

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

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MASTER'S LEVEL QUALIFICATION PAPER

on the topic "UKRAINE-EU FREE TRADE ZONE: RESULTS OF OPERATION
AND PROSPECTS OF EXPANSION"

Specialty 292 "International Economic Relations"

Student 2 Course _____ Anton Verhun
group ME.m-01a

It is submitted for the Master's level degree requirements fulfillment.

Master's level degree qualification paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source.

_____ Anton Verhun

Research advisor _____ PhD, assoc.prof, Oksana Zamora

Sumy, 2021

SUMMARY

of Master's level degree qualification paper on the theme
“UKRAINE-EU FREE TRADE ZONE: RESULTS OF OPERATION AND
PROSPECTS OF EXPANSION”

student Anton Verhun

The main content of the master's level degree qualification paper is set out on 60 pages, including a list of used sources of 74 titles, which is placed on 9 pages. The work contains 4 tables, 5 figures, as well as 10 applications, which are placed on 16 pages.

KEYWORDS: FREE TRADE ZONE, INTERNATIONAL AGREEMENT, CLASSIFICATION IMPORT, EXPORT, TRADE. EUROPEANIZATION, EUROPEAN UNION, FTA+.

The purpose of the master's level degree qualification paper is to prove the importance of a free trade area with the EU and to find possible solutions to problems that contribute to the further prospects of its expansion.

The object of the study is free trade zone between Ukraine and the European Union.

The subject of the study is the search optimal solutions for further cooperation with the European Union within the free trade area.

To achieve this goal and objectives were used the following scientific research methods: method of systematization and generalization to determine the nature of the free trade area and study its theoretical foundations, comparison methods for comparative analysis of European and domestic imports and exports, and comparing the results of the free trade area, methods of logical generalization on the sequence of scientific research, empirical methods of calculations, formulation of results and recommendations.

The information base of the master's level qualification work is the agreement on free trade zone of Ukraine with the European Union, regulations of Ukraine in the field of free trade zone, scientific publications of domestic and international scientists in specialized publications, information-analytical, statistical materials and Internet

resources. data on the results of operation and own calculations.

The main scientific results of the work are:

- 1) the main recommendation after the study and analysis of its results is to improve Ukraine's preparation for participation in the EU internal market in some priority sectors of the economy, harmonization of the necessary framework and sectoral legislation in priority areas with EU technical regulation, transparency and predictability business environment;
- 2) 2) scientific novelty is that only a few modern scientists have studied the free trade area in the process of its operation and analyzed possible prospects for its expansion, in particular, only domestic scientists have done so. And this topic is a fairly new issue in academia.

Year of Master's level qualification paper fulfillment is 2021.

Year of Master's level paper defense is 2021.

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TASKS FOR MASTER'S LEVEL DEGREE QUALIFICATION PAPER

(specialty 292 “International Economic Relations”)
student of 2 course, group ME.M-01a.an

Anton Verhun

1. The theme of the paper is “Ukraine-EU Free Trade Zone: Results of Operation and Prospects of Expansion” was approved by the order of the university from “___” _____ 2021 №
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4. The object of the research is free trade zone between Ukraine and the European Union.
5. The subject of research is the search optimal solutions for further cooperation with the European Union within the free trade area.
6. The qualification paper is carried out on materials related to the free trade zone of Ukraine with the European Union. Regulations of Ukraine in the field of free trade zone, scientific publications of domestic and international scientists in specialized publications, information-analytical and statistical materials and resources of the Internet, data about the results of trading on the exchanges and own calculations.
7. Approximate master's level degree qualification paper plan, terms for submitting chapters to the research advisor and the content of tasks for the

accomplished purpose is as follows:

Chapter 1 “Theoretical aspects of the free trade area between Ukraine and the European Union” – “__”_____ 2021

Chapter 1 discusses the theoretical foundations of the free trade area. The first section should analyze the concept of "free trade area" and the preconditions that followed its creation, as well as explore the implementation of the FTA in the context of the driver of European integration. It is also necessary to conduct a comparative study of economic changes, which are prescribed by the FTA, in particular in terms of Europeanization of Ukrainian legislation and improving the quality of domestic producers.

Chapter 2. “Results of functioning of expanding the free trade zone with the European Union” – “__”_____ 2021

Chapter 2 of the group on the results of the functioning of the expansion of the free trade area with the European Union. The second section provides a brief analysis of the Ukrainian and European markets after the conclusion of the free trade agreement. It is necessary to analyze the dynamics of foreign trade between Ukraine and the EU and identify the main partner countries for the import and export of goods and services. The main problems on the way to expanding cooperation with the European Union within the framework of the free trade area should also be mentioned.

Chapter 3. “Solving problematic issues and prospects of economic cooperation between Ukraine and the EU” – “__”_____ 2021

Chapter 3 should look at these issues in more detail and suggest optimal ways to solve them. It is also necessary to outline the prospects for the development of a free trade area.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
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ABBREVIATIONS AND SYMBOLS

EFTA	European Free Trade Association
GATT	General Agreement on Tariffs and Trade
NAFTA	North American Free Trade Agreement
EU	European Union
FTA	Free Trade Association
WTO	World Trade Organization
UA	Ukraine
EEN	European Enterprise Network
DCFTA	Deep and Comprehensive Free Trade Area

INTRODUCTION

The classical theory of trade agreements was introduced by G. Johnson in 1954, who in the article "Economic expansion and International Trade "argued that in the absence of trade countries will try to use their international market power by collecting trade taxes, leading to market equilibrium (or trade war) it would be ineffective for all participating countries. International trade agreements can be seen as a way to prevent such a trade war. This idea was later formalized by Mayer (1981) in modern game theories.

Free trade agreement or preferential trade agreement, it is a set of principles (codification of principles), according to what trade will take place. Despite the deal significantly differ in form and content, the main purpose is to remove or ease restrictions on trade in order to increase its volume and improve the welfare of the parties.

Formal trade agreements can cover a whole a range of measures, from small tariff preferences to full-scale economic integration. J. Ravenhill notes that interstate agreements involving trade liberalization range from unilateral, on the one hand, to global within the WTO, on the other. Bilateral agreements can be concluded both between geographically close and between distant countries, while minilateral - between two and more geographically concentrated countries, for example, in NAFTA or ASEAN. Transregional grouping of countries provides for their deployment in different regions, such as the Asia-Pacific Economic Cooperation, which unites 21 countries from America, Oceania, Asia. According to another approach, liberalization trade agreements are divided into bilateral, regional and multilateral within the GATT / WTO.

All preferential or regional trade agreements are subject to Article XXIV of the GATT 1994. This article exempts Member States from the most-favored-nation

principle by granting preferences for mutual imports, mainly on the basis of account of vocational school formation.

The WTO allows three types of preferential agreements:

- 1) Customs unions and free trade agreements authorized in accordance with Article XXIV;
- 2) Agreements between developing countries, formed in within the framework of the permit reservation, which allows partial preferential treatment;
- 3) Agreements under the Generalized System of Preferences (Generalized System of Preferences, GSP), which allow developed countries to give preferences to countries that are developing.

Article XXIV of the GATT defines the concept of "free trade area" through instruments such as the elimination of customs duties. for the vast majority of goods originating from countries between which this trade is taking place. That's the definition, as well other GATT / WTO articles guide countries in concluding free trade area agreements to be notified to the WTO. The World Trade Organization is the main regulator of international trade on a multilateral basis. Deals about the free trade area are tools for liberalization trade, rather than its management or support for vulnerable sectors of the economy.

The concepts used in the definition of GATT have different interpretation. The concept of customs territory is not controversial. GATT defines it as any territory in which certain tariffs or other trade regulation measures are applied for significant parts of trade of such territory with others. Usually the length of the customs territory coincides with the territory of the member states. Duties are fees levied by customs authorities at the border, when the goods are imported. The wording "substantial majority goods "has some inconsistencies in the explanation.

In the five decades since the first agreements were signed free trade in the 1950s and the conclusion of agreements is now a gap between "virtually everything" and "everything" decreased significantly. Coverage about 70% of trade turnover was appropriate in the 1960s. Today, it is widely accepted that coverage is

a deal less than 90% of trade is incorrect. There are also controversies regarding the calculation of the amount of trade covered by liberalization measures [10].

The calculation of the actual volume of trade is appropriate at high tariffs and tight quotas, relative to the potential methodological difficulties also arise. There are assumptions that to calculate the "substantial part of trade" should consider not only trade flows but also the number of tariffs participating lines.

Thus, in the considered approaches the content of the free trade zone consist in:

- elimination of duties / tariffs in trade between members of the association
(Yu.G. Kozak, NS Kovalevsky, SV Mocherny,
A.P. Rumyantsev);

1. THEORETICAL ASPECTS OF THE FREE TRADE AREA BETWEEN UKRAINE AND THE EUROPEAN UNION

1.1 The essence and content of the concept of free trade zone

In the 20th century, significant interest in science communities have caused integration processes that have gained rapid momentum in the world economy. One of the main trends in the development of international economic relations has been regional integration. The content and essence of this phenomenon are not fully disclosed, given that research in this area has begun recently and is new. The creation of intergovernmental groups that rely on the trade liberalization agreement is currently describing the world economy through international integration. Such a group is a free trade area.

In recent decades, the place and importance of international trade agreements have grown significantly, as they are the driving force behind the development of countries and their individual regions. Since 2016, all member countries of the World Trade Organization have participated in such agreements, and the number of members of this organization is steadily growing every year. The largest share of trade agreements is occupied by free trade zones.

Many foreign and domestic scholars have studied the term "free trade area". Among the foreign representatives of the scientific community were J. Ravenhill, S. Baier, J. Bergstrand, G. Grossman, E. Helpman, R.E. Baldwin. A. Rumyantseva, O. Shnyrkov, V. Muravyov, and N. Osadcha were among the domestic scientists who studied this issue [4].

The interpretation of the above concept in the economic literature is quite similar and insufficiently covered. It should be noted that despite the fact that the term "free trade area" has been considered by various scholars, there is no single, generally accepted definition. Consider Table 1.1 on the interpretation of the term free trade area.

Table 1.1 – The essence and meaning of the term "free trade area"

№	Author of the interpretation	The essence of the phenomenon	Content
1	A. Amelina [1]	Form of international economic integration	Based on this, customs duties and restrictions on trade between the countries that are members of such an association are abolished in whole or in part.
2	Y. Cossack, V.Kovalevsky [2]	Level or stage of integration at the regional level	During which each member of the association relies on the tariff policy established by him when bargaining with a third party, and all trade tariffs generated between the members are canceled.
3	Dictionary of Financial Times [3]	Two or more countries	Which eliminate trade tariffs and barriers of another kind for each other and at the same time leave such tariffs and barriers for countries that are not part of their free trade zone.
4	J.Jackson [4, p. 1253]	Instrument of economic policy	Trade in foreign goods without discrimination.
5	I. Savchenko [5]	Agreement between the states	The essence of which is to eliminate customs duties only between those countries that participated in the signing of the agreement.
6	I.Sckola [6]	A regional type preferential zone	In which it is free and unlimited by customs taxes, trade between countries that are participants in such a zone.
7	A.Golikov, P. Chornomaz [7]	Regional grouping the countries	Within which to achieve a certain goal is functioning duty-free trade,

It should be noted that only one of the above authors indicated the result of the functioning of the free trade zone. A. Golikov and P. Chernomaz pointed out that the result is the introduction of new links in the field of economy to meet their own interests and economic development without crises.

Summing up, it should be noted that there are some disadvantages and omissions, among which are allocated:

- in a large part of definitions, there is no outcome of the phenomenon and its essence;

- bringing the essence of the concept of "free trade zone" characteristics that will be common to all forms of international cooperation ("agreement", "group", "association");
- synonyms that explain the essence of the concept ("zone");
- the functioning of the mechanism becomes an alternative to its phenomenon.

In disclosing the essence of the term "free trade area", it should be noted that in general, there is a wide range of approaches, where this term is a form of integration, multilateral agreement, regional grouping and preferential area [8] (table 1.2).

Table 1.2 shows that the definitions of all these authors are characterized by the existence of the content of the phenomenon. Having analyzed the chosen methods of determining the content of the free trade area, it should be noted that it is simplified to the instrument of trade liberalization and trade relations between the countries that are part of the free trade area.

Table 1.2 – Classification of approaches to the definition of "free trade area"

Author of the interpretation	The essence of the phenomenon							Availability of content	Availability of the result
	Stage / form of integration	Regional level or stage of integration	Set of countries	Instrument of economic policy	Agreement	Preferential zone	Grouping		
A. Amelina [1]	+							+	
Y.Cossack, V. Kovalevsky [2]		+						+	
Dictionary of Financial Times [3]			+					+	
J.Jackson [4, p. 1253]				+				+	
I. Savchenko [5]					+			+	
I.Sckola [6]						+		+	
A.Golikov, P. Chornomaz [7]							+	+	+

At present, agreements on the establishment of free trade zones have begun to be distributed according to the way they are organized. This distribution is shown in the figure 1.1 [6].

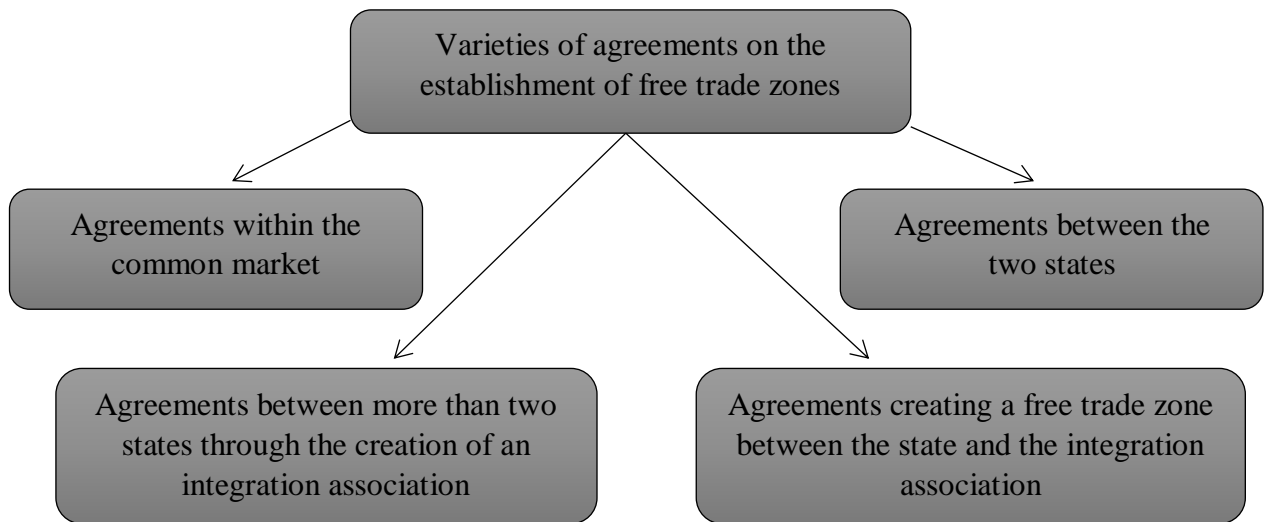


Figure 1.1 – Varieties of agreements on the establishment of free trade zones

The first form of agreement that was launched earlier than others is the free trade agreement between the two countries. The vast majority of such zones are created in this form, so it is the most popular. A striking example is the 13 agreements on bilateral free trade between Ukraine and other countries. The other format of agreements has only 5 zones, of which only 3 operate [9].

According to the above classification, there are agreements that provide for an integration group consisting of more than two states. Such a grouping solves many more problematic issues than the agreement between the two countries alone. The North American Agreement is an example of this form of free trade.

The case when an agreement on the establishment of a free trade area is concluded between the integration group and the state is the third form of such agreements. The essence of this form is that a separate state joins the already created group. Such agreements are concluded only at levels not less than the customs union, such as the agreement between Ukraine and the EFTA states [9].

The most widespread in terms of components and the least common in use is the last form of the agreement, which provides for the relationship of the whole zone

and the economic union. An example of such a relationship is the creation of the European Economic Area.

Despite the fact that the directions of functioning of free trade zones differ significantly from each other, common to all of them is the purpose of their introduction. The components of this goal include:

- stabilization of the economy by increasing the share of imports and exports;
- creating an attractive environment for investors;
- increase profits by expanding the borders of trade with other countries [10].

In addition to the common goal, each of these forms of contract must specify the purpose of their conclusion. Basically, they all come down to these [11]:

- development of a specific sector of the economy;
- improving trade relations by increasing imports and exports of goods;
- cooperation and mutual assistance between organizations engaged in a similar field of production;
- development in the field of economy and culture due to the experience of fellow countries.

A characteristic feature of the current agreements on the implementation of a free trade area is the expansion of trade borders. If earlier it was possible to trade only in goods, now this list has significantly expanded and added services, information on various issues, including e-commerce.

In conclusion, it should be noted that free trade zones began to be created simultaneously with the development of the economy. Many scholars, including foreign ones, have studied the interpretation of the concept of "free trade area". Despite the large number of developments, there is no single common definition of this concept, so each author interprets its essence at its discretion: some believe that it is a concessional agreement or group, others - a form of integration. The classification of free trade zones depending on the way of their organization was also given. Despite the fact that in each form there are different parties, the purpose and objectives of such agreements all coincide.

1.2 Prerequisites for the implementation of a free trade area between Ukraine and the European Union

After the weakening of cooperation with the countries of the post-Soviet space, a reason arose to strengthen economic cooperation with the countries of the European Union.

When creating a limitless and deep space of free trade, we get both positive and negative consequences.

Positive consequences of the formation of a free trade zone:

- Introduction of improved Ukrainian services, goods, technologies, as well as capital to the EU market;
- Due to the abolition of customs duties, the export of Ukrainian products has increased;
- Change of equipment and modernization of Ukrainian enterprises
- Increased investment in the country's economy, the creation of joint projects with the countries of the European Union;
- An increase in the attraction of foreign exchange funds, as well as an increase in the size of bilateral trade;
- Due to reaching new standards, the level of competitiveness of Ukrainian products is increasing;
- Advanced training of customs authorities in dealing with trade, balancing customs procedures;
- Formation of a favorable legal environment for building effective trade relations by means of integrating the legislation of Ukraine and the European Union;
- To prevent tax scams and unwillingness to pay taxes, European standards are introduced, which will allow Ukraine to withdraw from the shadow economy and reduce cases of smuggling;
- Reduce monopoly and encourage “healthy” competition;
- To raise the level of agronomy, open access to modern technology, plant care products, and high-quality seeds;

- Creation of favorable conditions for lending, insurance and assistance in working in the economic and political sphere to avoid risks in the international space;

- Increasing the list of goods and services in the domestic market;

- Increase in the productivity of the allocation of labor reserves.

Negative consequences of creating a free trade zone:

- Increasing competitive influence within the Ukrainian market;

- The need to introduce numerous financial injections to ensure acclimatization and the implementation of new legislative acts;

- Due to the low level of competitiveness, the disappearance of certain industrial sectors is observed in the domestic market of Ukraine;

- When setting inflated product and production quality standards, Ukrainian producers feel a significant increase in financial costs;

- An increase in export re-profiling led to a shortage of domestic goods;

- Glut with imported goods and the European Union, in the domestic market of Ukraine;

- The need to carry out, according to EU standards, the modernization of all areas of production in a short time, forces small and medium-sized businesses to high costs from the outside and from the state budget;

- Insufficient support and protection at the state level for start-up entrepreneurs who are not ready for serious competition;

- Due to the deterioration in the export of domestic producers, who mainly export raw materials, the negative difference in trade between Ukraine and other countries is growing;

- Removal of restrictions on trade in agricultural products and manufactured goods: abolition or reduction of import tax for more than 95% of goods, and abolition of export tax on commodities.

If a free trade zone is introduced for a short-term period with the European Union, the Ukrainian economy will have more negative than positive consequences. At the same time, for different Ukrainian producers, the consequences of the

cooperation of the free trade zone will be different. The part that is able to compete with the European market will gain an increase in profits. On the contrary, non-competitive enterprises in the market will face problems in the market.

In the case of long-term cooperation, it is worth paying attention to the factors that will appear only after the expiration of the acclimatization period.

First of all, this is a drop in the customs tariff in the countries of the European Union; bringing customs and other procedures to a unified form, which will entail a decrease in Ukraine's exports at the initial stage, after which it will affect the growth of trade. To simplify the passage of the procedure of two borders, when delivering to the European Union, by Ukrainian exporters, as we see it now.

All the above described advantages, as well as risks for various industries and economic sectors of Ukraine, when implementing a free trade zone with the European Union, are reflected in Table 1.3 [10]

Table 1.3 Ways of development and risks of rapprochement between Ukraine and the European Union in the free trade zone.

Perspectives	Risks
Power engineering	
Higher purchase prices for export are motivation to increase the amount of electricity generation	The selling price must not exceed the intrinsic price. In the event of an increase in prices on the domestic market, it will entail a negative impact on the standard of living of the population.
Changes in the trade balance depend on a decrease in energy imports	Termination of all joint projects with Russia in the energy sector (primarily in the nuclear power industry - the opening of factories engaged in the production of nuclear fuel for nuclear power plants in Ukraine)
Agro-industrial complex	
Increased demand for agricultural products in traditional export directions (grain, seeds, oil)	Decline in the competitiveness of national agricultural products in the domestic market due to the presence of a powerful system of state support for agriculture in the EU

Introduction of "green" resource-saving production technologies of agricultural products, the use of innovative developments (varieties, technologies, agricultural techniques, etc.), an increase in labor productivity	Partial loss of the competitiveness of Ukrainian agricultural products with added value (for example, sunflower oil) in world markets due to higher prices for raw materials in the event of a decrease in export
Increasing crop yields, ensuring more sustainable gross harvests through the use of European technologies	Discriminatory system of tariff and non-tariff measures (about 5 times less than the actual volumes of Ukrainian exports)
Reducing non-tariff restrictions on trade in agricultural products within the framework of cooperation in the field of sanitary and phytosanitary measures	Decrease in demand for agricultural machinery of national production
A gradual increase in the quota and a decrease in import duty rates for the export of agricultural products from Ukraine to the EU	Increase in prices for agricultural products and related services (transportation, storage, sale of products, etc.)
Stimulating innovation in the agro-industrial complex	Raw material orientation of Ukrainian agricultural exports
Possibility of implementation into the national system of regulations of European certification mechanisms	Exports of agricultural products (including farms) will be reduced due to the fact that domestic agricultural products do not meet European standards
Transport	
The possibility of transporting passengers and goods between EU intermediate points, which will increase the income of airlines and railways by 20 -25%	Increased competition in the market of transport services (freight forwarding, vehicle agency services, freight activities)
Access to coastal services between EU countries	Impossibility of aircraft manufacturing development according to EU technical conditions
Ecology	
Ukraine has ratified many European international conventions and takes part in solving environmental problems of the EU	The comprehensive project of the program on environmental issues of Ukraine's accession to the EU will amount to 5-7 million hryvnyas.
Environmental principles of Ukraine's policy coincide with the main provisions of EU legislation, and individual sections are even much more developed than in the EU	The transition to environmentally friendly fuel will be carried out at the expense of producers, sellers and users
Social sector	

Introduction to civilizational values and principles of international economic, environmental and political cooperation	The need for retraining and employment of the labor force, which will be released in the process of economic restructuring
Improving the health care system	Increase in emigration of Ukrainians to the EU countries (especially to Poland, Czech Republic, Slovakia, Hungary, Romania and the Baltic countries [10])

The new format of relations with the enlarged EU in the future will give Ukraine the opportunity to create conditions for the implementation of the “four freedoms” (free movement of goods, services, capital and labor), although it does not provide for the prospects of participation in EU institutions.

Consideration of the prospects for Ukraine's European integration should take place not from the standpoint of a desire to join the leaders, but from the standpoint of economic compliance with the goals, opportunities and levels of development of the economy and its sectors. Any integration should determine the milestones of future development and the possibilities of achieving them. In its striving for progress, the country should feel the help and support of the member states of the integration union.

1.3 Free trade zone with the European Union as a driver of European integration

The signing of the Association Agreement with the European Union, namely the creation of the so-called free trade zone, was a factor in the significant development of Ukraine's economy in early 2016 [10].

During the implementation of the agreement, not only the Ukrainian economy, but also the legislation has undergone many changes. The areas that were involved in the agreement also had the most significant impact. Therefore, Ukraine's

introduction of a free trade zone with the European Union has become a driver of its European integration.

European integration is a very important factor in Ukraine's development. It aims to improve a number of economic spheres by creating a more attractive investment environment, opening new horizons in world markets, strengthening the position of domestic producers, creating more jobs. Thus, it can be concluded that the above-mentioned goal of European integration and the creation of a free trade area is common.

However, a deep and comprehensive free trade area not only eliminates tariffs between Ukraine and EU countries. The name has the word "deepened". Sometimes they talk about "FTA +". That is much more [12].

Comprehensive and in-depth nature of Ukraine's FTA with the EU manifested in the fact that many provisions of the trade part of the Ukraine go far beyond the classic FTAs regulated by WTO law. Their envisaged economic integration of Ukraine with the EU includes mutual opening markets for much of the goods and services through broad regulatory approximation of legislation. It's about Ukraine's commitment to gradually bring its own legislation closer to the norm and EU standards in trade and related fields. As a result of it the modernization of the current Ukrainian norms will be carried out legislation based on the EU acquis, which will lead to Europeanisation legislation of Ukraine. The impetus for this process was the beginning functioning of the FTA.

Analysis of the trade part of the Ukraine suggests that Europeanization of Ukrainian legislation will be carried out both by establishing common principles, standards and rules of regulation for all industries (horizontal Europeanization) and by modernizing certain areas of legislation (vertical Europeanization).

Characterizing the horizontal Europeanization caused by the FTA Ukrainian legislation, should start with the role of European values in this process. As you know, the European Union pays great attention to the protection of European values both within the integration association itself and in its external relations. A special

place is given to European values in the Ukraine. In fact, they are serve as "the foundation and end-to-end component of the Ukraine ".

In Art. 2 of Chapter I "General Principles" sets out the principles that should form the basis of domestic and foreign policy of the parties, and identifies that they are the main elements of the Agreement. These include respect for democratic principles, human rights and fundamental freedoms, respect for the rule of law, respect for the principles of sovereignty and territorial integrity, inviolability of borders and independence, and countering the proliferation of weapons of mass impression, related materials and tools. their delivery.

The description of the vertical Europeanization of Ukrainian legislation, which is associated with the approximation of legislation in certain areas, should begin with a clarification of the concepts. The issue of constantly defining the process of approximation of legislation is quite controversial in the domestic legal doctrine, which is associated with some terminological confusion.

It should be emphasized that the process of Europeanization of Ukrainian legislation began long before the conclusion of the AA and already during the Partnership Agreement and significant cooperation has been achieved between Ukraine and the EU in the harmonization of legislation.

However, the Ukraine makes Ukraine's commitment to gradually converge own legislation to EU norms and standards in the field of trade and related industries to a new level. Reproducing the provisions of the most progressive agreements, concluded by the EU with third countries, trade regulations of the Ukraine begin a new stage of vertical Europeanization, laying the legal bases for interaction of the Ukrainian legislation with the EU legislation.

Introduction of conditions for enhanced economic and trade relations that will lead to the gradual integration of Ukraine into the EU internal market, including through the creation of the FTA, is defined as one of the goals of Ukraine's association with the EU.

The EU has allowed Ukrainian producers to import 8,800 tons of milk in 2018 without paying import duties (according to free trade conditions). Having exhausted this amount of milk, we can still import it, but in the EU markets it will be more expensive, as it will be subject to a duty of 21.8 euros per 100 kg / net. However, this is not enough for a Ukrainian manufacturer to sell it, say, in Italy. EU countries will not accept I and II milk because it does not meet European safety requirements. It contains more than allowed in the EU, bacteria, somatic cells and more. Only extra milk Ukrainians can sell in Europe. In order to be able to sell all types of milk in the EU, on July 1, 2018, Ukraine began to introduce new standards that are closer to European ones [11].

As a result, milk in stores should become safer for the health of Ukrainians. The EU also requires Ukraine to speed up the passage of goods through customs and simplify customs clearance procedures. As a result, even more Ukrainian milk will be available on the shelves of European stores.

In other words, the provisions of the Free Trade Agreement not only abolish tariffs, but also require Ukraine to reform trade-related issues (for example, product safety standards, internal market control). We must bring the legislation in line with high EU standards. This is integration without joining the EU, but it can already be a locomotive for internal change in the country, because it is not membership that makes a country European, but norms and values.

In addition to trade in goods, free trade with the EU opens up a European market for services. Thanks to the Agreement, Ukrainians will be able to establish companies in Europe, our IT companies can enter the EU markets more actively, and Ukrainians will work as consultants in European companies. Our businessmen will have access to the European markets of financial services, telecommunications (except radio and television), postal and courier services, international shipping, transport. Of course, the EU has set certain conditions here. The main ones concern the adoption of relevant legislation that would be in line with European legislation.

The opening of the European services market will make it easier for service companies such as Nova Poshta to enter them. It already allows you to send parcels

to and from most countries around the world, including Europe. Ukrainian companies also have great potential in advertising services, call center services, transportation, etc.

It should also be noted that one of their steps in European integration is customs without long queues at the border and smuggling. The European Union demands that Ukraine reform customs and make it more efficient. If trucks cross the border faster, it will allow more goods to be transported. The main goal of customs reform is to reduce delays at the border for trucks, eliminate corruption and combat smuggling. After the reform is completed, you will not have to pay bribes at the border to pass your goods without delay. In addition, it will be impossible to smuggle into Ukraine or Europe for a bribe.

To this end, in August 2016, a "single customs window" was introduced. It was mandatory from May 4, 2018. This system allows the entrepreneur to submit all documents automatically without having to go separately to customs, sanitary and veterinary doctors. The principle of "tacit consent" also applies: if no objections to the customs clearance of goods have been received within 4 hours, the system automatically passes it. Video monitoring should help in the fight against bribery and smuggling. However, entrepreneurs complain that the time of customs clearance and costs have increased. Therefore, in order to normalize the work of the single window, Ukraine is now amending the Customs Code and the laws governing the activities of related services.

Ukraine has also pledged to implement international standards and join the EU's common transit system. This will speed up the passage of goods to Europe from other countries through our customs and combat smuggling. Ukrainian and European officials will be able to exchange data on transit goods electronically.

Based on data from the State Statistics Service of Ukraine for 2020, it is noticeable that 40.7% of all trade relations fall on the European Union. That is why the EU is currently our country's main trading partner [12].

It is noticeable that European countries, to which our domestic producers export their goods, are cautious about our products. They primarily support their

producers and protect their interests in the world market, despite the fact that they see the prospects of Ukraine, as well as the fact that every year it begins to export goods and significantly increases the share of such exports.

Ukrainian entrepreneurs, who see how much Europe cares about its producers, do not feel such support from our state, so they have to defend their own interests in both domestic and European markets. That is why Ukrainian producers are the locomotive that pulls our country on the path to European integration.

In summary, we can say that the integration of Ukraine's markets with the EU is not only ample opportunities for exports to the European Union, but also reforming domestic policy, according to which Ukrainian business will develop and compete with entrepreneurs from European countries.

2. RESULTS OF FUNCTIONING OF EXPANDING THE FREE TRADE ZONE WITH THE EUROPEAN UNION

2.1 The impact of European integration on Ukraine's foreign trade with the EU

The European vector is the basis of Ukraine's external activities, especially in the economic sphere. European values have long been a guide for the Ukrainian government and people. Given the political and economic situation in Ukraine, the main goal of the Ukrainian government is to strengthen cooperation with the EU. Therefore, the agreement regulates the main areas of cooperation in foreign policy, security, trade and economic issues, as well as defines the basic principles of political dialogue and cooperation in the context of the association.

Advantages of the free trade zone with the EU for Ukrainian business [12]:

- reduction of customs barriers due to the abolition of more than 98% of customs duties both sides;
- introduction of standards and requirements of the European Union;
- leveling the playing field between Ukraine and the EU through harmonization of legislation;
- use of new tools for finding partners - European Enterprise Network (EEN);
- use of EU tools and mechanisms for small and medium business development (COSME);
- alternative market given the difficulty of access to traditional markets;
- simplification of attracting technological and innovative solutions from EU countries;

The main advantages of creating an FTA with the EU for ordinary citizens of Ukraine:

- improving access to quality imported products;
- raising the standards of quality and safety of Ukrainian products, including in the domestic market;

- increasing the level of consumer protection from goods that pose a threat to their health and safety;
- reduction in the price of imported products due to the decrease, or abolition of the import duty of Ukraine;
- expanding the range of goods and services domestically market, as well as tourism opportunities.

The free trade zone, on the one hand, expands access of Ukrainian goods and services to the powerful EU market, facilitates access European investment in Ukraine. However, on the other hand, imports of high-quality goods and services from the EU to Ukraine have been facilitated creates additional competition for Ukrainian producers. However, there is nothing perfect in this world, so the potential risks include:

- increasing competitive pressure on the domestic metal products market;
- ousting the national producer from the domestic one metal products market;
- lack of funds and the need to find partners and investors to modernize production;
- the need to re-equip and change production technologies.

That is why the main economic indicators of the free trade zone between Ukraine and the EU from 2015 to 2020 should be analyzed. The European Union is increasingly becoming our largest trading partner. Its share is 40.7% of the total trade turnover of Ukraine in 2020. At the same time, over the past five years, the EU has become Ukraine's main trading partner in the agricultural market - 34% of Ukraine's agricultural exports go to Europe. The structure of exports of agricultural products is dominated by such goods as cereals, oilseeds and oilseeds [12].

As can be seen from Figure 2.1, the export rates of Ukrainian producers are growing quite rapidly. This can be explained not only by the openness of the European market and the increase in EU quotas for these goods, but also by the increase in the quality and competitiveness of domestic goods.

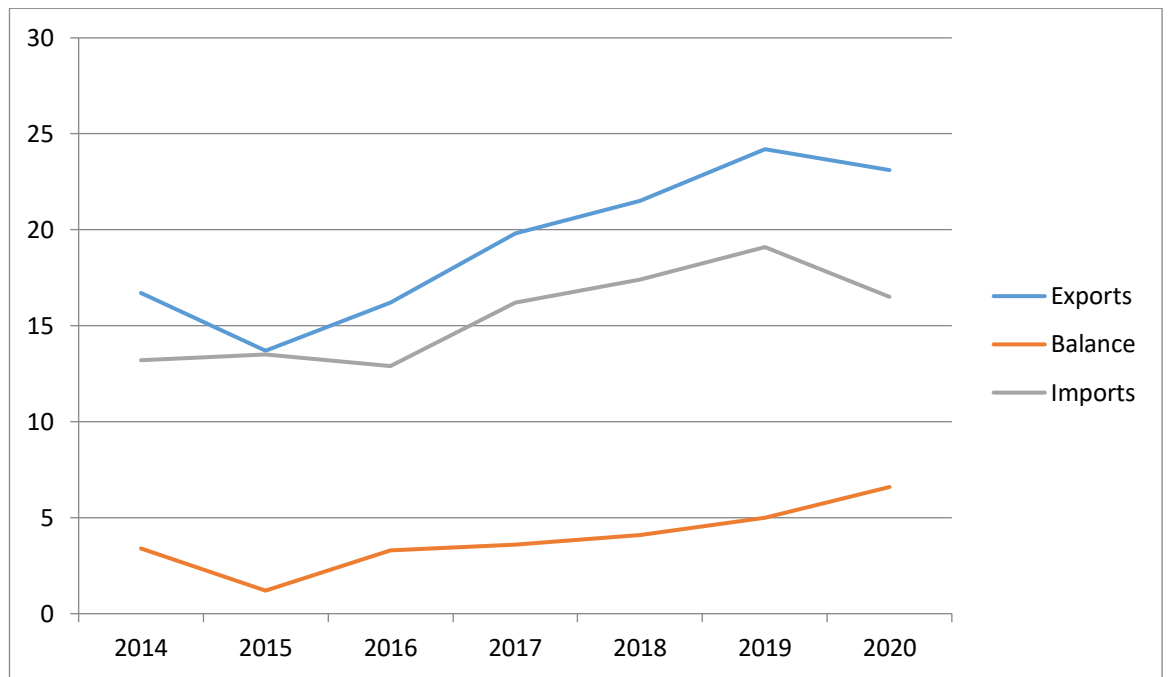


Figure 2.1 – Dynamics of foreign trade in goods between Ukraine and the EU(2014-2020) [20].

Analyzing the above statistics, it is noteworthy that in 2015 there was a sharp decline in exports from Ukraine to the EU by 30%. One of the reasons for the fall in exports was the fall in export prices. In addition, in his opinion, as a result of the conflict in eastern Ukraine and the illegal annexation of Crimea, Ukraine has lost enough of its production. However, the situation has changed since the entry into force of the FTA between Ukraine and the EU.

During 2015-2020, there is a positive trend in Ukraine's use of EU tariff quotas, including quotas for goods with a higher degree of processing. In addition, actual exports for a part of quotas significantly outweigh duty-free deliveries within quotas. In 2020, Ukrainian exporters used 31 of the 40 tariff quotas under the FTA with the EU. According to the Ministry of Economic Development and Trade, as of mid-December 2020, 11 tariff quotas were fully used for: honey, barley groats and flour, processed tomatoes, processed starch, grape and apple juices, corn, malt and starch products, sugar, poultry meat, eggs, albumins, processed cereals [20].

Also (at that time) tariff quotas were almost used for: starch (99.3%) garlic (92.6%) eggs and additional albumin (84.2%) bran, waste and residues (83.8%)

wheat 77.9%) malt and wheat gluten (72.2%) oats (65.7%) additional poultry meat (65.4%) and others.

In 2019, Ukraine used 32 tariff quotas, in 2018 - 32 tariff quotas, in 2017 - 29 tariff quotas, in 2016 - 26 tariff quotas). Also, Ukrainian exporters actively used the opportunities in the framework of additional trade preferences, which at the initiative of the Government of Ukraine introduced the European Union for a number of agricultural and industrial goods, which came into force on October 1, 2017 and lasted 3 years. Tariff quotas for honey, corn, processed tomatoes and barley groats and flour have been fully used. Tariff quotas for barley, barley flour and pellets (13.0%), oats (9.6%) and wheat (9.3%) were used.

As Ukraine is an agrarian state, one of the most developed is agricultural exports to the EU. Let's analyze the number of companies: in 2014 10 002 Ukrainian companies exported to the EU, in 2019 - 14545, in January-November 2020 – 13 329. In 2014, 185 Ukrainian companies had the right to export their products to the EU, in 2019 - 319 enterprises, in 2020 - 333 (153 enterprises - producers of products for consumption, 180 - enterprises-producers of non-food products). To study which prevails: imports or exports in 2020 and which groups of goods are most exposed to imports and exports, refer to Table 2.1[21].

Table 2.1 – Dynamics of trade between Ukraine and the EU in January-September 2020

Category of goods	Export			Import		
	Total thousand / billion \$	In% up to 9 month in 2019	In% to the total	Total thousand / billion \$	In% up to 9 month in 2019	In% to the total
live animals, products of animal origin	209 850,2	81,3	1,6	457 592,9	129,2	2,8
products of plant origin	2 246 187,1	70,5	17,2	465 372,9	104,8	2,8
fats and oils of animal or vegetable origin	1 336 427,8	123,7	10,2	51 135,0	103,6	0,3
ready-made food products	653 389, 4	93,5	5,0	1 298 260,8	115,3	7,9
total	13 060 700,3	83,7	100	16 439 843,2	89,5	100

From the above indicators, it is noticeable that in the period from January to September 2020, imports prevailed over exports. The largest imports are live animals and products of animal origin and finished food products. In terms of exports, vegetable products and fats and oils of animal or vegetable origin predominate.

The top 5 countries of the European Union that imports from Ukraine mostly based on Table 2.2 [21].

Table 2.2 – EU imports of goods from Ukraine by Member State, 2020

№	Country	€ million	% of the Ukraine in extra-EU imports
1	Poland	2 530	3,4
2	Netherlands	1 994	0,7
3	Italy	1 883	1,2
4	Germany	1 840	0,5
5	Hungary	1 301	4,4

The top 5 countries of the European Union that exports to Ukraine mostly based on Table 2.3.

Table 2.3 – EU exports of goods to Ukraine by Member State, 2020

№	Country	€ million	% of the Ukraine in extra-EU exports
1	Poland	5 250	8,5
2	Germany	4 673	0,8
3	Hungary	2 272	10,0
4	Italy	1 702	0,8
5	Netherlands	1 194	0,6

Thus, the analysis of the advantages and risks of implementing a free trade area with the EU. However, given the number of benefits, the risks remain markedly in the shadows. A study of imports and exports from 2015-2020 gave a clear understanding of what is happening in Ukraine's European integration. The countries to which we export the most and which we import the most are the same, but differ in percentage.

2.2 Market analysis of Ukraine and Europe after the conclusion of an agreement in the free trade zone

An important element of the Association Agreement between Ukraine and the EU is the provision on the establishment of a Deep and Comprehensive Free Trade Area. FTA + aims to provide Ukraine with opportunities to modernize its trade relations and economic development.

The tools for this are the opening of markets by phasing out customs tariffs, providing duty-free access within quotas, removing barriers to trade, such as bureaucracy and unjustified barriers, and large-scale harmonization of Ukrainian laws, norms and standards with those in force in the EU. in various sectors that are directly or indirectly related to trade. The FTA + is also part of a broader EU policy aimed at establishing stable and favorable neighborly relations by strengthening economic ties.

After the signing of the agreement, the Ukrainian market underwent quite global changes and strengthened its position. In order to analyze which areas of the economy have been most affected, refer to Figure 2.2.

The commodity structure of Ukraine's exports to the EU has remained stable [23] in recent years, despite unfavorable economic factors. About a third of exports are agricultural and food products, primarily cereals, oilseeds and vegetable oil. In second place - the export of ferrous metals and articles thereof, in third place - electrical and mechanical machinery, mainly electrical equipment.

Regarding the commodity structure of imports from the EU, the majority are energy materials, machinery, apparatus and mechanical devices, electrical machinery and equipment, polymeric materials, pharmaceuticals and others [24]. 288 Ukrainian companies already have the right to export to the EU, including 108 of them exporting food products to this market.

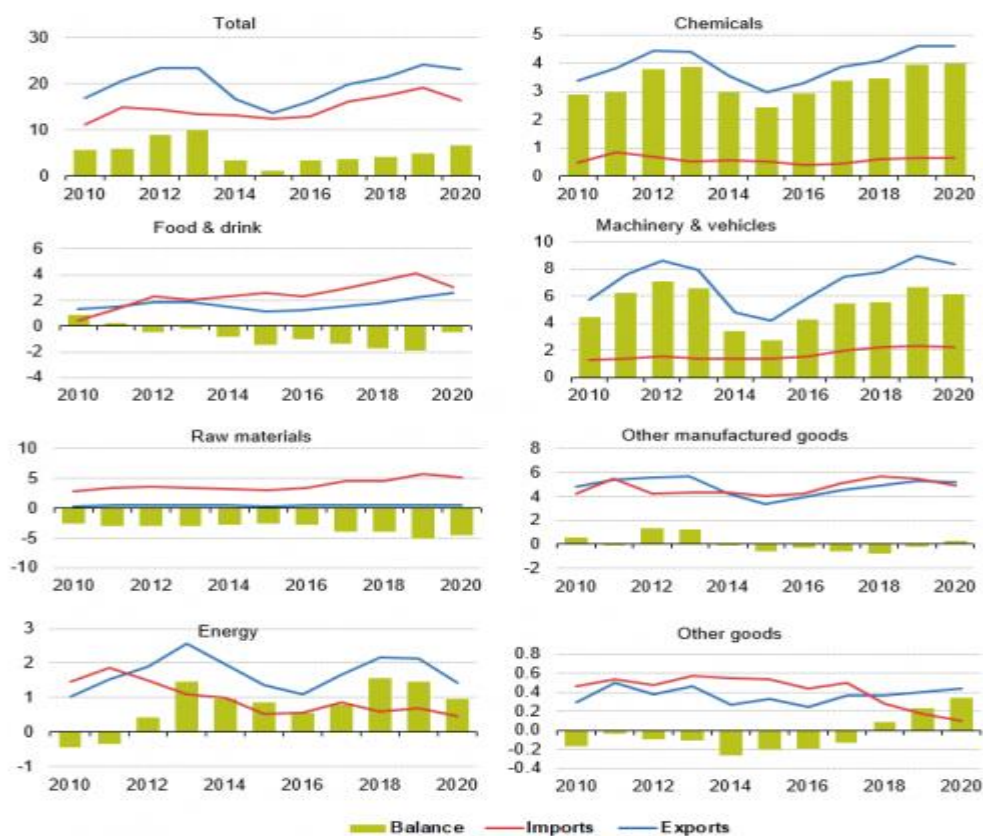


Figure 2.2 – EU trade with Ukraine by product group, 2010-2020 [25]

The EU-Ukraine Deep and Comprehensive Free Trade Area (DCFTA) has also contributed to the gradual resumption of trade in services with the EU following the 2014-2015 economic crisis. Currently, services account for about 20% of all Ukrainian exports to the EU, according to a study by the Center for International Trade Analytics Trade + Kyiv School of Economics.

As for trade in goods, EU countries are the main market to which Ukraine exports and imports services (39% of exports and 51% of imports in 2020). At the same time, the growth of exports of services to the EU under the DCFTA was more restrained compared to goods.

Different service sectors showed different dynamics of exports to the EU. Computer services became the leader in growth, showing an increase in exports to the EU almost 3 times during 2013-2020. In total, Ukraine exported about \$ 1.1 billion worth of computer services to the EU. USA in 2020, while all exports of services to the EU amounted to \$4.5 billion. USA. Exports of information services and services for the processing of material resources, scientific and technical

services, and construction services increased significantly. While the largest reduction in exports to the EU was demonstrated by the transport services sector (especially rail and maritime transport services), which is primarily due to the loss of part of Ukraine's transit traffic. In order to clearly see the list of services exported to the EU, you should refer to Figure 2.3.

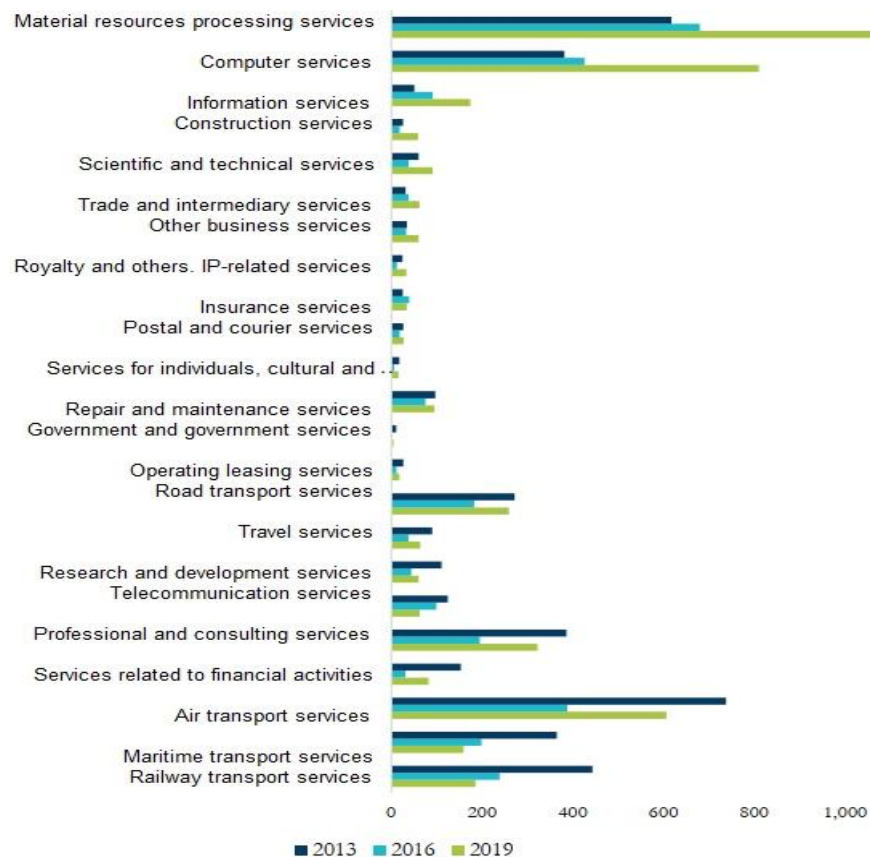


Figure 2.3 – Exports of services to the EU in 2013, 2016 and 2019, million USD [26]

Among the service sectors whose imports from the EU showed the highest growth in 2019 compared to 2013 (Figure 2.4) [26]:

- Travel-related services - increased by 50.8% in total (or by USD 192.2 million), the average annual growth rate after the entry into force of the DCFTA accelerated from 1.0% (2013-2015) to 41.8% (2017-2019);
- Business services - increased by 8.2% (or by USD 63.0 million), the average annual growth rate after the entry into force of the DCFTA accelerated from -14.5% (2013-2015) to 35.3% (2017- 2019). Moreover, imports of operating leasing services increased significantly during this period (5 times), then as

imports of Professional and Consulting Services and Trade-Related Services and Intermediary Services have not yet fully recovered;

- Transport services - increased by 6.7% (or USD 57.3 million), the average annual growth rate after the entry into force of the DCFTA accelerated from -3.2% (2013-2015) to 20.4% (2017- 2019). Moreover, imports of maritime and air transport services in general increased by this period (by 58.5% and 10.2%, respectively), while imports of rail and road transport services are still 53% and 25% lower than in 2013;
- Government and government services - increased by 66.8% (or USD 47.4 million).

However, among the service sectors whose imports from the EU showed the largest decline in 2019 compared to 2013:

- Services related to financial activities - a total decrease of 56.6% (or USD 400.3 million). After the entry into force of the DCFTA, the average annual rate of decline in imports accelerated slightly from 6.2% (2013-2017) to 8.0% (2017-2019);
- Royalties and other intellectual property services decreased by 29.5% (or USD 192.2 million). Despite the negative result, after the entry into force of the DCFTA, the average annual decline in imports of -11.6% (2013-2015) accelerated to an average annual growth of 32.0% (2017-2019);
- Construction services - decreased by 85.1% (or USD 139.9 million). Despite the overall negative result, after the entry into force of the DCFTA, the average annual rate of decline in imports of -24.2% (2013-2015) slowed to -1.5% (2017-2019);
- Telecommunications, computer and information services decreased by 19.4% (or \$ 87.2 million). Despite the overall negative result, after the entry into force of the DCFTA, the average annual growth rate of imports accelerated to 18.9% (2017-2019).

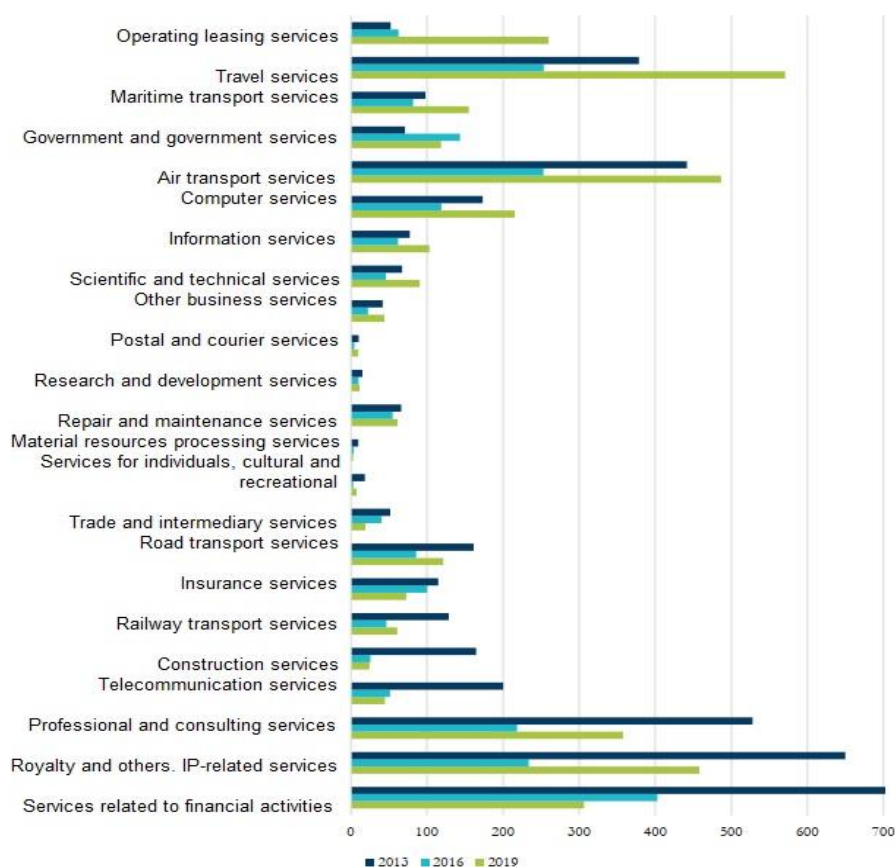


Figure 2.4 – Imports of services to the EU in 2013, 2016 and 2019, million USD

Thus, in recent years, in particular since the FTA with the EU, there have been structural changes in the dynamics of Ukrainian foreign trade. One of the world's largest markets, represented by 500 million European consumers, has opened up to domestic producers. The events in the East of Ukraine forced Ukrainians to abandon the usual markets and orient their products to the West.

2.3 Problems of expanding foreign trade between Ukraine and the European Union

The economic part of the Association Agreement with the EU came into force 5 years ago. And now Ukrainian entrepreneurs are rubbing their hands in anticipation of improving conditions for exports - from January 1, 2021, the parties

to the Agreement can begin negotiations on modernizing the conditions of the free trade zone of Ukraine and the European Union.

The Ukrainian government has a thorough and balanced approach to this process and has consulted with business representatives to form a clear and convincing position. During the second half of 2020, the Office of European and Euro-Atlantic Integration collected proposals from entrepreneurs in the form of public consultations, as well as online surveys and direct communication with industry associations. The collected positions of entrepreneurs will form the basis of further arguments during negotiations with the European Union.

The business took the opportunity to express its wishes not only on the renewal of the Association Agreement, but also outlined the expectations of the government on the formation of domestic policies. And most interestingly, Ukrainian business, for its part, also calls on the government to adopt a number of laws, regulations and declarations that will allow Ukrainian producers to enter the European market. It remains to be seen how much the government listens to Ukrainian entrepreneurs.

Trade cooperation between Ukraine and the European Union indicates a constant disparity in exports and imports of Ukraine and the EU. In comparison, in the first year of the FTA with the European Union, Ukrainian exports to the EU amounted to 15.82 billion US dollars, and imports from the EU - 17.1 billion US dollars. According to the results of the 5th year of the free trade zone with the EU, the disparity has only increased - exports from Ukraine amounted to \$ 18.66 billion, and imports from the EU \$ 23.74 billion [28].

Given the advantage of European imports over Ukrainian exports to the EU, domestic producers are being asked to develop such business support policies that will allow them to develop both export opportunities and not lose the Ukrainian market.

The growth rate of exports of Ukrainian goods to the European Union in 2018 amounted to 15% [2]. In total, \$ 20.15 billion worth of goods were exported to the EU this year, and the EU's market share was 42.6%. In 2017, the share of the EU

was 40.5%, but the growth rate was significantly higher - 29.9%. However, compared to January – July 2013, exports of goods and services from Ukraine to the EU fell by 7%. Thus, before the creation of the free trade zone, Ukraine sold more goods and services to the EU than now.

Although, if we consider the structure of Ukraine's foreign trade, we can say that the share of both exports to and imports from the EU has increased significantly, but, unfortunately, mostly due to reduced trade with other countries. Regarding the geographical structure, the largest foreign trade partners of Ukraine in the EU are Poland, Italy, Germany, the Netherlands, Hungary, Spain and others.

The commodity structure of Ukraine's exports to the EU has remained stable in recent years, despite unfavorable economic circumstances. About a third of exports are agricultural and food products, primarily cereals, oilseeds and vegetable oil. In second place - the export of ferrous metals and their products, in third place - electrical and mechanical machinery, mainly due to electrical equipment. As for the export of services to the EU, its structure is dominated by transport services, processing of material resources, information and communication services.

Conducted studies of foreign trade between Ukraine and the EU allow us to draw certain conclusions. The restraining factor is the certification of Ukrainian products in accordance with European standards and quotas for trade in certain product groups.

The analysis showed that some duty-free quotas are used quickly, and the general conditions are not very attractive and affordable for domestic producers. Ukrainian exporters actively used the opportunities of duty-free exports to the EU within 29 of the 40 available tariff quotas [3]. But quotas on some goods were hardly used. Duty-free quotas for the following products were most in demand: honey, grape and apple juices, processed tomatoes, sugar, cereals and flour, poultry, wheat, corn, and barley. Ukrainian companies supply these products in excess of the tariff quota, but these volumes fall under the general EU import regime.

Also, within the framework of temporary trade preferences, the EU abolished import duties on imports from Ukraine for such industrial goods as fertilizers,

footwear, pigments and preparations based on titanium dioxide, copper and aluminum products, electronic equipment for image reproduction.

According to the Government of Ukraine, about 15 thousand Ukrainian companies now export their goods to EU countries [4].

There are some problems of inconsistent trade policy on the part of Ukraine with some violations of the provisions of the DCFTA on the "status quo" [5].

Another problem is that the structure of Ukraine's exports is currently dominated by goods with a low level of processing, ie it risks becoming a raw material appendage of the EU. This is primarily due to the fact that the low solvency of domestic producers limits their ability to purchase the necessary raw materials and manufacture relevant products. Therefore, without finding demand in the domestic market, raw materials are sent abroad. Products made from it are returning to the markets of Ukraine, creating competition for domestic producers. Although statistics show that Ukrainian producers have begun to increase exports of higher value-added goods. This pace of trade has given impetus to the increase in quotas.

Despite some growth in trade between Ukraine and the EU, it is complicated by factors such as [30]: low competitiveness of Ukrainian goods and services in EU markets due to non-compliance of domestic products with high European standards and technical regulations (certification, sanitary, phyto-sanitary standards,) and high cost of export products; quantitative restrictions on trade in certain goods; difficulties related to ensuring the national regime and formalities related to import and export, customs valuation, protection of intellectual property, etc.

Another important factor is that not all companies can adapt to new market conditions. On the plus side, there are a large number of companies that are willing to enter European markets but are unable to do so due to low awareness.

Another significant problem is the difficulty of finding trading partners in the EU, which is typical for both small and large businesses. It is difficult to find European partners who are confident in the ability of Ukrainian companies to secure long-term supplies.

The free trade area has given impetus to integration with European legislation and has become an additional export opportunity for many producers. However, despite the obvious successes, the problem of protecting Ukrainian producers remains serious. At the same time, the EU uses available tools to protect the internal market, in particular through tariff regulation of imports. Thus, the level of customs duty on imported finished products in the EU is 7.7 times higher than the level of duty rates on raw materials. This means that Ukraine continues to be a supplier of raw materials, not high value-added products.

The Association Agreement contains provisions concerning anti-dumping measures, subsidies and special safeguards to protect the economy of the importing country from serious injury or threat of such damage. In the past, the EU has widely applied anti-dumping duties on Ukrainian supplies of metallurgical and bulk chemicals, but such measures are much less common today. In October 2017, the EU imposed a final anti-dumping duty on imports of steel products from Ukraine and a number of other countries.

The DCFTA also includes important measures to ensure fast and efficient customs services. Ukraine is gradually fulfilling its legal obligations under the new Customs Code, most of the provisions of which meet the requirements of EU law. But the main task for border posts on the borders with the EU remains to work without delay and corruption.

Adoption of European standards for industrial, agricultural and food products is crucial for modernizing and increasing the competitiveness of the economy. Ukraine has identified a strategy to remove technical barriers to trade with the EU by aligning its legislation with key EU directives and adopting a very large number of EU standards. In the agri-food sector, Ukraine is beginning to implement a comprehensive strategy to implement EU sanitary and phytosanitary standards.

Over time, this will ensure high standards of food safety for Ukrainian consumers, as well as provide better opportunities for Ukrainian companies to export their products to the EU and other markets around the world. Progress in the implementation of these two policies, which relate to technical regulations and

standards for industrial and agricultural goods, is significant, although perhaps not as rapid as planned [4].

All goods imported into the customs territory of the EU are mandatory must meet all the requirements of the European Union aimed at ensuring consumer protection. These requirements vary significantly depending on the specific product, but in general can be grouped in the following areas:

- technical requirements;
- environmental requirements;
- requirements in the field of sanitary and phytosanitary measures.

In addition, certain types of products are marketed at EU level standards, and import restrictions apply, which may also be considered as mechanisms to protect the domestic market from imported goods, the quality and safety of which are not meets the requirements of the European Union.

Under these conditions, the Ukrainian manufacturer should get acquainted with the European one consumer, analyze the market and assess the competitiveness of its product, because the strengths and weaknesses of the company's products are identified in the process competitiveness assessment.

If we analyze the strategies of Ukrainian enterprises in foreign markets, there are two types that are opposite in purpose and basic methods of implementation: "Initial accumulation of capital" (aimed at maximizing profits at once, and, by any means) and strategy of "long stay" (aimed at stable business growth in a certain direction and style).

The main purpose for which companies enter the foreign market is profit maximization through the use of economies of scale.

For the successful operation of domestic enterprises in foreign markets significant and focused efforts should be made. Foreign consumers are more demanding to the quality of goods, their range, service, advertising, etc. In developed countries there are stricter standards, where there are various regulations, which is enough strictly regulate the performance of equipment, use of goods. When leaving its country, the company is dealing with new conditions external environment. For

example, other types of taxes, currency, prices, methods transportation, it is also necessary to look for clearer information about each new condition external environment, so that entering the foreign market was beneficial for the company.

Potential sales, costs and investments in the organization are also taken into account movement of goods, availability of trained personnel (sellers) and other conditions. In general, the choice of how the company enters foreign markets can be carried out according to the following criteria: the form of capital movements; cost level; degree attractiveness of investing; market control; level of risk; possibility to exit market[9].

3. SOLVING PROBLEMATIC ISSUES AND PROSPECTS OF ECONOMIC COOPERATION BETWEEN UKRAINE AND THE EU

3.1 Solving problematic issues of economic cooperation between Ukraine and the EU

On the path to European integration and access to all the benefits of a free trade area, Ukraine needs to address a number of issues that have already been mentioned.

As the FTA provides for freedom of entrepreneurial activity, in order to fully access the package of opportunities, our country should first establish a system of legislation in Ukraine in accordance with European, as so far the shortlist of areas allowed to organize business in the EU is only financial, telecommunications services and postal services. But in accordance with how the regulatory framework in our country will be harmonized with the European one, the list of areas that will be granted access to the EU market will be expanded. This should be a new challenge, a new impetus for regional companies, which have not been able to fully realize themselves due to difficult access to markets, differences in legislation, bureaucracy, and so on.

GVZVT provides for mutual access to public procurement. Here it is especially important that Ukraine becomes the only country that is not a member of the EU and will have such an opportunity. Harmonization of legislation and procedures in the field of public procurement will enable Ukrainian enterprises to participate on an equal footing with European enterprises in public works, services and tenders for EU level, national and regional level.

The volume of this market is almost 2.5 trillion. US dollars [31]. Thus, at both the state and regional levels, there is a chance to optimize the system of government agencies and enterprises, improve the performance of their functions and reduce costs. Closer economic integration thanks to the DCFTA will be a powerful stimulus to economic growth. For it is planned to approximate legislation, norms and standards Ukraine to the EU. As a key element of the GVZVT Association

Agreement will create opportunities for business in the EU and in Ukraine and will promote economic modernization and integration with the EU.

According to the general principles of the Agreement, the key elements of maintaining and expanding EU-Ukraine relations that will form the basis of such relations are the principles of a free market economy, good governance, anti-corruption and various forms of transnational organized crime and terrorism, sustainable development and effective multilateral contacts.

There is a problem of low exports of goods to the EU. In order to ensure unhindered and promising growth of exports to the European Union, our market must adapt to European norms and standards. So far, Ukrainian exports are only at the initial stage of this process. An important element of regional cooperation is investment activity. Unfortunately, over a long period of time there has been a certain disproportion between investing in different regions of Ukraine. More than half of investment resources fall on 4 regions - Kyiv (30.9%), Dnipropetrovsk (9.2%), Kyiv (8.9%) and Donetsk (6.5%) regions.

Given the fact that Ukraine in 2017 entered the top three Eastern Europe with the strongest potential of the internal market, it can be argued that our state has quite good opportunities to attract new foreign investment. However, in order to attract truly effectively, it is necessary to reduce the risks of investment activity, which have only been growing in Ukraine in recent years.

By improving the business climate, Ukraine will be able to attract significant private investment from the EU and beyond. This will help modernize the country's economy and boost GDP growth. Such progress, in turn, will create the conditions for approaching European standards of living, just as Eastern European countries have approached these standards.

The transition to European Union norms and standards, combined with duty-free trade, will also help attract investors and transfer technology from Western European and other leading economies. This will help transform the Ukrainian economy from an exporter of raw materials and agricultural products to a player that is fully integrated into EU markets.

The agreement covers a much broader framework of interstate relations than just trade. By signing the Association Agreement, Ukraine has committed itself to adopt EU internal market rules on technical standards, public procurement, competition, and intellectual property. The agreement also concerns the improvement of the relevant legislation, ensuring certification and standardization, sanitary rules in accordance with the requirements of the European Union, which, in turn, will gradually have a positive impact on the competitiveness of Ukrainian producers, improving the quality of domestic finished products, export growth and more.

But despite some progress, the foreign trade balance with the EU remains negative. This is primarily due to the fact that despite all the positive developments, most of Ukraine's exports to the European Union are raw materials, the lion's share of which is agricultural products, which pushed metallurgy from the forefront of Ukrainian exports.

However, given the positive trends, Ukrainian producers have the prospect of gradually moving to the production of larger volumes of products with higher added value, in order to further export them to Europe, instead of extensive commodity exports. However, the implementation of such a change in the vector of export-oriented domestic producers will be possible only in compliance with European "rules of the game" of doing business. Factors that should be taken into account were listed above (regulatory support, raising the level of standardization, sanitary norms, etc.). Therefore, to maintain the positive dynamics of exports it is necessary to work actively in this direction, otherwise Ukrainian producers will not be able to withstand competition in the European market.

From the above follows the following. It is safe to say that a deep and comprehensive free trade area within the framework of the Association Agreement between Ukraine and the European Union is effective. It is already obvious that the European Union has become the number one trading partner for our country.

The issue of non-compliance of Ukrainian companies' products with EU standards and, as a result, the inability to withstand competition and export goods to

European markets, expecting European products to capture some segments of the Ukrainian market.

However, in reality, the Agreement provides for access of Ukrainian producers to European markets, while Ukraine will open its borders to European exports gradually, more slowly. This is necessary to allow Ukrainian companies to gradually adapt to new conditions.

As for the competitiveness of Ukrainian products, today more than a third of Ukrainian exports are already going to the EU. This indicates that Ukrainian companies are ready to adapt to EU standards and export their products to the European Union.

At the same time, it should be remembered that the Agreement is a long-term project and will bring more and more results from year to year. This applies to improving the legal framework, raising technical standards, sanitary norms and rules, and so on. Standardization according to the requirements of the European level of Ukrainian producers will directly affect the increase of their competitiveness, which, in turn, will have a positive impact on the trade balance. In addition, it will have a positive effect not only on Ukrainian producers, but also on Ukrainian consumers who will receive higher quality goods and services, as well as an alternative to imported goods, which is currently often lacking in some segments.

3.2 Prospects of economic cooperation between Ukraine and the EU

Characteristic features of Ukraine's foreign trade are the raw material direction of exports to the EU and the growing share of agro-industrial products. Today, Ukraine ranks third in the world among suppliers of agricultural products to the EU after the United States and Brazil.

Analyzing the access of domestic products to the EU market, it should be noted that the reduction of customs duties or its abolition stimulates bilateral trade, but the current structure of exports and imports shows dangerous for Ukraine

technological disparities: raw materials imports from Ukraine and high-tech EU exports; maintaining a negative balance for most product groups; limited access of domestic business to the European market.

At the same time, taking into account the action of the free trade zone and the introduction of non-tariff quotas, domestic producers received the following benefits: reduction of customs barriers; leveling the playing field between Ukraine and the EU; use of new tools to find partners through the European Enterprise Network; application of practical EU tools and mechanisms for small and medium business development; alternative to the domestic market; attraction of technological and innovative solutions; facilitating access to the latest and innovative production technologies and equipment.

However, the trend of dominance of raw materials in Ukrainian exports continues. In order for the share of finished products in Ukraine's foreign trade to grow, it is necessary to modernize the domestic trade strategy by: improving legislation; reduction of tariff and non-tariff barriers; improving the work of state control bodies and providing the necessary packages of documents to exporters; observance of sanitary conditions; introduction of a single 362 standardization system in accordance with EU requirements; strengthening the protection of intellectual property rights; increasing the quality and competitiveness of products.

In this regard, it is very important to develop a National Program for the Implementation of EU Technical Standards and Regulations. In the field of technical regulation in Ukraine there are changes only in the horizontal direction, ie the initiative belongs to the state through the provision of financial assistance from the EU, and in the vertical direction the initiative should come from producers. But there is a situation where producers prefer to trade with third countries, which does not require them to invest and invest in the development of technical regulations, introduction of new technologies, obtaining certificates and permits to improve product quality.

Overcoming disparities in regional development remains an important area of development. Among the leading regions in terms of exports are Dnipropetrovsk

region (15.8% of total exports to the EU), where metallurgical plants are located, as well as Zaporizhia, Donetsk, Lviv, Poltava, Vinnytsia regions and Kyiv. Kyiv imports the most products - 42.3% in 2019, as well as Dnipropetrovsk (9.1%), Kyiv (6.8%), Lviv (5.1%) regions [32]. Other regions account for a small share of trade with the EU.

Ukraine's export policy towards the European Union has three main vectors of development: the expansion of markets, ie the geographical structure of trade; increase the range of exports; development of a state system of incentives to improve the quality of goods and increase exports of high value-added products, ie finished products.

Successful implementation of the policy requires increasing the competitiveness of domestic products, reducing the backlog of technological production, resource provision of industry according to international standards, as well as ensuring the development of financial, technical and information support of producers, which will stimulate production of high-tech products. It is now important to unite the efforts of business and government to realize the potential of Ukraine, support export-oriented industries and use all available resources to increase exports and expand the range of goods.

Ukraine is entering the EU market with new products, among which a growing share is beginning to be occupied by goods with a high degree of processing. Duty-free export opportunities under tariff quotas are also being actively used.

So, summing up, it is advisable to highlight the following priorities for the development of Ukraine's foreign trade relations with the EU: creating a system of financial support for Ukrainian exports to EU countries; stimulating the increase of competitiveness and quality of domestic products in accordance with EU standards and norms; providing state preferential lending, insurance and guaranteeing export supplies to European markets; creation of mechanisms to increase the efficiency and transparency of customs clearance; opening of trade missions of Ukraine in the EU countries in order to intensify long-term trade and economic relations between representatives of Ukrainian and European business

CONCLUSIONS

Ukraine has the opportunity to enter the European market of goods having received both a number of potential opportunities, and having faced a complex difficult problems for yourself. Assessment of internal and external factors of the process, study of internal and external reserves to increase competitiveness goods taking into account international quality standards, developing effective and constructive directions of functioning of national producers in qualitatively new ones economic and legal conditions of management should be the main task national authorities and the public. The formation of the standardization system of Ukraine has be carried out in accordance with the international and existing system in the European Union.

This process should prepare Ukraine for participation in the internal market EU in some priority sectors of the economy, harmonization of the necessary framework and sectoral legislation in priority areas with a system of technical EU regulation, ensuring transparency and predictability of the regulatory framework environments for businesses.

Thus, quota regulation of trade relations between Ukraine and the EU is one of the instruments of trade liberalization. It is carried out within the framework of the Association Agreement, the Agreement on Full and Comprehensive FTA, etc. The mechanism and principles of application of quotas for duty-free import of goods are quite complex. They provide a certain level of protection for critical sectors of the economy, primarily the agri-food sector, from the potentially negative impact of imports. As a result, the existing restrictions on the free movement of goods between Ukraine and the EU create controversial positions and problems for foreign trade participants.

Among the main problems we note the following:

- disproportionate harmonization of non-tariff terms of trade, according to which in most positions Ukraine must adapt its legislation, standards and norms of trade to EU conditions;
- complexity and duration of procedures for harmonization of Ukraine's trade conditions with EU requirements, which hinders the growth of trade and prevents the use of duty-free quotas on many products due to non-compliance with safety, phytosanitary norms and standards;
- the application of duty-free quotas on imports of products from Ukraine applies mainly to raw materials, much of which in the structure of foreign trade of our country does not occupy a significant place and currently does not require special assistance in accessing EU markets;
- the size of duty-free quotas on products that account for a significant share in the structure of mutual trade is quite limited, and the conditions of its import outside the quota - too burdensome for Ukrainian exporters, which greatly offsets the declared benefits of the FTA for Ukraine.

Solving these problems in the complex is a rather difficult task, which goes beyond the powers of each of the trading partners and traders. Changing the conditions and ensuring their observance implies the harmonization of bilateral interests, most of which have already been agreed and are unlikely to be discussed in the near future. As for the complete reorientation of Ukraine's production, logistics and trade systems to EU requirements, in this case each action should be assessed for economic feasibility and benefit and in no case should be aimed solely at "filling quotas". Therefore, in addition to the request to increase the duty-free EU quotas on agri-food products from Ukraine and to ease the conditions of non-tariff regulation, our country must act more widely. In working to adapt trade rules and conditions to EU requirements, we must simultaneously work to take into account the rules and requirements of other important foreign trade partners. As a result of such actions, we will be able to unify our own conditions for foreign trade with several trading partners through approximately the same efforts. This will diversify trade and make it less dependent on the European market.

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ANNEXES

SUMMARY

Verhun A.A. Ukraine-EU Free Trade Zone: Results of Operation and Prospects of Expansion - Qualifying Master's Thesis. Sumy State University, Sumy, 2021

The master's thesis focuses on the importance of introducing and expanding a free trade area with the EU and its impact on the country's economy. This paper analyzed the theoretical and practical aspects of the functioning of the free trade area and analyzed the impact of European integration on market conditions, in particular on changes in imports and exports in recent years. The results of functioning, main problems and prospects of future expansion of the free trade zone with the EU were also outlined.

The main purpose of this study is to prove the importance of a free trade area with the EU and to find possible solutions to problems that contribute to the further prospects of its expansion.

Key words: free trade zone, international agreement, classification import, export, trade. Europeanization, European Union, FTA +.

Анотація

Вергун А.А. Зона вільної торгівлі між Україною та ЄС: результати функціонування та перспективи розширення –Кваліфікаційна магістерська робота. Сумський державний університет, Суми, 2021 р.

Кваліфікаційна магістерська робота фокусується на важливості впровадження та розширення зони вільної торгівлі з ЄС та її впливу на економіку країни. У цій роботі було проаналізовано теоретичні та практичні аспекти функціонування зони вільної торгівлі та був зроблений аналіз впливу євроінтеграції на кон'юнктуру ринку, зокрема на зміни імпорту та експорту за останні роки. Також було окреслено результати функціонування, основні проблеми та перспективи майбутнього розширення зони вільної торгівлі з ЄС.

Основна мета цього дослідження - довести важливість зони вільної

торгівлі з ЄС та знайти можливі рішення проблем, які сприяють подальшій перспективі її розширення.

Ключові слова: зона вільної торгівлі, міжнародний договір, класифікація імпорту, експорт, торгівля. європеїзація, Європейський Союз, ЗВТ+.