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THE ESSENCE AND HISTORICAL ASPECTS OF UKRAINE'S ECONOMIC INTEGRATION WITH THE EUROPEAN UNION

Summary. The article emphasizes the need to deeply understand the essence of economic integration as a merit-based and structured process. In this context, the unified essence of economic integration has been established on the basis of combination of different integration theories and development of logical structure of its step-by-step process. The relevance of determining the reasons and factors that hindered or facilitated the economic integration of Ukraine in the historical perspective has been substantiated. To accomplish this task, the historical path of economic integration of Ukraine has been analyzed and, in particular, the economic part of the Association Agreement between Ukraine and the European Union has been examined. This will provide a basis for identifying the priority tasks and the best ways to address them to ensure effective economic integration of Ukraine with the European Union.

Key words: economic integration, European Union, Association Agreement, free trade zone, single market, customs union, common policy.

Problem statement. On June 23, 2022, at a summit in Brussels the European Council decided to grant the status of candidate country to Ukraine for joining to the European Union [12]. This is one of the key events on the way of Ukraine's European integration, which, on the one hand, brings the state closer to joining the European community, and, on the other hand, puts many obligations on harmonization of state policy in different spheres with European norms. One of the key vectors of Ukraine's European integration is the economic sphere. Before joining to the European Union, a country must meet the Copenhagen criteria, which were established by the Copenhagen European Council in 1993 and strengthened by the Madrid European Council in 1995. The economic criteria reflect the applicant country's functioning market economy and the ability to cope with the competitive pressures and market forces of the European Union [2].

Ukraine chose the European path of development with the proclamation of its independence, but there are still many tasks to increase the level of economic development and competitiveness of the state in European markets. To solve these tasks, it is necessary to clearly understand which European integration obligations Ukraine has already achieved and which requirements have not yet been met in accordance with the Association Agreement with the European Union, as well as the reasons and factors that hindered or facilitated the economic integration of the state in the historical perspective. In addition, there is a need to establish a unified and structured vision of the process of economic integration of the state. Such a framework will help to identify the priority tasks and the optimal ways to address them in order to ensure the successful economic integration of Ukraine with the European Union. As Members of the European Parliament insist, there is no 'fast-way' for EU membership and the European integration remains a merit-based and structured process, which is dependent on the effective implementation of all necessary state reforms [12].

Analysis of recent research and publications. The term integration comes from the Latin word «integratio», mean-

ing the fusion or coming together of several elements into a whole [15]. The term applies to many areas of science and life, including the economy and politics. At the present stage, there is a variety of interpretations of the term «economic integration». Since integration means the merging of several elements into a whole, economic integration should mean the merging of the economies (markets) of countries into a single integration community with a single market. However, the question arises as to what should be the key principles and conditions for combining the economies of different countries to ensure the effective functioning of an integration community, including its single market.

The basis of economic integration is material linkages, i.e. the free flow of goods and services, as well as capital and labor. According to the liberal conception, ensuring such free flow is achieved through the lifting of foreign economic policy restrictions set by states. In turn, an increase in material ties results in deepening complementarities between states. Representatives of the neoliberal concept claim that the basis of economic integration is institutional linkages, which are to be applied to the extent that it is necessary for the effective functioning of the mechanisms of international market competition [5].

According to many authors, the essence of economic integration is much broader and goes beyond the framework of free movement of goods and services, as well as capital and labor through the application of appropriate economic policy measures. It lies in the further unification of the fiscal, currency, social, monetary, etc. policies of the member states. The point is that economic integration is not only the combination of the market mechanisms of individual countries, but also ensuring the unification of economic policies in various areas. It is believed that the lower the degree of integration, the weaker the institutional linkages. The development of material linkages in the form of the movement of goods and services, as well as capital and labor, serves to develop institutional linkages, which contributes to the development of economic integration [4].

The combination of various integration concepts makes it possible to distinguish the basic features of the phenomenon of economic integration [5]:

- 1) ensuring the free movement of goods and services, as well as capital and labor, by removing various types of restrictions;
- 2) creation of complementarity of economic structures;
- 3) formation of institutional linkages to unify economic policies in various fields;
- 4) creation of supranational bodies.

The economic integration of countries involves several interrelated stages, each of which is a continuation of the previous stage. The implementation of all stages ensures the highest degree of economic integration [6].

The first stage is formed by the Deep and Comprehensive Preferential Trade Area, which involves the development of economic relations between individual neighboring countries and the European Union by harmonizing their laws with the EU, facilitating customs procedures and gradually eliminating tariffs.

The next stage of economic integration is the free trade zone, which involves the free exchange of goods between the countries covered by such a zone without the application of any internal tariffs or quantitative restrictions. Within a free trade zone, member countries maintain and apply their own trade policies toward third countries.

A higher level of economic integration is the customs union, which provides for a common trade policy toward countries outside the European Union and the application of unified external tariffs for third countries.

The free movement of goods and services, as well as capital and labor, is provided by the next stage of economic integration, namely the creation of a single market through the removal of various types of barriers to the movement of factors of production, including technical, legal, bureaucratic.

Economic and monetary union is the next stage of gradual economic integration and involves ensuring sustainable economic growth in member countries, stability of public finances and a high level of employment through the implementation of monetary and economic policies. This stage includes the development of the single market, the formation of monetary policy to ensure price stability, the possession of a common currency by member countries, the coordination to some extent of the economic policies of member countries, the prevention of negative effects resulting from the instability of public finances and the emergence of macroeconomic imbalances [8].

Full economic integration is the highest stage and involves the unification of different areas of economic policy of the member states, including fiscal, monetary, social, counter-cyclical policies. This stage provides for the establishment of a supranational institution that makes decisions that are binding on member states.

Formulation of research objectives. Given all the above, the key objectives of the study are to identify and characterize the key stages of economic integration of Ukraine with the European Union, including the analysis of the economic part of the Association Agreement of Ukraine with the European Union.

Presentation of the main research results. The European Communities began to integrate European countries in 1951, when the European Coal and Steel Community was established under a Treaty signed in Paris. Initially, the community united six European countries: Belgium, France, the Netherlands, Luxembourg, Italy, and the Federal Republic of Germany. The basic purpose of its founding was to create a common market for coal and steel as strategically important industries on the basis of its constant control and adherence to the principles of competitiveness and price transparency. The European Economic Community, on the other hand, was

established in 1957 by a Treaty signed in Rome. This community united the same six European countries mentioned above. However, its basic objectives were much broader and included the creation of a common market and a customs union, the unification of agricultural, transportation and trade policies of the member countries [1]. In 1957, a Treaty signed in Rome created yet another European Community, which integrated the same six countries. The primary objective of the European Atomic Energy Community, which proved to be quite ambitious, was the creation and rapid development of a European nuclear industry [9].

Deepening integration processes led to the formation of the European Union under the Maastricht Treaty, signed in 1992. Among the objectives of the European Union were the creation of a common foreign and security policy, the development of judicial and police cooperation. The creation of new European communities and the expansion of their goals signified the effectiveness of integration processes. The economic benefits that countries enjoyed as a result of the merger meant that more and more countries were interested in membership in the European Union. Currently, the European Union comprises 27 countries, with 10 European states, including Ukraine, standing in the way of membership.

Taking into account the level of development of the EU candidate countries, we can distinguish three major waves of integration. The first major wave in 1957 united 6 countries with a high level of economic development: Belgium, France, the Netherlands, Luxembourg, Italy, the Federal Republic of Germany. The second big wave (2004) included 10 countries with lower levels of economic development: Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Now a third large wave of EU candidate countries is preparing to join the European Union, which also demonstrate not very high levels of economic development. They are Albania, the Republic of North Macedonia, Montenegro, Serbia, Turkey, Ukraine and Moldova. Georgia received a negative opinion from the European Commission on its application for EU candidate status. Bosnia and Herzegovina and Kosovo, on the other hand, are potential candidates for European Union membership.

The breakup of the Union of Soviet Socialist Republics contributed to the pro-European direction of development of the post-communist countries of Eastern and Central Europe. With the collapse of the Union of Soviet Socialist Republics, Ukraine as an independent country decided to establish relations with the European Union. The beginning of this cooperation was regulated on June 14, 1994 with the adoption of the Partnership and Cooperation Agreement between the European Communities and their Member States and Ukraine, which did not enter into force until March 1, 1998. This agreement, among other things, was intended to deepen economic cooperation between Ukraine and the European Union. Title III of the Partnership and Cooperation Agreement concerned trade in goods and provided for the facilitation of trade through the removal of various types of restrictions and barriers. It should be noted that Ukraine was the first of the newly independent countries after the collapse of the Union of Soviet Socialist Republics to sign the Partnership and Cooperation Agreement and thus expressed a desire to deepen relations with the European Union [11].

The first EU-Ukraine summit was held in September 1997 in Kiev, where Ukrainian President Leonid Kuchma confirmed Ukraine's European choice. At the second EU-Ukraine summit, held in Vienna in 1998, Ukraine officially declared its desire to join the European Union [13].

A very important document on the path of Ukraine's accession to the European Union became the European Council's

Joint Strategy on Ukraine of December 11, 1999 [14]. The European Union accepted Ukraine's European aspirations and recognized its choice of European development. Among the main strategic objectives of the European Union towards Ukraine was mentioned deepening economic cooperation with Ukraine and supporting the building of its stable market economy. Achieving this goal included supporting Ukraine's efforts to join the World Trade Organization and create a free trade area with the European Union in the future.

The sixth EU-Ukraine summit, held in Copenhagen in July 2002, was called by Ukrainian officials the first attempt to formalize relations between Ukraine and the European Union. At this summit, Ukrainian President Leonid Kuchma announced Kiev's ambitious plans, which included signing an association agreement with the European Union and negotiating a free trade area in 2003–2004, Ukraine's execution of all procedures necessary for the association agreement to come into force in 2004–2007, the creation of a Customs Union with the European Union in 2007, and meeting the conditions necessary for accession to the European Union in 2007–2011. However, the European Union then signed only an agreement on cooperation in science and technology [13].

Under the conditions of the 2004 enlargement of the European Union, Ukraine hoped for a clearer Community stance toward its European future and the status of a state with a market economy. In turn, the European Union offered Ukraine the status of a neighboring state within the framework of the European Neighborhood Policy program, which in 2006 was supplemented by the European Neighborhood and Partnership Instrument. This program, along with the financial instrument, was aimed at deeper economic integration, the formation of a market economy and financial assistance to support economic reforms [10].

An important part of the European Neighborhood Policy is the Eastern Partnership policy, initiated by Poland and Sweden. On May 7, 2009, the program was officially inaugurated by the European Union member states and partner countries, which included Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. One of the pillars of the Eastern Partnership is the economic development of the listed countries through the signing and implementation of the Deep and Comprehensive Free Trade Area agreements [7].

The ninth EU-Ukraine summit, held in Kiev in December 2005, gave Ukraine the status of a state with a market economy under the leadership of new President Viktor Yushchenko. The European Union confirmed its intention to begin preliminary consultations on the conclusion of a new Association Agreement with Ukraine to replace the current Partnership and Cooperation Agreement. At the tenth EU-Ukraine summit in Helsinki in October 2006, representatives of the European Union expressed readiness to begin negotiations on a free trade area between Ukraine and the European Union and to discuss the format of the new agreement. The main event of the eleventh EU-Ukraine summit in Kiev in September 2007 became the start of negotiations on a new expanded agreement and a comprehensive and deep free trade area [13].

After fourteen years of negotiations, on May 16, 2008, Ukraine became the 152nd full member of the World Trade Organization, which facilitated access of Ukrainian goods to world markets and made it possible to start negotiations with the European Union on the Association Agreement and the creation of a free trade area. At the twelfth EU-Ukraine summit, held in Paris in September 2008, a compromise was reached on the name of the new expanded agreement as the Association Agreement. In December 2009, at the thirteenth EU-Ukraine summit, where Viktor Yushchenko represented the vast majority of the provisions of the Association Agreement [13].

Between 2010 and 2014, when Viktor Yanukovich was president of Ukraine, the political conditions in Ukraine resulted in a slowdown in its economic integration. At the fifteenth EU-Ukraine summit in December 2011, the European Commission presidents stressed that the signing and ratification of the Association Agreement would depend on the state of democracy in Ukraine [13].

The Revolution of Dignity, which took place in February 2014 in Ukraine, provided new opportunities for economic integration with the European Union. An important achievement on the path of Ukraine's European integration became the signing in 2014 the Association Agreement between the European Union and its member states, on the one hand, and Ukraine, on the other hand [3]. As of January 1, 2016, the European Union and Ukraine began temporarily applying the Deep and Comprehensive Free Trade Area Agreement (DFTCA) in accordance with Title IV «Trade and Trade-Related Issues» of the Agreement, and on September 1, 2017, the Agreement fully entered into force. One of the main objectives of the association is to create conditions for increased economic and trade relations in pursuit of Ukraine's gradual integration into the European Union's internal market, including through the creation of the Deep and Comprehensive Free Trade Area, and to support Ukraine's efforts to transition to a functioning market economy through, among other things, the gradual approximation of its legislation to that of the EU.

Title IV «Trade and Trade-Related Issues» is the largest part of an economic nature of the Association Agreement between the European Union and Ukraine. So, we'll look at the key provisions of this Title regarding Ukraine's economic integration obligations with the European Union [3].

Chapter 1 of the Association Agreement between the European Union and Ukraine deals with national treatment and market access for goods. According to Article 25 of the document, Ukraine's economic integration is to consist of the gradual formation of a free trade zone over a transitional period of up to 10 years from the entry into force of the Agreement. Article 29 indicates the gradual reduction and elimination by each party of import duties on goods originating in the territory of the other party. According to Article 31 of the Agreement, the parties shall not establish or maintain customs duties, taxes or other measures imposed on the export of goods to the territory of the other party. Article 34 provides for national treatment by each party for the goods of the other party in accordance with Article III of the GATT 1994. According to Article 35 of the Agreement, neither party shall adopt or maintain non-tariff measures imposed on imports of goods of the other party or on exports or export sales of goods destined for the territory of the other party [3].

Chapter 2 of the Association Agreement between the European Union and Ukraine deals with trade protection measures. According to Article 43 of the Agreement, Ukraine, as a developing country, will not be subject to any protective measures by the European Union side if the conditions of Article 9 on regional stability are met [3].

Chapter 3 of the Association Agreement between the European Union and Ukraine defines the application of technical barriers to trade between European Union member states and Ukraine. According to Article 56 of the Agreement, Ukraine shall take the necessary measures to gradually achieve compliance with the technical regulations of the European Union and the procedures of standardization, metrology, accreditation and conformity assessment and the market surveillance system of the European Union [3].

Chapter 4 of the Association Agreement between the European Union and Ukraine is aimed at facilitating trade between the parties in goods that are the subjects of sanitary and phy-

tosanitary measures. According to Article 64 of the Agreement, Ukraine is approximating its legislation on sanitary, phytosanitary and animal welfare issues with EU legislation [3].

Chapter 5 of the Association Agreement between the European Union and Ukraine deals with the introduction of a number of customs and trade facilitation measures, including by protecting legitimate trade; avoiding unnecessary or discriminatory burdens on traders and preventing abuse; using a single administrative document for customs declarations; increasing the efficiency, transparency and simplification of customs procedures and practices at the border; using modern customs techniques; reducing costs and increasing predictability for traders; ensuring non-discriminatory application of requirements and procedures applicable to imports, exports and goods in transit; applying international instruments in the field of customs and trade; introducing advance binding interpretations on tariff classification and rules of origin; introducing and applying simplified procedures for authorized traders, and others. According to Article 79 of the Agreement, the parties shall cooperate to develop a common approach to customs valuation issues. Article 84 provides for the gradual approximation of Ukraine's customs legislation to the customs regulations of the European Union as defined by EU and international standards [3].

Chapter 10 of the Association Agreement between the European Union and Ukraine concerns the regulation of competition rules. Article 254 of the Agreement emphasizes the importance of free and undistorted competition in trade relations between the European Union and Ukraine. Anti-competitive practices and transactions can distort the proper functioning of markets and generally undermine the benefits of trade liberalization. According to Article 256, Ukraine should

approximate its competition law and enforcement practices with parts of the European Union acquis [3].

According to Article 343 of the Association Agreement between the European Union and Ukraine, Ukraine should strive to create a functioning market economy and gradually approximate its policies with those of the European Union, in accordance with the basic principles of macroeconomic stability, sound public finances and sustainable balance of payments. Article 378 of the Agreement aims at the development and cooperation of the European Union and Ukraine in industrial and enterprise policies aimed at improving the business environment for all entities, but with a special focus on small and medium-sized enterprises [3].

Conclusions. Today, there are many concepts that explain the essence of economic integration. On the basis of the combination of different integration concepts the basic features of the phenomenon of economic integration have been distinguished: ensuring the free movement of goods and services, as well as capital and labor, by removing various types of restrictions; creation of complementarity of economic structures; formation of institutional linkages to unify economic policies in various fields; creation of supranational bodies. The economic integration of countries involves several interrelated stages, each of which is a continuation of the previous stage. The main stages of economic integration are related with the sequential formation of deep and comprehensive preferential trade area, free trade zone, customs union, single market, economic and monetary union, as well as the unification of different areas of economic policy of the member states, including fiscal, monetary, social, counter-cyclical policies. The implementation of all stages ensures the highest degree of economic integration.

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СУТНІСТЬ ТА ІСТОРИЧНІ ОСОБЛИВОСТІ ЕКОНОМІЧНОЇ ІНТЕГРАЦІЇ УКРАЇНИ З ЄВРОПЕЙСЬКИМ СОЮЗОМ

Анотація. 23 червня 2022 року на саміті в Брюсселі Європейська рада ухвалила рішення про надання Україні статусу країни-кандидата на вступ до Європейського Союзу. На тлі активних євроінтеграційних прагнень України це одна із визначальних подій, що наближає державу до приєднання до європейської спільноти. Одержання статусу країни-кандидата на вступ до Європейського Союзу накладає на Україну чимало зобов'язань щодо своєчасної гармонізації державної політики в різних сферах з європейськими нормами, принципами та стандартами. Одним із пріоритетних векторів європейської інтеграції України є економічна сфера. Адже відповідно до Копенгагенських критеріїв, які відображають економічну складову, країна-претендент на вступ до Європейського Союзу повинна характеризуватись ринковою економікою та здатністю побороти конкурентний тиск і ринкові сили Європейського Союзу. Незважаючи на те, що Україна вже отримала статус країни-кандидата на вступ до Європейського Союзу, вона повинна пройти увесь євроінтеграційний шлях, котрий вимагає забезпечення відповідності усім критеріям членства у Європейському Союзі та ефективного впровадження усіх необхідних державних реформ. У цьому контексті встановлено уніфіковану сутність економічної інтеграції на підставі її розгляду як структурованого логічно послідовного поетапного процесу. З проголошенням незалежності Україна обрала європейський шлях розвитку, але й досі залишається чимало невирішених завдань щодо підвищення рівня економічного розвитку та конкурентоспроможності держави на європейських ринках. Для розв'язання цих завдань необхідно чітко розуміти, які євроінтеграційні зобов'язання Україна вже виконала, а які вимоги ще не досягнуті відповідно до Угоди про асоціацію з Європейським Союзом, а також причини і чинники, що перешкоджали або сприяли економічній інтеграції держави в історичній перспективі. З огляду на це, у статті досліджено історичний шлях економічної інтеграції України та зокрема проаналізовано економічну частину Угоди про асоціацію між Україною та Європейським Союзом. Це створить підґрунтя для визначення пріоритетних завдань та оптимальних шляхів їхнього вирішення задля забезпечення ефективної економічної інтеграції України з Європейським Союзом.

Ключові слова: економічна інтеграція, Європейський Союз, Угода про асоціацію, зона вільної торгівлі, єдиний ринок, митний союз, спільна політика.