
CUSTOMS REGULATION OF THE FOREIGN TRADE SECTOR OF UKRAINE
IN THE NATIONAL SECURITY SYSTEM

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Abstract. Integration of the foreign trade sector of the national economy at the practical level is a reform of the bilateral trade regime through the liberalization of customs-tariff and non-tariff regulation, unification of the conditions for the international movement of production factors (investments, labor), and internal regulations that have an indirect impact on the development of foreign trade relations in order to eliminate economic barriers and the creation of a single market space between the parties to the integration association. Customs regulation of the foreign trade sector plays a key role in the national security system. At the present stage, this type of integration takes the form of concluding bilateral agreements on a deep and comprehensive free trade zone, which apply, inter alia, to environmental standards, government procurement, trade aspects of intellectual property rights, and the like. Based on the analysis, it is proved that the general structure of export supplies from Ukraine to the EU continues to be of a raw material nature: 52.8% of their value are agricultural raw materials, mineral resources, and primary processing products. The most adequate expansion of a deep and comprehensive free trade zone for modern realities is the vision of the role of the state as a systemic regulator, which, on the one hand, does not resort to the policy of isolationism, and on the other hand, acts as an active participant in the processes of international economic integration and entry into the most developed markets of the countries of the world, helping to increase the level of competitiveness of the foreign trade sector of the national economy.

Keywords: national security; customs regulation; tariff quotas; foreign trade sector; free trade

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1. Introduction

The entry into force of the Deep and Comprehensive Free Trade Area Agreement as an integral part of the Association Agreement with the EU has become the largest integration project in the modern history of Ukraine. The foreign trade sector of the domestic economy has undergone significant shifts in the geographical structure of both export and import supplies of commodities. The share of EU countries in the structure of Ukrainian exports for 2013-2017 grew from 26.9 to 38.3%, imports - from 37.2 to 42.4%. Granting of autonomous trade preferences by the European Union to Ukraine two years before the entry into force of the Association Agreement; the comprehensive nature of trade liberalization, embodied in the agreement, which went beyond the mutual abolition of import duties; ensuring the asymmetric nature of tariff liberalization during the transitional period of the agreement in favor of commodities and services originating from Ukraine; the unprecedented

establishment by the EU of duty-free tariff quotas for agricultural commodities, which are usually removed from the free trade regime, and the action of a number of other factors, combined with the need to search for alternative sales markets for the partial loss of the Russian Federation market, contributed to the fact that the EU has become Ukraine's largest foreign trade partner at the present stage.

Along with this, there are significant imbalances in the structure of bilateral trade between Ukraine and the EU. Ukrainian commodity exports are dominated by raw materials and low-tech products of primary processing (ferrous metals, iron ores, cereals, oilseeds, vegetable fats, fuelwood, etc), the share of which reaches 53.6% of exports to EU countries, while the share of machinery and equipment is only 14.2% of exports. The opposite trend can be traced in relation to imports from the EU – more than half of its value is made up of science-intensive high-tech products (land vehicles, electrical machines, production equipment, complex chemical compounds, pharmaceuticals) with a high level of added value. The net export of commodities from Ukraine to the EU countries at the end of 2017 amounted to 3.3 billion US dollars with a total foreign trade balance of 2.6 billion US dollars. Therefore, despite the growth in the quantitative parameters of foreign trade exchange between Ukraine and the EU, its inherent structural imbalances continue to exert devaluation and inflationary pressure on the national monetary unit, thereby complicating the stable development of the macroeconomic environment. The situation is complicated by the fact that the conditions of a deep and comprehensive free trade zone significantly limit the use of most measures of the state's structural policy in the field of increasing the efficiency of Ukraine's foreign trade relations with the EU.

The goal of the work is to develop conceptual foundations, to substantiate theoretical and methodological approaches, institutional means, and practical tools for the formation of an effective system of state regulation of the integration of Ukraine's foreign trade sector into the EU.

2. Literature Survey

Integration as an economic process in its historical development has passed and continues to pass through certain degrees - from simple to complex. However, all degrees have one thing in common, which is that certain economic barriers are removed between countries that have joined one or another type of integration (Kittova, Z., & Steinhauer, D. (2018); Mazzanti, M., Mazzarano, M., Pronti, A. & Quatrosi, M. (2020)).

As a result, within the framework of the integration association, a single market space is formed, where free competition unfolds (Niemann, A., & Ioannou, D. (2015)). Under the influence of market regulators (prices, interest, etc), a more efficient territorial and sectoral structure of production appears in this single space. Thanks to this, all countries benefit from increased labor productivity, as well as cost savings on customs control over foreign economic relations. At the same time, each degree of integration has its own specific features.

Thus, international economic integration presupposes the convergence and mutual adaptation of all structures of national economies; it should be considered the highest form of internationalization of economic life. However, one should not equate economic integration and economic cooperation between countries since at the stage of economic integration:

an international economic complex with its own structure and governing bodies is being created (Pridachuk, M., & Tolstel, M. (2016)). The general conditions of economic activity are determined and agreed upon within each country, at the interstate and supranational levels;

the variability of combining various resources for a joint solution of socio-economic problems increases (Kobrin, S. J. (2015));

the basis of integration activities is precisely the interaction in the field of production and science (and on favorable terms compared to other countries) and not foreign trade exchange (Ward, D., Kim, JH, Graham, M., & Tavits, M. (2015));

integration cooperation is complex and long-term (Karpenko, L., et al. (2018)).

In the modern world, international economic integration is regional in nature (Bryant, C. E., & Javalgi, R. G. (2016); Mazzanti, M., Mazzarano, M., Pronti, A., & Quatrosi, M. (2020)). Therefore, regional international economic integration, in our opinion, should be characterized, firstly, as a specific process of forming systems of interdependence and complementarity of national economies, which are accompanied by a complex combination of economic and social development, and secondly, as a special type of interaction between economic within certain regions of the country.

Although foreign trade policy within the Free Trade Area (FTA) appears to remain largely within the responsibility of national governments, there is also the problem of redirecting foreign imports through the countries of the integration group, which have the lowest external tariff (Gräbner, C., Heimberger, P., Kapeller, J., & Schütz, B. (2019); Chetthamrongchai, P., Jermstittiparsert, K., Saengchai, S. (2020)).

In general, this reduces the tariff efficiency of each member state to the lowest level plus the cost of transporting indirect imports (which is a loss of real value of resources). The usual solution to this problem is the rules of origin of commodities, ie an unquestionably motivated requirement for commodities, which are subject to tariff-free trade and which should be produced in a member state and not simply transit through those countries.

However, the rules of origin are complicated by the fact that they must take into account the tariffs on imports of intermediate commodities, which are used in the production of products within the integration group (Drapper, P., & Nene, M. M. B. (2015)). The rules of origin are based on the principle that a tariff should be levied on foreign imports into FTA free trade zones during the final sale but additional value added should be exempt from the tariff. The rules of origin are quite complex and the negotiation process is also complex (for example, the EU-Poland agreement on the rules of origin contained 81 pages of fine print) (Türkcan, K., & Saygılı, H. (2018)).

However, despite the fact that there are such detailed rules of origin, the problem of transit imports through FTA member countries, where the lowest external tariffs apply, has not yet been resolved. Low external tariff partner countries can meet mutual product requirements with third countries and export appropriate quantities (or all) of their own products to partner countries. This phenomenon is known as indirect redirection of imports.

Paying tribute to the scientific work of scientists on this issue, the scientific literature does not present the results of research on the formation of the effective system of customs regulation of integration of Ukraine's foreign trade sector into the EU national security system while maintaining structural imbalances and hidden protectionism in bilateral export-import relations in the formation of a free trade area (FTA).

Therefore, it is extremely important to formulate and substantiate the conceptual framework of Ukraine's regulatory policy in the process of integration of its foreign trade sector into the EU, the implementation of which will help optimize the potential benefits of the agreement on deep and comprehensive FTA on the basis of priority provision of national economic interests in the development of domestic production and export potential. The urgency of this task, its insufficient theoretical and methodological development led to the choice of topic and purpose of the study, the logic and direction of the study, and its practical significance.

3. Methods

In the process of fulfilling the goal of the work, a number of general scientific and special methods of scientific knowledge of the objective nature of economic phenomena and integration processes were used, in particular: scientific abstraction method – for exhaustive determination of economic content of categories; system method – to generalize the system of measures of tariff and non-tariff regulation in integration processes; comparative analysis method – to study the world experience of countries in the implementation of integration projects with the EU in the field of foreign trade; methods of quantitative analysis, induction, and

deduction - to determine methodological approaches to assessing the effectiveness of state regulation of the foreign trade sector and assessing the current state of development of foreign trade relations between Ukraine and the EU; system-structural analysis method – to determine the priority areas and the formation of conceptual approaches to the regulatory policy of the state in the foreign trade sphere in terms of the deployment of European integration processes. In addition, formalization, induction and deduction, analysis, and synthesis methods were used.

The information base of the study consists of the text of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their member states, on the other hand; normative legal acts of Ukraine and the European Commission; analytical materials of the European Bureau of Statistics (Eurostat), the State Statistics Service of Ukraine (SSSU); data of the Ministry of Economic Development and Trade of Ukraine, the National Bank of Ukraine; research results of the Institute for Economic Research and Policy Consulting, the Center for European Policy Studies, the State Research Institute for Informatization and Modeling of the Economy; analytical publications of the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO), and the World Bank.

4. Results

The Deep and Comprehensive Free Trade Area (DCFTA) with the EU began to operate in 2016, although a significant part of trade barriers between the countries was lifted in April 2014 since the introduction of EU autonomous trade preferences, that is, a free trade zone with the EU de facto started to operate for Ukrainian exporters for several years now. In the case of Ukraine, the entry into force of the Deep and Comprehensive Free Trade Area Agreement in 2016 served as one of the main factors in the post-crisis recovery of the domestic economy. According to the results of 2017, the export of commodities and services to the EU grew by 27.8% and reached the 2013 level of +20.2 billion US dollars.

At the same time, more than half of this increase was due to the increase in real exports, which was measured at constant prices. The volume of real exports to the rest of the world almost did not grow, therefore, it was exports to the EU that made the largest positive contribution to the growth of real GDP of Ukraine in 2017. The share of the EU in Ukraine's foreign trade turnover was high in the entire history of cooperation, amounting to 38.3% in exports and 42.4% in imports (Figure 1).

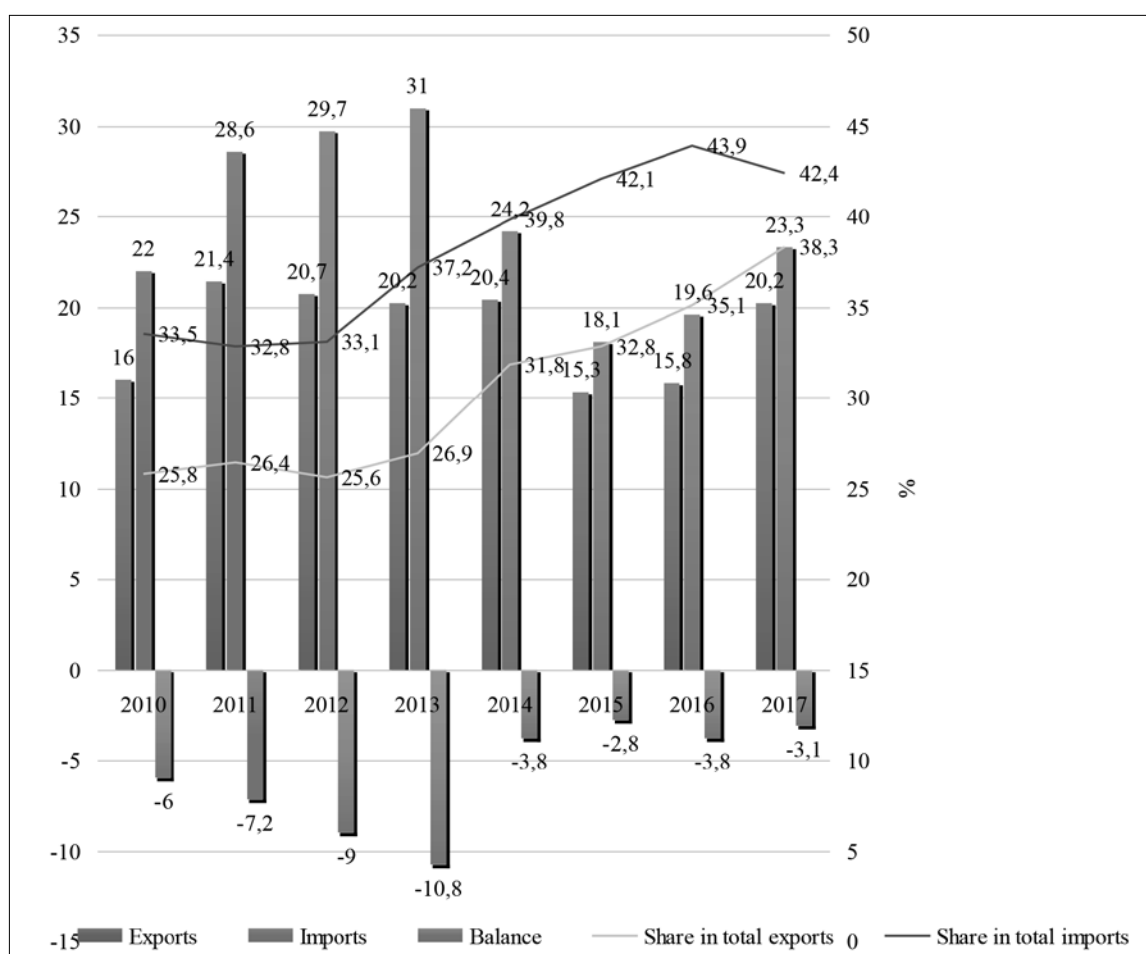


Figure 1. Dynamics of Ukraine's foreign trade in commodities and services with EU countries in 2010-2017, billion US dollars

Source: created on the basis of Cooperation between Ukraine and EU countries: Statistical collection (2018)

However, despite a number of positive changes, the structure of Ukraine's foreign trade sector in cooperation with the EU continues to be raw materials, as exports are still dominated by ferrous metals (19.4%), sunflower oil and oilseeds (14.4%), cereals (10,1%), and iron ore (8.9%).

Thus, despite a number of economic shocks, compared to 2013, the position of exports to the EU has changed slightly. Thus, the first positions in the list of commodities exported to the EU are occupied by the same corn, sunflower oil, sets of wires for spark plugs, iron ore, and metal products, which are presented in Table 1.

Table 1. Commodity structure of Ukraine's exports to the EU, 2013-2017

Commodity position	2013, %	2017,%
Corn	10	8
Sunflower crude oil	2	7
Sets of wires for spark plugs	6	7
Semi-finished products from carbon steel	10	5
Agglomerated iron ores and concentrates	4	5
Non-agglomerated iron ores and concentrates	6	4
Rapeseed with low erucic acid content	5	4
Cake and other solid wastes from sunflower seeds	3	2
Other	54	58

Source: created on the basis of Understanding of the EU-Ukraine Association Agreements, Moldova and Georgia; UN COMTRADE Database

Corn took the first place, the share of which fell from 10% in 2013 to 8% in 2017. Sunflower oil moved to the second position - 7% of exports. In third place, sets of wires for spark plugs, the share of which in exports to the EU increased from 6% to 7%.

The dynamics of the structure of exports of commodities from Ukraine to the EU-28, as can be seen from Figure 2, shows the invariability of the positions of basic commodities. However, it should be noted that new products are gradually entering the EU market. If in 2013 Ukraine supplied 75% of total exports to the EU, in 2017 the range of supplies to the EU was already 81%, while the number of total exports of Ukraine during this time gradually increased.

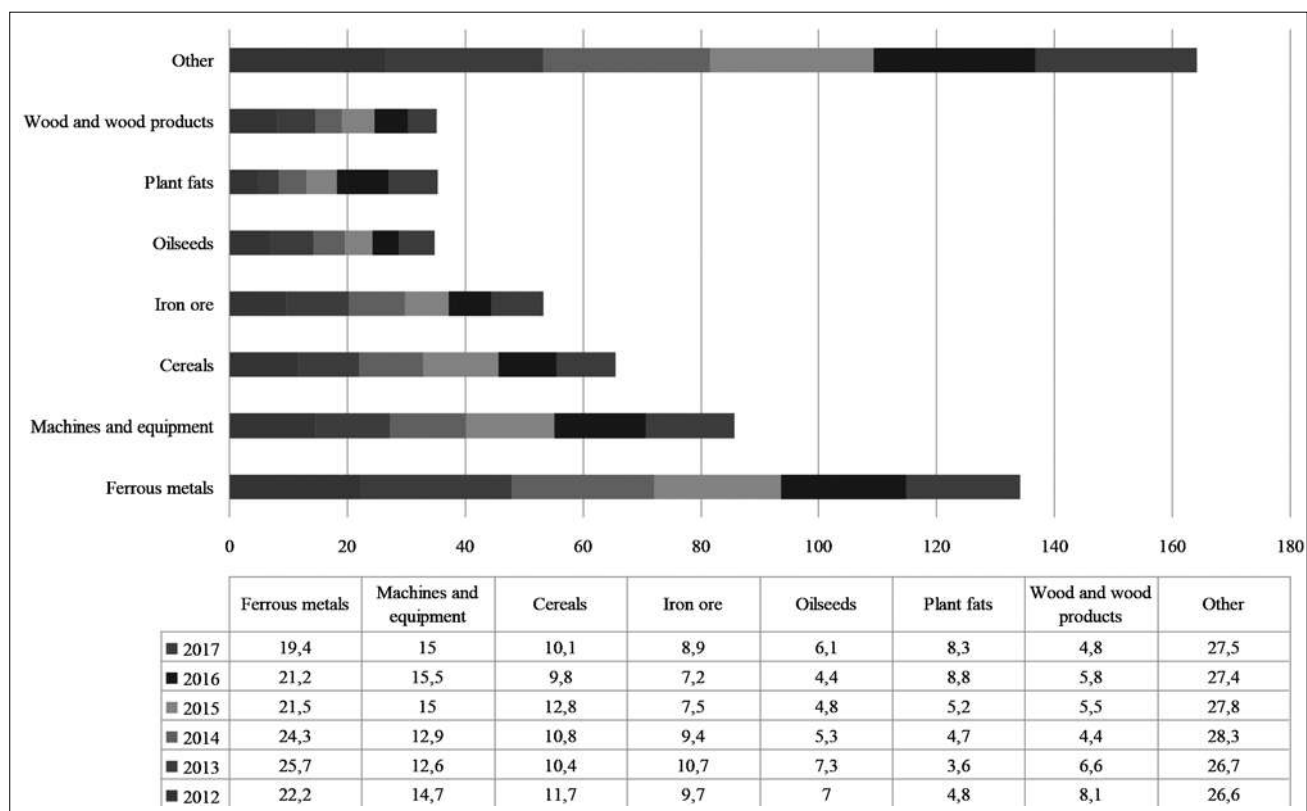


Figure 2. Dynamics of the structure of exports of commodities from Ukraine to the EU-28 in 2012-2017,%

Source: created on the basis of UNCTAD Statistics

In 2017, newbie products entered the EU market, which had not been supplied to the EU for the previous five years. The total amount of «brand new» exports was 2.8 billion US dollars. Among the newbie products, approximately 20% went to butter (a good example of the success of efforts to adapt to EU food safety requirements) and another 15% went to underground conveyors. Further on the list are rare metal ores and concentrates, magnesium powder, snowmobiles, textile machinery, and medicines containing antibiotics. From these commodities, about half of the positions, in particular, metal ores, magnesium, and medicines in the amount of 1.3 US dollars were supplied to Ukraine exclusively to the EU market. According to the results of 2017, Ukrainian exports of commodities to the EU grew by 30% and reached a record 17.5 billion US dollars, which is the highest figure since 2012, as shown in Figure 3.

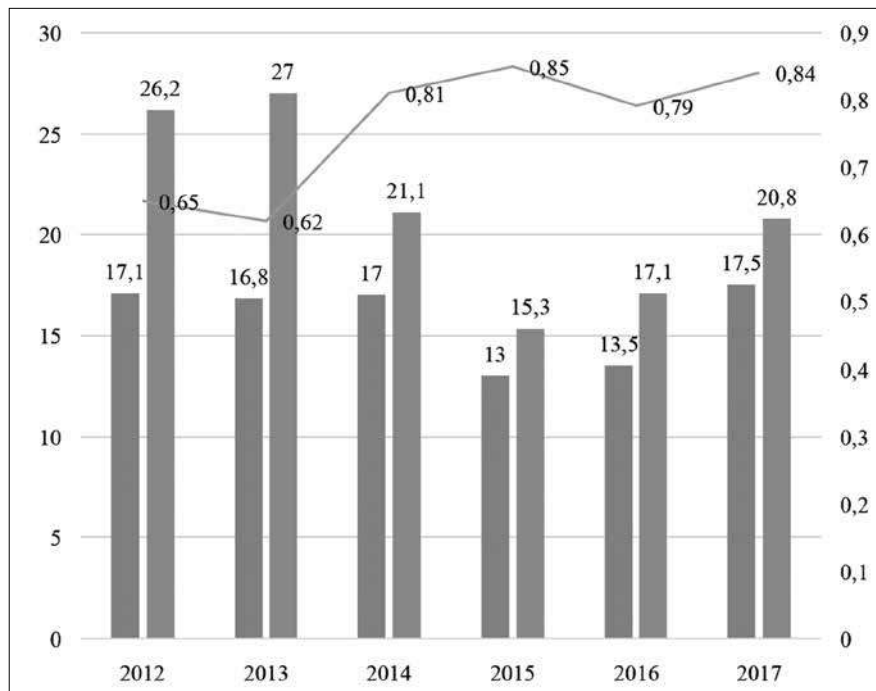


Figure 3. Dynamics of Ukraine's foreign trade in commodities with EU-28 countries in 2012-2017, billion US dollars

Source: created on the basis of UNCTAD Statistics

More than half of the increase in exports was due to an increase in real exports, ie exports measured in constant prices. Interestingly, the volume of real exports to the rest of the world has hardly increased. Thus, it was exports to the EU that made a positive contribution to Ukraine's real GDP growth in 2017.

It should be noted that almost two thirds of processed products are supplied to industrial consumers in the EU, which makes Ukrainian exporters part of European production chains. Thus, one of the most famous examples of Ukraine's participation in EU production chains is, of course, the production of electrical equipment for the automotive industry. In 2017, sets of wires for vehicles were the third most expensive commodity to be exported to the EU: 1.2 billion US dollars, which is 28% more than in 2013 (National Industrial Portal).

According to the monitoring group "Enterprises of Ukraine", since 2015 at least nine new plants of this direction have been opened in the country with a total number of jobs about 15 thousand. The cost of supplying antennas accounting for 0.2 billion US dollars has increased almost tenfold over the past five years (National Industrial Portal).

It should be noted that for exports under the free trade regime with the EU (zero or reduced duties), it is necessary to obtain a certificate of carriage of commodities in the EUR.1 form, which is issued from January 1, 2016 by the customs authorities of Ukraine.

The procedure for issuing EUR.1 certificates is similar to that in European countries and provides for maximum simplification of issuing certificates free of charge as soon as possible while strengthening the exporter's responsibility for the accuracy of information needed to determine the Ukrainian origin of commodities.

During 2016-2017, according to the State Fiscal Service (SFS), 100,000 EUR.1 certificates were issued for commodities of Ukrainian origin for the possibility of their transportation to EU countries, which indicates an increase in exports to the EU.

The largest number of certificates was issued to Poland – 28957 pieces, or 29%, Germany – 13643 pieces, or 13%, Romania – 8042 pieces, or 8%, Italy – 5319 pieces, or 5%, the Netherlands – 4159 pcs., Lithuania – 3903

pcs., Bulgaria – 3348 pieces (State Fiscal Service). Import duties, which have already been abolished for most commodities in the EU, also help to expand exports: the average tariff for Ukrainian exports to the EU has decreased from 7.6% to 0.5%, as can be seen from Table 2. So, most duties have been abolished in April 2014 in the regime of autonomous trade preferences for Ukraine.

Table 2. Tariff liberalization (TL) for Ukrainian commodities

Period	Total at the customs tariff	By commodities of UKTZED 01-24 groups (agricultural)	By commodities of UKTZED 25-97 groups (industrial and processed agricultural commodities)
Current TL	7,6	19,8	3,9
TL from the date of entry into force of the association agreement	0,5	0,6	0,5
11 th year of TL	0,05	0,24	0

Source: created on the basis of State Fiscal Service

It is now possible to sell duty-free, in particular: live animals, fish, cheese, nuts, most fruits, vegetables and oilseeds, confectionery, light industry products, engineering products, and more.

On the other hand, imports from the EU continue to be dominated by machinery and equipment, the share of which increased from 23.2% to 31.4% in 2014-2017 and the value increased by 1.46 billion US dollars (Figure 4).

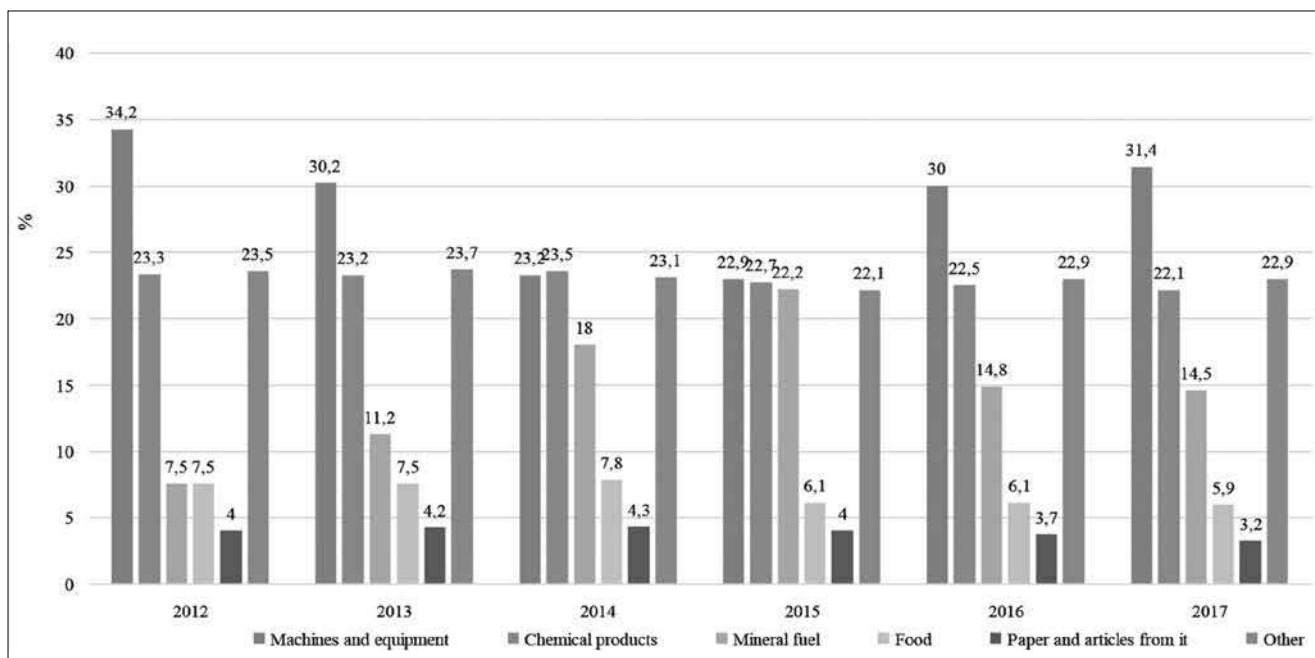


Figure 4. Dynamics of the structure of imports of commodities to Ukraine from the EU-28 in 2012-2017, %

Source: created on the basis of UNCTAD Statistics

A relevant and frequently discussed issue is that the DCFTA with the EU provides for the introduction of duty-free tariff quotas. This means that individual commodities are delivered in certain quantities at a zero rate. At the same time, the import of these commodities from Ukraine by EU countries over a certain amount of quotas falls under the general regime of import of commodities, ie is taxed under the same conditions that existed before the introduction of free trade.

The establishment of duty-free EU tariff quotas is provided for 36 types of commodities, moreover, additional volumes are established for 4 types. In 2016, Ukrainian producers actively used export opportunities to the EU

countries within 26 of 40 tariff quotas (Cooperation between Ukraine and EU countries).

For 18 products, an increase in the volume of tariff quotas is already provided for within 5 years from the date of application of the trade provisions of the Agreement (Association Agreement between Ukraine, on the one part, and the European Union, the European Atomic Energy Community and their Member States, on the other part (2015)). For example, the Association Agreement provides for a gradual increase in the tariff quota for grape and apple juices from 10,000 tons/year to 20,000 tons/year over 5 years. In 2017, the volume of the quota was 12,000 tons/year, in 2018 it was 14,000 tons/year, in 2019 it was 16,000 tons/year, in 2020 it was 18,000 tons/year, in 2021, and then annually it was 20,000 tons/year (Association Agreement between Ukraine, on the one part, and the European Union, the European Atomic Energy Community and their Member States, on the other part (2015)). In addition, as part of additional trade preferences that came into effect on October 1, 2017, the EU introduced additional zero tariff quotas on imports of Ukrainian agricultural products.

Along with this, the question arises of the effective use of the duty-free tariff quotas by Ukrainian exporters provided to them for the export of products to the EU. In 2015, they completely exhausted quotas for only 8 of 36 types of products (wheat, corn, fruit juices, processed tomatoes, barley grits, natural honey, poultry, and oats). Quotas for sugar (99.8%), barley (77.7%), and malt (72.9%) were close to being exhausted. However, for most groups of commodities, the quotas were filled by less than 30%, and for a number of quotas (beef, pork, lamb, milk and dairy products), exports did not start. The reason for this was the maintenance by the EU of high non-tariff barriers related to compliance with international standards of product quality and safety, which significantly offset the effect of tariff liberalization. The high competitive pressure of European business also played an important role.

However, even the complete exhaustion of individual tariff quotas does not create any particular grounds for optimism, if we analyze what proportion they constitute in relation to the total production of relevant products in Ukraine (Table 3).

Table 3. Comparison of the volumes of tariff quotas provided by the European Union and the volumes of Ukrainian production* of the corresponding products in 2015

UKTZED	Name of a group of commodities	Volume of tariff quota, t/year	Volume of domestic production in Ukraine, t/year
0203	Pork	20000	1017000
0207	Poultry meat	16000	1160000
0401; 040290; 040390	Milk and cream, condensed milk and yogurt	8000	10682000
040510; 040590	Butter	1500	101000
0409	Natural honey	5000	70000
071151; 200301	Mushrooms	500	
10019099; 1101	Wheat	950000	26500000
10030090	Barley	250000	
10040000	Oat	4000	487200
10059000	Corn	400000	23200000
1107; 1109	Malt and wheat gluten	7000	324700
1701	Sugar	20070	1146000

Source: created on the basis of Cooperation between Ukraine and EU countries: Statistical collection

Notes: due to the discrepancy between the UKTZED (Ukrainian Commodity Coding System) codes and the KVED (Classifier of economic activities) codes, the Table shows an approximate comparison of tariff quotas with production volumes.

Thus, the gross harvest of wheat in Ukraine in 2015 amounted to 26.5 million tons, while the duty-free tariff quota for the supply of these products to the EU was only 0.95 million tons, or 3.6% of the total production. 23.2 million tons of corn with a quota of 0.4 million tons were harvested in the same period, or 1.7% of the total production. 1.16 million tons of poultry meat with a quota of 0,016 million tons were produced, or 1.3% of the total production. Gross production of honey in Ukraine reaches 70 thousand tons with a quota of 5 thousand tons or 7.1%. In 2015, 487.2 thousand tons of oats were harvested in Ukraine with a quota of 4 thousand tons or 0.8%. Sugar production in Ukraine in 2015 amounted to 1.1 tons with a quota of 0.02 million tons or 1.8%. Thus, it seems much more appropriate to speak not about free trade with the EU but about providing partial (insignificant) access to European markets. At the same time, in the total Ukrainian export, export under tariff quotas amounted to a negligible share, less than 0.1%. It is clear that the export potential of Ukraine is several times higher than the established quotas.

The volume of quotas is so insignificant that as of February 16, 2016, Ukrainian enterprises have already completely exhausted quotas for deliveries of corn, honey, and wine and apple juice to the EU countries; the quota for barley has been exhausted by 90%. It is interesting to add that quotas for honey, grape and apple juices, processed tomatoes, sugar, barley groats and flour, poultry, wheat, corn, and barley are quickly used by Ukrainian exporters from year to year.

Thus, for the third year in a row, in the first days of January, Ukrainian commodity producers (more precisely, suppliers of agricultural raw materials) choose the tariff quotas established by the EU within the framework of the FTA. Despite the fact that in 2018 additional tariff quotas for grain crops are in effect for Ukraine, domestic suppliers 100% chose both the basis and additional annual quotas for wheat and corn only for the first 5 days of 2018. The total volume of quotas for wheat amounted to 1035 thousand tons, for corn - 1125 thousand tons). As of January 11, 2018, the main and additional volumes of the annual tariff quota for honey (in total, 8 thousand tons) have also been completely exhausted. Sources in the Ministry of Agrarian Policy report that in the first 10 days of 2018, the main and additional quota volumes for fruit juices (in total 14 thousand tons) have been exhausted by 100% (Ministry of Economic Development, Trade and Agriculture of Ukraine). The administration of tariff quotas is carried out according to two principles: "first come - first served" and through the system of import licenses.

In excess of the volumes of tariff quotas, the EU has retained its usual duty rates, which, in most commodity positions, are so large that they have a pronounced prohibitive character.

At the same time, by the provisions of the Association Agreement between Ukraine and the EU, consideration of the issue of accelerating and expanding the conditions of liberalization will be possible in 5 years from the date of application of the trade provisions of the Agreement. Thus, the Ukrainian side will be able to hold appropriate consultations with the EU side no earlier than 2021.

On the other hand, according to statistics, after the quota has been exhausted, exports continue and take place in the usual regime of trade with the EU, providing for the payment of the import duty, the amount of which is mainly of a protective nature. The EU import duty on honey from Ukraine in excess of the tariff quota is 17.3%, on corn - EUR 94/t, on wheat - EUR 95/t, and on fruit juices up to 40% +121 EUR/100 l + 20.6 EUR/100 kg net weight.

In 2016, with a duty-free tariff quota for soft wheat in the amount of 950 thousand tons, Ukrainian producers exported more than 1.23 tons of these products to the EU. Therefore, 282.9 thousand tons (22.9%) of the annual export of soft wheat was carried out outside the quota with the payment of the import duty of 95 euros/t. As well, outside the quota, 24.2 thousand tons (60.2%) of poultry meat, 23.2 thousand tons (69.8%) of processed tomatoes, 47.0 thousand tons (70.0%) of sugar, 37.4 thousand tons (78.9%) of fruit juices, 38.0 thousand tons (88.4%) of natural honey, and almost 6,3 million tons (94.0%) of corn were exported.

From the above, it is obvious that most of the duty-free tariff quotas that are provided by the EU are not restric-

tive in practice since the volume of domestic exports is significantly higher than the restrictions established by quotas. Modern public discussion of topical issues of free trade with the EU has to get rid of “quotocentrism” and focus on those factors that much more restrict the production and export potential of Ukraine in strategically important, high-tech sectors of the national economy.

Completing the analysis of the problem of tariff quotas in the foreign trade relations of Ukraine and the EU, two aspects should be emphasized. First, the European Union’s granting of duty-free tariff quotas to agricultural products to Ukraine, which are normally excluded from the free trade regime, is in fact unprecedented compared to other countries with which it has similar agreements. Second, Ukraine has also set tariff quotas for the EU, for its part, although only three: for pork - 10 thousand tons (the EU has given Ukraine a quota for pork of 20 thousand tons), sugar - 40 thousand tons (the EU has given Ukraine a quota for sugar in 20 thousand tons), and poultry - 10 thousand tons (the EU provided Ukraine with a quota for poultry meat in 16 thousand tons). They came into force only in January 2016. The import duty outside the quota in Ukraine is: for pork - 10%, poultry - 5-15%, sugar - 50%.

5. Discussion

Instead, the results of scientific research indicate that the EU remains one of the world’s centers of non-tariff protectionism. A special place in it is occupied by technical measures - technical barriers to trade (TBT) and sanitary and phyto-sanitary measures (SPO) (Tetiana, H., et al. (2018)). However, the above data on volume growth of quality certificates received by domestic producers for the supply of products to the EU indicates that these barriers are gradually being overcome by Ukrainian business.

Thus, the analysis of foreign trade relations between Ukraine and the EU refutes the myth that Ukrainian producers can compete in the EU market and only a limited number of Ukrainian export commodity items can find their buyer on this market.

Modern Ukrainian business is no longer characterized by a lack of information about the EU, fear of competition, and high standards. Now domestic small and medium-sized businesses already have an understanding that the EU is the largest sales market. At the same time, the main problem remains the lack of a marketing culture and a poor awareness of EU business and trade rules.

According to a survey by the Institute for Economic Research and Policy Consulting, the most important obstacles for Ukrainian exporters are ineffective and non-transparent VAT refund mechanism, as well as a significant level of bureaucracy. More than 40% of exporters named these factors as barriers to export. Among other common barriers, the respondents named a large number of export permits, the unpredictability of Ukraine’s trade policy, bureaucracy, lack of transparency in tax authorities, and a high level of tax burden (Bergstrand, J. H., Larch, M., & Yotov, Y. V. (2015)).

At the same time, it is worth noting the rather low adaptability of Ukrainian small and medium-sized businesses to the conditions of the EU market due to the lack of a comprehensive strategy for state regulation of the foreign trade sector in the context of European integration. After all, there is still a lack of regulation of export crediting, the introduction of a culture of doing business in foreign markets, the development of an “institution” of export, harmonized process of adaptation of Ukrainian legislation to European requirements, and so on.

It should be noted that Ukrainian companies find potential customers in the EU markets in different ways. So, if a large business has its own strategy of working in the EU markets, the direct opening of representative offices abroad, but a small business does not have the financial resources for this. For example, the domestic manufacturer of industrial and household water filters Ecosoft bought raw materials from Ireland, where they eventually became interested in the company’s products. Now Ecosoft sells commodities under a different name.

The enterprise Yarych, known in Ukraine for its biscuits, operates on the Polish market Under the name of an-

other brand. The StudioPack company, which was previously a distributor of Italian aluminum foil containers, eventually began to manufacture such products in Ukraine itself. For several years, entrepreneurs have decided to enter the EU: now, StudioPack products are sold in Poland and Germany. The Ukrainian juice producer GALS LTD and the ironing board manufacturer Eurogold operate in a very narrow market segment. The first one has occupied a niche in the market of elite products, the second one sells every tenth ironing board in the EU.

These companies are an example of medium and small enterprises with successful management, which have managed to develop a balanced strategy for entering the EU markets with appropriate certification procedures.

Therefore, in order to adapt to the conditions of the DCFTA with the EU, Ukrainian enterprises need not only to change their production system and modernize it so as to exclude the production of low-quality products. Of course, the Ukrainian consumer will only benefit from this. On the other hand, the assistance of state authorities to Ukrainian producers and exporters in entering foreign markets should become a priority for the work of official institutions and establishments.

At the present stage, taking into account not only the peculiarities of the institutional support of bilateral relations between Ukraine and the EU but also the level and quality of the implementation of the *acquis Communautaire*, it should be noted that the quantitative approach to determining the scope of adaptation does not give an idea of the directions and scope of work on the implementation of national legislation, and taking into account the provisions of the *acquis Communautaire* is required by all, without exception, the areas mentioned in this study.

Therefore, the main challenge for Ukrainian legislation in terms of compliance with the *acquis* is not the adoption of new laws but their effective implementation. Indeed, in many areas, the country has relatively new laws but they are not sufficiently applied in practice or are not observed at all. Meanwhile, in the EU internal market, compliance is the key. To move in this direction, Ukraine has to deal with many structural problems such as weak government institutions, extremely backward legal system, poorly developed regulatory bodies, and widespread corruption.

In our opinion, until these problems are resolved, Ukraine will not be able to make real progress towards compliance with the *acquis*. We believe that the intensification of the process of implementation of domestic legislation to the joint work of the EU is based on the conceptual framework of cooperation on justice, freedom, and security, as well as economic cooperation with the EU in the implementation of the Association Agreement.

Conclusions

A comparative analysis of the EU Association Agreement with Ukraine and a number of other countries and regions of the world showed that the agreement with Ukraine has become one of the largest EU integration projects in terms of trade liberalization and coverage of Ukraine's regulatory environment. However, the practical experience of implementing these agreements shows that the practical implementation of integration processes in the foreign trade sector with the EU depended not so much on the depth of the provisions of the agreements but on the ability of the countries concerned to fulfill their commitments. Therefore, Ukraine must strengthen its institutional capacity and improve the organizational and economic mechanism for the realization of national economic interests in the implementation of the agreement on a deep and comprehensive free trade area with the EU.

Intensification of foreign trade relations in connection with the entry into force of the agreement on a deep and comprehensive free trade area and the abolition of a number of barriers to bilateral trade has contributed to the fact that the EU, since 2016, has become the largest trade and economic partner of Ukraine among other regions of the world.

However, despite the fact that access to the European market has been obtained and used by a number of domestic producers, including high-tech commodities and services, the overall structure of exports from Ukraine to the EU continues to be raw materials - 52.8% of their value is agricultural raw materials, mineral resources, and primary processing products. The share of energy resources in imports of commodities has increased significantly. The level of geographical diversification of foreign trade relations with the EU remains extremely low.

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