rate of 8.7%, although exports grew more slowly (6.8%) compared to imports (10.2%).

In 2022, the foreign trade turnover of food products in the EU was the largest among all agricultural product categories, amounting to 184 billion EUR (Eurostat, 2022). Exports, which amounted to 123 billion EUR, significantly exceeded imports, which totalled 60 billion EUR, resulting in a positive trade balance of 63 billion EUR. From 2002 to 2022, trade in food products within the European Union increased by almost threefold, with an average annual growth rate of 5.4%. Exports exhibited a more rapid rate of growth (6.1%) in comparison to imports (4.2%).

It is noteworthy that Ukraine held one of the leading positions in the overall import structure of agricultural products in the EU (Figure 2). In 2022, Ukraine ranked second in plant product imports (accounting for 11% of the EU's total plant product imports), following Brazil (15%). Within the "fats and oils" category, Ukraine also emerged as the second-largest supplier, with a 15% share of the EU's imports, following Indonesia (16%) (Eurostat, 2022).

The following discussion will examine the situation in Ukraine's agricultural market under the impact of the war, and how this impacted the dynamics and structure of the country's agricultural exports to the EU in 2022.

According to statistical data from the State Statistics Service of Ukraine, the greatest losses among all types of agro-industrial production were suffered by the core of Ukrainian agro-exports – grain. In 2022, the loss of more than 32 million tons of crops, representing a 37.4% decline compared to 2021, had a significant negative impact on the sector's development and the national economy as a whole.

The most substantial losses in grain harvests (75-80%) were recorded in the Zaporizhzhia, Donetsk, and Luhansk oblasts, due to the occupation of territories and active hostilities in frontline regions.

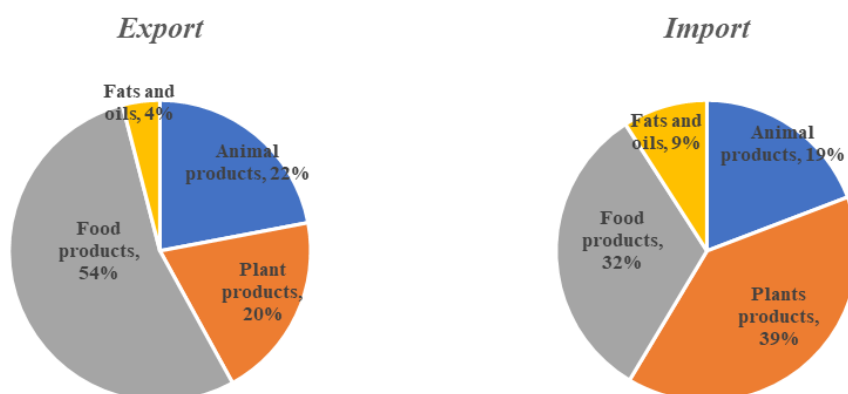


Figure 1. EU foreign trade in agricultural and food products

Source: prepared on the basis of (Eurostat, 2022)

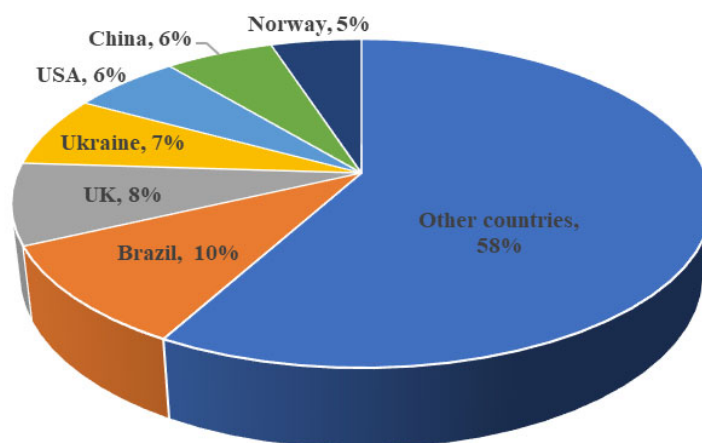


Figure 2. EU trading partners in agricultural trade, 2022

Sources: prepared on the basis of (Eurostat, 2022)

Moreover, the Kherson Oblast, which remained under occupation for the majority of 2022, also experienced significant declines in agricultural production.

In the Kharkiv Oblast, which was de-occupied in the autumn, crop losses ranged between 40% and 50%. Comparable levels of losses were observed in the Mykolaiv, Odesa, and Vinnytsia oblasts.

Beyond the reduced harvests, exporters lost access to the most efficient and cost-effective logistics routes to external markets – maritime shipping lanes. The prevailing low prices for agricultural products rendered alternative land and river routes economically unfeasible. Consequently, agricultural producers in regions affected by war or occupation, as well as in relatively peaceful areas, experienced substantial financial losses.

The combination of low selling prices and high grain-drying costs, as well as frequent power outages that disabled equipment, resulted in many farmers leaving significant portions of their corn harvest uncollected in the fields.

In contrast, the buckwheat harvest in 2022 demonstrated positive growth, increasing by 39%. Several factors contributed to this outcome:

- Smaller production volumes. In comparison to crops such as wheat or corn, buckwheat is cultivated on a significantly smaller scale, which facilitates its management under challenging conditions.
- Domestic-oriented crop. Buckwheat is predominantly cultivated for the domestic market, and its sales are less contingent on export opportunities compared to other crops.
- Previous years' underproduction. For a considerable period, Ukraine has experienced a shortfall in buckwheat production, with approximately 50% of domestic consumption being satisfied through imports, predominantly from Russia via Kazakhstan. The disruption of this supply chain is a consequence of the war.

The aforementioned factors, in conjunction with the strategic shift in farmers' focus towards buckwheat cultivation during the war, resulted in a substantial augmentation in production. It is noteworthy that the Chernivtsi and Poltava oblasts experienced the most significant increases in buckwheat harvests, with production rising sixfold and fourfold, respectively.

Table 2

**Changes in grain yields in Ukraine in 2022**

Grains	Figure in 2022 thousands mts, comparing to 2021	2022 in % comparing to 2021
Wheat	-11527	-36
Corn	-15929	-38
Barley	-3861	-41
Buckwheat	41	39
Sunflower seeds	-5080	-31

Source: (State Statistics Service of Ukraine, (n.d.))

As demonstrated in Table 3, the production volumes of vegetable crops in Ukraine decreased by 24.4% in 2022 compared to 2021. This phenomenon resulted in a significant loss of approximately 2.4 million tons of produce, with tomatoes accounting for approximately 50% of this total. The tomato harvest was reduced by 50%, primarily due to the heavy reliance on the Kherson Oblast, which was one of the largest tomato-producing areas.

Conversely, the decline in potato production was negligible, with a mere 2% decrease compared to the 2021 figures. This is primarily attributable to the fact that potato cultivation is predominantly concentrated in other regions of Ukraine. The diminution in vegetable production in Kherson was counterbalanced by an augmentation in output in the Cherkasy (+5%) and Odesa (+15%) oblasts. This was primarily attributable to the presence of water resources. Odesa benefits

from extensive irrigation systems, enabling the watering of fields, while Cherkasy has access to the Dnipro River, facilitating agricultural irrigation.

In order to facilitate an understanding of the factors influencing vegetable production, it is first necessary to consider the key elements involved. The following are the relevant points:

- Reorientation of agricultural activities. With a shortage of vegetables on the domestic market, many growers shifted their focus to more profitable crops. Relocated farms from war-affected areas contributed to the supply. Although these relocated farms often did not have access to large areas of land, they still provided a marginal increase in vegetable production.

- Unexpected regional growth. Despite being partially occupied in the spring and suffering from constant shelling due to its proximity to Russia, Sumy Oblast recorded an unexpected increase in vegetable production, especially cabbage, potatoes and other vegetables. This increase was driven by the relocation of farms from the Kharkiv Oblast. A shift in land use towards crops suitable for the domestic market, particularly in the face of continuing export logistics challenges. Despite these localized improvements, the overall potential for vegetable production across Ukrainian regions has not yet been fully realised. However, it is important to note that the process of fully compensating for production losses incurred in the southern regions of Ukraine is likely to span a period of two to three years. This is due to the fact that the reconstruction of the necessary infrastructure for storage and sorting is a time-consuming process.

- Fruit production: shifting regional dynamics. In 2022, there was a geographical shift in the cultivation of fruit crops, which can be attributed to the impact of the war. It is evident that traditional fruit-growing regions have experienced disruptions, which have consequently resulted in alterations to production patterns. The Cherkasy and Kirovohrad oblasts have achieved a notable increase in fruit yield, with a 30% and 26% rise, respectively. The Lviv Oblast witnessed a 9% increase in fruit production, indicating a considerable growth potential in western Ukraine. There were also notable shifts in specific fruit categories: The Mykolaiv region has achieved a significant increase in its grape harvest, nearly doubling its yield to become the second-largest grape-producing region in Ukraine. The Cherkasy region has been identified as a notable producer of cherries, ranking within the top ten regions for cherry production. Notwithstanding these regional triumphs, Ukraine experienced a 10.2% decrease in overall fruit production in 2022. As illustrated in Table 3, certain fruits were more heavily impacted than others. For instance, there was a slight decline of 2% in grape production, while apple production dropped by 12%. Similarly, strawberry production saw a 13% reduction.

- Challenges in fruit and vegetable cultivation. The viability of both horticulture and vegetable farming is contingent on the consistent availability of water resources. The war compelled many farmers to seek refuge in regions endowed with more reliable irrigation systems and closer proximity to domestic markets for product distribution. This relocation enabled certain regions to increase production; however, it was unable to fully offset the losses incurred by the severely affected southern regions.

In the long term, the restoration and expansion of irrigation networks, in conjunction with investments in storage and logistics infrastructure, will be pivotal to the revitalisation of Ukraine's fruit and vegetable production sectors.

Table 3

**Change in vegetables and fruits crop yields in Ukraine in 2022**

Products	Figure in 2022, in thousands mts comparing to 2021	2022 in % comparing to 2021
<b>Vegetables:</b>		
Tomatoes	-1187	-49
Onions	-215	-21
Cabbage	-198	-11
Potatoes	-460	-2
Carrots	-115	-13
<b>Fruits:</b>		
Grapes	-6	-2
Apples	-150	-12
Plums	-20	-10
Cherries	-13	-7
Strawberries	-8	-13

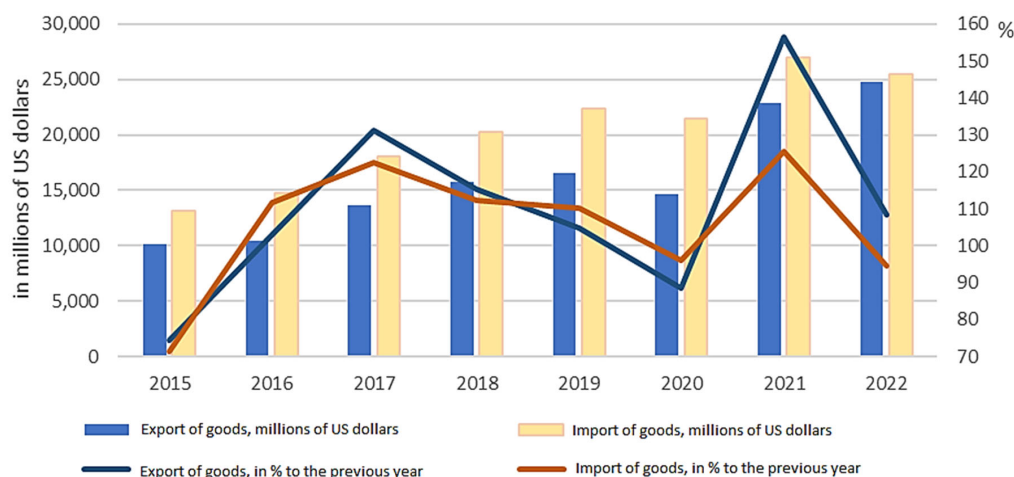
Source: (State Statistics Service of Ukraine, (n.d.))

According to forecasts by the Ministry of Agrarian Policy and Food of Ukraine, agricultural production is expected to decrease by 10% in 2023 compared to 2022, while maintaining production efficiency, product exports, and the functioning of the domestic market. Moreover, the European Commission's resolution to prolong the zero-duty regime on Ukrainian exports for a further year is a highly favourable indication and a manifestation of support (Ministry of Agrarian Policy and Food of Ukraine, (n.d.)).

In such circumstances, during the war, trade with the EU has become a significant external factor in the resilience of the national economy as a whole and the development of the agro-industrial sector in particular. In recent years, Ukraine's total export of goods has shown significant growth (Figure 3).

As indicated by the available balance of payments data, in 2021, there was an increase of 56.5% in Ukrainian exports of goods, while imports grew by 25.5%. In 2022, growth rates exhibited a modest decline in comparison to previous years. However,





**Figure 3. Dynamics of Ukraine's Foreign Trade with the EU (EU-27)**

Source: prepared on the basis of (National Bank of Ukraine, (n.d.))

despite the challenging circumstances, an upward trend was observed. Exports exhibited growth of 8.5% in 2022, while imports experienced a decline of 5.3% (National Bank of Ukraine, (n.d.)).

A thorough examination of the structure of foreign trade reveals that, over the past three years, the category of "Food products and raw materials for their production" has consistently dominated exports. In 2022, this category accounted for more than half of Ukraine's total goods exports to the EU (see Table 4).

Moreover, the agricultural sector has consistently maintained a positive trade balance. In 2015, the surplus was 2,465 million USD, which is expected to increase significantly to 9,772 million USD by 2022. Apart from agricultural products, the other main items of Ukraine's merchandise exports, albeit by a significant margin, are "Ferrous and non-ferrous metals and products thereof" (14.3%) and "Mineral products" (13.3%). With regard to the importation of European goods in 2022, the foremost product categories were as follows: mineral products (25.2%), machinery and equipment, transport vehicles, and instruments (24.6%), and chemical products and associated merchandise (20.2%).

The overall import structure in trade with EU countries has historically been more technology-oriented, in contrast to Ukraine's export structure, which is predominantly raw material-based. However, in recent years, there has been a decline in the share of machinery, transport equipment, industrial goods, and wood products in imports (see Table 4). During the war, the proportion of mineral products in imports increased, driven primarily by the increased demand for fuel to meet military needs. In 2022, the largest share of agricultural exports was held by "Cereals", accounting for 36.2% of total AIC exports. Compared to 2018, the volume of cereal exports more than doubled, largely due to following reasons:

- A nearly fourfold increase in wheat exports, which represented 19.7% of the "Grains" category in 2022.
- A nearly twofold increase in corn exports, dominating the "Cereals" category with a 74.8% share in 2022.

The category with the second-largest share was "Animal or vegetable fats and oils", which accounted for 23.7% of AIC exports (an increase from 18% in 2018). The predominant product within this category was "Sunflower oil and others" which constituted 87.1% of the group. Exports of sunflower

Table 4

**Structure of Ukraine's foreign trade with the EU**

Names of the product groups	Export, %			Import, %		
	2020	2021	2022	2020	2021	2022
Food products and raw materials for their production	41,9	33,5	52,0	14,7	13,9	12,3
Mineral products	12,8	15,6	13,3	9,4	11,2	25,2
Chemical products and related products	5,3	5,6	4,1	26,9	26,9	20,2
Wood and wood-based products	7,3	6,9	7,0	3,5	3,6	2,6
Industrial products	2,6	2,2	1,6	3,3	2,9	2,7
Ferrous and non-ferrous products	19,3	27,2	14,3	5,3	5,3	4,2
Machinery and equipment, vehicles, tools	7,4	5,8	5,4	34,4	33,9	24,6

Source: prepared on the basis of (National Bank of Ukraine, (n.d.))

oil increased by almost threefold compared to 2018. In 2022, the share of "Oilseeds and oleaginous fruits" in total AIC exports was 22.5%, representing an increase of 2.8 percentage points in comparison with the 2018 figures. The predominant products within this category were: rapeseed/colza seeds – 47.2% (a decrease from 76.9% in 2018), sunflower seeds (whole or crushed) – 34.1% (a substantial increase from 1.2% in 2018), soybeans – 16.1% (a slight decrease from 17.2% in 2018).

It is noteworthy that the export volume of sunflower seeds in 2022 was more than seven times higher than in 2018, indicating a substantial shift in production and export strategies in response to market demands and logistical challenges.

Concurrently, despite a 20% increase in the supply of processed vegetable and fruit products in 2022 compared to 2018, their share in the total volume of food products and raw materials for their production decreased by 0.7 percentage points. In a similar fashion, the share of residues and waste from the food industry also declined by 4.5 percentage points.

In 2023, a further liberalisation of trade relations between Ukraine and the EU is anticipated, consequent to the entry into force of Regulation (EU) 2023/1077 in June of that year.

Regulation (EU) 2023/1077 of the European Parliament and of the Council of 31 May 2023 extends the EU's temporary trade liberalisation measures with Ukraine for a further period of twelve months (European Parliament and Council, 2023). These measures encompass the suspension of all tariffs, quotas, and trade defence mechanisms on Ukrainian exports. In accordance with the provisions of the present Regulation, the following measures pertaining to agricultural products have been suspended: the implementation of the entry price system for fruits and vegetables; the imposition of tariff quotas; the application of anti-dumping duties; and the implementation of global safeguard measures.

At the same time, Ukraine is obligated to comply with several conditions, including:

- Adherence to the rules of origin and related procedures as outlined in the EU-Ukraine Association Agreement;
- refraining from imposing new import restrictions on goods from the EU, including the introduction of new tariffs or other trade barriers, as well as the strengthening of existing restrictions (with exceptions made for wartime necessities);
- respecting democratic principles, human rights, and fundamental freedoms, the rule of law, and taking appropriate actions to combat corruption and illicit activities, as stipulated in Articles 2, 3, and 22 of the Association Agreement.

In light of the concerns expressed by certain EU Member States regarding the surge in imports of specific agricultural products from Ukraine, the updated Regulation incorporates provisions for a special safeguard mechanism to support the EU market when necessary (The Ministry of Economy of Ukraine, n.d.). This mechanism facilitates continuous monitoring and enables the expeditious reintroduction of customs duties if deemed essential.

Consequently, in addition to the deleterious ramifications of Russia's military aggression against Ukraine, which is being supported by Belarus, there are nascent opportunities associated with the acceleration of institutional, sectoral, and product integration of Ukraine's agro-industrial sector into the European market, as well as the transformation of Ukraine's export structure through product diversification.

The liberalisation of trade relations with the EU engenders favourable conditions for increasing the level of raw material processing within Ukrainian enterprises, particularly in the dairy and meat sectors. As the analysis indicates, Ukrainian agricultural producers are gaining access to additional market niches within the EU's internal market. This phenomenon can be attributed to the withdrawal of specific Russian and Belarusian exporters in the face of the economic sanctions imposed upon them by the EU (European Commission, (n.d.)).

Table 5

**Structure of Ukrainian agricultural exports to the EU**

Product group names	million USD		Figure in %		Figure of 2022 compared to 2018,%
	2018	2022	2018	2022	
Food products and raw materials for their production, including:	5893,3	12897,6	100,0	100,0	218,8
Grains	2140,2	4672,2	36,3	36,2	218,3
Oilseed and oleaginous fruits	1162,2	2906,6	19,7	22,5	250,1
Animal or vegetable fats and oils	1058,5	3057,7	18,0	23,7	288,9
Processed vegetable and fruit products	95,5	114,5	1,6	0,9	120,0
Residues and waste from the food industry	502,2	514,0	8,5	4,0	102,3

Source: prepared on the basis of (National Bank of Ukraine, (n.d.))

## 6. Conclusions

European integration provides Ukraine with additional competitive advantages. The institutional mechanisms that facilitate this integration encompass the Association Agreement, the Deep and Comprehensive Free Trade Area (DCFTA), and the conferral of EU candidate status to Ukraine. This entails the expedited harmonisation of Ukrainian legislation with EU norms and the provision of financial assistance. These accords and mechanisms contribute to the deepening of trade relations between Ukraine and the EU, increasing trade volumes, attracting investments, and promoting the modernisation of the Ukrainian economy.

In recent years, the European Union has become Ukraine's primary trading partner, while Ukraine has secured a leading position in the EU's imports of agricultural products and food. In the context of the ongoing war, Ukrainian agricultural producers have received considerable support from the EU, including the elimination of tariff and non-tariff barriers on exports. This has resulted in a significant augmentation of the supply of various agro-industrial products to EU markets, with food and agricultural products now accounting for nearly two-thirds of Ukraine's exports.

Notwithstanding the favourable aspects of trade between Ukraine and the European Union, numerous challenges persist. These include trade barriers, unequal competition conditions, inadequate transport infrastructure, and the political and economic instability caused by the war. The result is a limitation of Ukraine's production capacity and export potential. Moreover, the EU's decision to liberalise trade with Ukraine during the full-scale war has resulted in increased pressure on producers in Central and Eastern Europe, who have experienced a significant loss of market share in their domestic markets due to the influx of Ukrainian products.

At present, Ukrainian agricultural exporters encounter considerable logistical challenges in delivering their products. It is incumbent upon them to identify and secure buyers, whilst also assuming responsibility for the management of the export process. This process must be undertaken with due consideration for a range of requirements, including but not limited to: state-imposed export restrictions on specific agricultural products; the necessity of accreditation and the completion of customs declarations; the conclusion of foreign economic contracts (FECs) with buyers; the provision of proof of origin for exported goods; the verification of applicable export duties; and the acquisition of permits for international road transportation.

The ongoing war has significantly influenced the pace and nature of Ukraine's economic integration with the EU. Key risks in this area include the following:

- Duration and conduction of a full-scale war and its consequences;
- potential reductions in trade volumes with the EU due to disrupted logistics and supply chains;
- active opposition from the Russian Federation to Ukraine's European integration efforts;
- lack of complete consensus among EU Member States on supporting Ukraine's EU membership application;
- gradual decline in the EU's interest in Ukraine's European integration;
- slowed progress in reforming key sectors such as the judiciary, law enforcement, anti-corruption, and public administration;
- shortage of qualified specialists in the field of European integration;
- limited involvement of local self-government bodies in the integration process.

It is therefore vital to recognise that achieving peace and stability is a crucial prerequisite for the further development of economic relations between Ukraine and the EU.

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