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DOI: <https://doi.org/10.30525/978-9934-26-471-9-65>

IMPACT OF THE DEEP AND COMPREHENSIVE FREE TRADE AREA ON ECONOMIC RELATIONS BETWEEN UKRAINE AND THE EUROPEAN UNION

The process of integration constitutes a foundational prerequisite for the advancement of economic development. Integration processes confer numerous advantages. They facilitate the seamless interaction of disparate economic sectors, enable the efficient distribution of available resources, and serve as a catalyst for innovation. Concurrently, integration with global markets broadens trade prospects and unlocks new markets for expansion, attracts foreign investment, and stimulates technological advancement. Therefore, a comprehensive and efficacious integration of national and international economic elements is indispensable for a country's sustainable development and long-term economic prosperity.

Given its considerable economic and geopolitical potential, Ukraine has initiated a process of gradual integration into the EU's economic and regulatory system. In light of the prevailing context of regional instability, it is of paramount importance that the European Union provides support for the stability and development of Ukraine, particularly given the detrimental impact of neighbouring countries.

Consequently, on 21 March 2014, the Association Agreement between Ukraine and the European Union was concluded. The Association Agreement between Ukraine and the European Union is a treaty that establishes a political and economic association between the European Union (i.e. all 28 member states of the European Union at that time) and Ukraine [3]. The Agreement aims to align the policies, legislation and standards of Ukraine with those of the EU. It covers a wide range of areas, including economic policy, judicial reform, modernisation of energy infrastructure and visa-free travel, reflecting both the desire for closer economic ties and the aspiration to develop a more integrated political and security relationship.

Thus, Ukraine is taking decisive steps towards becoming a member of the European Union.

In order to achieve closer integration and more favourable terms of trade, the EU-Ukraine Deep and Comprehensive Free Trade Area (DCFTA) was adopted and has been in force since January 2016 as part of the broader,

forementioned Association Agreement [2]. It plays a pivotal role in facilitating economic integration between the European Union and Ukraine. The objective of the DCFTA is to reduce trade tariffs, provide preferential trade treatment and streamline customs procedures, thereby facilitating more efficient trade between Ukraine and the EU. Furthermore, the agreement serves to align Ukrainian legislation, standards and procedures with those of the EU, thereby establishing a more predictable, harmonised and efficient trading environment.

The DCFTA not only guarantees easier access to the markets for goods and services for both parties, but also provides significant business benefits, such as the elimination of tariffs on certain categories of goods and faster customs clearance. As one of Ukraine's most significant trading partners, the EU presents a vast market for the export of key commodities that are vital to the Ukrainian economy, including raw materials, iron and steel, agricultural products, machinery, and chemicals. At the same time, Ukraine is afforded the opportunity to import machinery and equipment at more advantageous rates.

The Deep and Comprehensive Free Trade Area between Ukraine and the EU has the effect of significantly improving trade competitiveness by eliminating the majority of tariffs on goods. In particular, 98.1% of tariffs on goods were eliminated by the EU, while 99.1% of tariffs on goods were eliminated by Ukraine [2]. With the exception of a few product categories, tariffs on industrial goods were eliminated almost immediately; transitional periods were set for these few categories. The tariffs on agricultural products were significantly reduced, yet not entirely eliminated; furthermore, quotas were introduced for a number of these products. By 2026, 8.7% of Ukraine's agricultural tariffs will be subject to partial reduction. The agreement prohibits the imposition of export duties; however, Ukraine is permitted to levy surcharges on specific exports until 2031, should the volumes exceed the established limits.

The analysis of trade in goods between Ukraine and the EU conducted by the Trade+ Centre for International Trade Analysis highlights the positive impact of the Deep and Comprehensive Free Trade Area on Ukraine's bilateral trade with the EU. It contributed to the recovery of overall trade after the 2014–2015 crisis. Following the introduction of the DCFTA, trade with the EU began to flourish, reaching a record \$55.7 billion in 2021, which represents a 32.2% increase compared to 2013 [1]. Additionally, the trade deficit with the EU has exhibited a notable decline. During the period spanning 2016 to 2019, the average trade deficit was USD 3.3 billion, a significant reduction from the USD 9.7 billion recorded in 2013. By 2021, the deficit is projected to further diminish to USD 2.2 billion, largely attributable to the expansion of Ukrainian exports to the EU.

The findings of this study demonstrate the considerable positive influence of the DCFTA on economic relations between Ukraine and the European Union. The DCFTA has contributed to enhanced trade dynamics, as evidenced by a considerable increase in bilateral trade and a reduction in the trade deficit since its implementation. The agreement facilitated the creation

of a more efficient and predictable trade environment by aligning part of Ukraine's legal and regulatory framework with EU legislation, thereby enabling the expansion of market access and the enhancement of competitiveness for both parties. Moreover, the DCFTA's impact on reducing tariffs and simplifying customs procedures was instrumental in Ukraine's trade recovery following the 2014–2015 crisis. This led to a record trade volume with the EU of USD 55.7 billion in 2021, which serves to illustrate the success of the Agreement in promoting economic resilience and growth. The gradual elimination of tariffs, in particular on industrial goods, and partial reduction of tariffs on agricultural products serve to exemplify the comprehensive nature of the DCFTA in supporting Ukraine's integration into the EU market. Overall, the DCFTA not only reinforced economic ties between Ukraine and the EU, but also established a robust foundation for Ukraine's continued efforts to deepen its integration with the EU, ultimately paving the way for its accession to the EU.

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