

# “Ukraine-EU: economic integration strategy”

## AUTHORS

Vitalina Babenko  <https://orcid.org/0000-0002-4816-4579>

 <http://www.researcherid.com/rid/E-6521-2018>

Yana Biletska  <https://orcid.org/0000-0001-8060-6579>

Hanna Pelyak

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Hanna Pelyak, 2020

Vitalina Babenko, Doctor of  
Economic Sciences, Candidate  
of Technical Sciences, Professor  
of International E-commerce  
and Hotel&Restaurant Business  
Department, V.N. Karazin Kharkiv  
National University, Ukraine.

Yana Biletska, PhD, Associate  
Professor, of International  
E-commerce and Hotel&Restaurant  
Business Department, V.N. Karazin  
Kharkiv National University, Ukraine.

Hanna Pelyak, Student, Department  
of International Economic Relations,  
V. N. Karazin Kharkiv National  
University, Ukraine.



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Vitalina Babenko (Ukraine), Yana Biletska (Ukraine), Hanna Pelyak (Ukraine)

# UKRAINE-EU: ECONOMIC INTEGRATION STRATEGY

## Abstract

The practical aspects of Ukraine's economic integration into the EU are still relevant, but are presented with insufficient formalization. The article aims to define the prospects of the Ukrainian integration strategy in the contemporary global space, in particular its Eurointegration strategy. The state and the prospects of the Ukraine's economic integration into the EU were analyzed and the process of the Ukrainian foreign policy evolution in the European direction was studied. The possible potential membership of Ukraine in the EU was analyzed on the basis of characteristics of current state of the relationships between Ukraine and the member-states. The multi-vector integration course into the EU was stipulated with the aim to renovate the Ukrainian economy effectively; positive and negative aspects of Ukraine's entrance into the integration association were analyzed. The article offers the measures for practical implementation of Ukraine's integration intentions on the basis of the analysis of a variety of Ukrainian legislation documents in the field of foreign and domestic policy.

## Keywords

integration, region, Ukraine, macroeconomic indicators,  
SWOT analysis

## JEL Classification

F55, F63

## INTRODUCTION

The development of national social and economic systems is a multi-dimensional and multilevel process, which contains the destabilizing factors, which stipulates the periodic repetition of crisis phenomena in the economy. An effective way of protecting the national social and economic systems from the global instability is to create the regional integration systems, which regulate the state relationships at the international political and economic arena.

Ukraine as an emerging economy is objectively interested in developing mutually beneficial economic relations with its partner countries. The European Union is an association of the independent states, which have the most institutionally developed form of regional integration, that's why it is necessary to analyze the prospects of Ukraine's integration into the EU.

The EU-Ukraine Association Agreement outlined the choice of Ukraine to follow the European social and economic development model. It aimed, primarily, at decreasing trade barriers, making reforms and engaging Ukraine into the international production networks.

## 1. THEORETICAL BASIS

The issues of analyzing the processes of Ukraine's regional integration in the European vector are highlighted in the work of Hryshchuk (2012) who holds an opinion that Ukraine's Europeanization is where both Ukrainian and the EU interests coincide. To reform the system of state management

and ensure the functioning of own democracy in the Ukrainian daily regime, the European standards are extremely necessary. Besides, a range of internal and external problems prevent implementing the course to the EU. Among the external problems are focus of the EU on the domestic issues, connected with dramatic transformations, stipulated in the Treaty of Lisbon (changes in the structure of the EU bodies and the decision-making mechanisms), as well as Russia factor that actively tries to keep Ukraine in the sphere of its influence, particularly to involve in the economic and military and political associations under its auspices.

Levytska and Smahlo (2015) studied the problems and prospects of Ukraine's integration into the EU. In their studies, they noted that developing the relationships with the European Union in the long term should remain of the priorities of Ukrainian foreign economic policy. Main efforts should be directed toward Ukraine's integration into the pan-European economic space by way of expanding the access of Ukrainian good to the European markets, eliminating the economic barriers in the trade and deepening the production cooperation (Levytska & Smahlo, 2015).

Bahaterenko, Bakal, Vynokurova et al. (2013) think that for Ukraine, the European integration is the way of modernizing the economy, overcoming the technological immaturity, attracting the foreign investment and the innovative technologies, creating new workplaces, increasing the competitiveness of the domestic commodity producers and entering the world markets.

The place and prospects of Ukraine in the international integration space were studied by Babenko, Pasmor, Pankova, and Sidorov (2017). The indicators obtained from the analyzing the integration processes development state and formed by the authors enabled to evaluate the social and economic state of the countries from the viewpoint of international integration and create the integration processes development scenarios. Thus, the strategic directions of the integration processes development for Ukraine were formed (Babenko, Pasmor, Pankova, & Sidorov, 2017).

There is no commonly accepted definition of integration as such. The researchers and the teams

of authors interpret the regional integration differently. Molle (2001) interprets the integration as "gradual elimination of economic barriers between the independent states, as a result of which the households of these countries begin to function as a single whole. Economic integration is not a goal itself, but serves the highest goals, both of economic and political order."

These can include the welfare of the state and its citizens, human rights, democracy, etc. According to Molle (2001), the highest stage of integration is "full alliance", when there takes place full association of the countries-members' households, as a result of which they begin to function as a federation or a confederation.

Kharlamova and Liventsev (2002) understand the regional economic integration in general as a "process of gradual association of the households of a range of countries, as a result of which a new holistic economic organism – international economic complex – is formed."

The international economic integration at the regional level is a process of convergence of the countries based on social, economic, and political interests. At the same time, regional integration is an economic model, aimed at realizing the national interests of every member state of the integration association and simultaneously solving the global problems. The European Union is an association, which is the most institutionally developed form of integration in the modern world.

Creation of the EU was a complex and a long process that continues till now. Today 28 countries are the members of the European Union, and 5 are candidates to enter the EU. The association is characterized by the high level of economic and social development, high living standards of the population.

The EU countries gained rich experience in developing and implementing the balanced social, economic, and regional policy. Special attention is given to the development of regions and separate territories and cities in these countries because this direction gives one of the biggest possibilities for creating the synergetic effect at the account of reducing the unevenness of the regional (territori-

al) development and effective usage of the existing potential and, as a result, ensures the welfare of the citizens of the territories, decreasing the social and political tension in the society, creating new workplaces and increasing the competitiveness of national economy as a whole.

The integration of Ukraine into the modern world community provides for the development and implementation of effective regional policy given the complex and rational usage of all multipurpose resources and depends on the multiaspect evaluation of the existing social and economic potential of the country as a whole and its regions. Also it provides for defining the sources and the level of development, defining and evaluating the long-term variants of social and economic development of the country and the separate territories based on the rational distribution of productive forces taking into the specialization and individual peculiarities. In the conditions of implementing the power decentralization reform in Ukraine, the responsibility of local authorities for ensuring the effective management in many spheres of life becomes more and more increased. The sustainable and effective economic development of the territories is the guarantee of the high level of the population's standards of living in all its aspects. At the same time, it is necessary to fully understand the main problems of the communities and ways of solving them in the context of global tendencies of the territories' development (Yaroshenko & Semyhulina, 2017).

The dependence of political constituent and the prospects of social and economic development of foreign relationships become more and more increased, which requires the diversified and flexible system of the relationships between Ukraine and countries-partners at the international level.

Today's partnership between Ukraine and the EU should be considered from a formal and factual viewpoint.

From the formal viewpoint, the Ukraine-Europe bilateral integration begins after Ukraine obtained independence. In December 1991, the European community, after holding the pan-Ukrainian referendum on independence using the democratic principles, recognized Ukraine's sovereign-

ty (Official web-site of the President of Ukraine, 2019). It is after this event that the dialog between the European community and Ukraine began.

Ukraine became one of the first states among the countries that entered the USSR (Union of Soviet Socialist Republics), which signed a partnership agreement with the European Union. In this agreement, the cooperation mechanism between the two parties was legislatively defined.

The document became a basis for expanding the political dialog and economic cooperation between Ukraine and the European Union, and opened new opportunities for the gradual approaching of Ukraine to the membership in the EU. Further steps in a long process of strengthening the positions in the partnership between Ukraine and the EU lasted until 2010.

Freezing all the events and the activity in the direction to eurointegration took place in 2010. Since then, there was observed a dramatic change of the priorities in Ukrainian foreign policy, namely its gradual change in the direction of the East (Russia). One should note that there was no official refusal from choosing the European way of Ukraine's development, but all the processes were artificially retarded, which made Ukraine's political position unclear and blurred (Chekalenko, 2009).

During the XVth Ukraine-EU summit as of December 19, 2011 that took place in Kyiv, the leaders of Ukraine and the EU officially announced the termination of the negotiations on the Association Agreement and the Agreement was initialed on March 30, 2012 in Brussels. In November 2013, the next congress of the representatives of Ukraine and the EU took place in Lithuania, where Ukraine should have signed the Association Agreement with the EU, but it did not happen.

On March 21, 2014, in Brussels, the heads of the states and governments of 28 EU countries, with the participation of the Prime Minister of Ukraine, signed the political part of the Association Agreement between Ukraine and the EU, and on June 27, 2004, the economic part of the Association Agreement between Ukraine and the EU was signed (Legislation of Ukraine, 2019).

The fact of negotiations itself in these agreements on mutual actions proves that Ukraine and the EU seriously plan not only to transfer the partnership to a qualitatively new level but also significantly strengthen the Ukrainian economic system. They intend to achieve it by way of bringing the national social and economic standards closer to the EU standards, based on the mutual liberalization of movement of goods, capital and services, harmonization of methods and principles they are based upon, trade policy and rules, which regulate the production processes.

Thus, it is necessary to analyze the possibility of potential membership of Ukraine in the European Union based on the characteristics of the current state of the relationships between Ukraine and the EU member countries. In this regard, the following hypothesis was accepted: in the long term, Ukraine can become a full member of the EU and get more benefits from the entry than from further playing the role of connecting link between the West and the East.

To check the abovementioned hypothesis, the compliance of current political, economic, and legal situation in Ukraine with the criteria for entering the EU was analyzed. The development of strategic international partnership of Ukraine requires formulating the clear priorities of the state integration policy.

## 2. RESULTS

The analysis of modern world economic tendencies allows defining two main directions of the regional groups' formation:

1. Regional integration stems from intensive trade and economic relationships between certain countries, the dynamics of which is significantly ahead of the development of the interaction with other states. This tendency objectively favors the simultaneous expansion of the channels of political communication between the association subjects and prompts the integration initiatives in the political sphere.
2. The regional integration appears as a result of political conditions, which not always can

lean on the corresponding level of economic interaction and take into account the geographic and historical peculiarities. These two tendencies are deeply interconnected.

Until the end of the XX century, the world economy development generated a variety of general tendencies, which appeared from the objective need of the countries and peoples to coordinate their efforts in using the natural, raw materials, and human resources, exchange of goods, capital, etc. Among these tendencies, there were significantly defined the efforts for international integration, which actively marked themselves after the end of World War II and since then developed as a form of life internationalization, as an objective process of intertwining of the national economic and implementation of the agreed international economic policy.

In the second half of the XX century, numerous regional integration groups began to appear in different parts of the world. Herewith the associations were created not only in the regions with highly and mid-developed industrial economies, e.g., North-American Free Trade Association (NAFTA), Asia-Pacific Economic Cooperation (ATEC), Association of Southeast Asian Nations (ASEAN), Latin American Integration Association but also in the most backward regions of the world: Economic Community of West African States (ECOWAS), Southern African Development Coordination Conference (SADCC), Caribbean Single Market (CSM) and many others.

According to the Maastricht Agreement, any state, which is territorially located in Europe, recognized as independent, sovereign, and democratic, the social and economic system of which complies with the Copenhagen criteria can apply for membership in the EU (EUR-Lex, n.d.). Besides, the state should have the developed market infrastructure and the ability to compete at the single internal market of the regional association.

According to these criteria, let us consider what Ukraine has already done, and which requirements are yet to be met.

Fulfilled criteria. According to the political membership criteria, Ukraine has taken significant steps.



Also the actions were made according to the economic development criteria (Verkhovna Rada of Ukraine, 2019).

According to the political criteria of the Copenhagen Agreement, Ukraine should take measures concerning ensuring the real actions on establishing the democracy in the country and observing the human rights and freedoms, formalized in the Constitution of Ukraine; implementing the clear and coherent policy on combating the corruption; implementing the administrative and territorial reform, aimed at improving the administrative and territorial division of Ukraine and ensuring more independence of local authorities; finishing the reform of the Ukrainian judicial system.

According to the economic membership criteria, the macroeconomic situation in Ukraine should

comply with the established parameters of the budget deficit level, currency stability, and inflation level (Table 1).

As can be seen from the table, Ukraine has significantly lower level of economic development than the EU countries: on average, the nominal GDP per capita in the EU is about 36,546 USD, and this indicator is the lowest in Bulgaria – 9,272, while in Ukraine – 3,095 USD, which is twelve times less than the average value and three times less than in Bulgaria.

If talking about the current inflation level, in Ukraine, it has been decreasing during the last three years, but still remains at a quite high level, which exceeds the average inflation indicator in the EU countries by eight times. The inflation surge after the devaluation in 2014 was strength-

**Table 1.** Main macroeconomic indicators of the EU countries and Ukraine

Source: World Bank Group (2019).

| Country         | GDP (in current prices), USD million | GDP per capita, USD | Inflation, % |
|-----------------|--------------------------------------|---------------------|--------------|
| Austria         | 455,736,580                          | 51,512              | 1.6          |
| Belgium         | 531,766,935                          | 46,556              | 1.1          |
| Bulgaria        | 65,132,951                           | 9,272               | 3.6          |
| United Kingdom  | 2,825,207,947                        | 42,491              | 1.9          |
| Greece          | 218,031,844                          | 20,324              | 0.5          |
| Denmark         | 352,058,410                          | 60,726              | 0.6          |
| Estonia         | 30,284,890                           | 22,927              | 4.6          |
| Ireland         | 382,487,490                          | 78,806              | 0.8          |
| Spain           | 1,426,189,137                        | 30,523              | 1.0          |
| Italy           | 2,073,901,988                        | 34,318              | 0.8          |
| Cyprus          | 24,469,841                           | 28,159              | 1.6          |
| Latvia          | 34,849,078                           | 18,088              | 4.2          |
| Lithuania       | 53,251,369                           | 19,089              | 3.3          |
| Luxembourg      | 69,487,922                           | 114,340             | 3.8          |
| Malta           | 14,542,039                           | 30,074              | 2.2          |
| The Netherlands | 913,658,465                          | 53,024              | 2.2          |
| Germany         | 3,996,759,291                        | 48,195              | 1.9          |
| Poland          | 585,782,872                          | 15,424              | 1.1          |
| Portugal        | 237,978,938                          | 23,145              | 1.4          |
| Romania         | 239,552,516                          | 12,301              | 5.9          |
| Slovakia        | 106,472,189                          | 19,546              | 2.1          |
| Slovenia        | 54,235,484                           | 26,234              | 2.3          |
| Hungary         | 155,703,069                          | 15,938              | 4.5          |
| Finland         | 273,960,969                          | 49,648              | 2.0          |
| France          | 2,777,535,239                        | 41,463              | 0.8          |
| Croatia         | 60,805,659                           | 14,869              | 1.0          |
| Czech Republic  | 245,225,882                          | 23,078              | 2.5          |
| Sweden          | 551,031,682                          | 54,112              | 2.2          |
| Ukraine         | 130,832                              | 3,095               | 15.4         |
| EU              | 18,756,100,690                       | 36,546              | 1.9          |

ened by the fact that Ukrainian economy is too open (vulnerable) in the international economic system (ratio of foreign trade turnover (export plus import) and GDP – one of the highest in the world for the economies of such volume and level of development).

The deficit of the Ukrainian state budget for 2020 is 2% of GDP – this indicator is higher than in many EU countries. The subsidy financing was reduced in the budget for the next year, but there are no significant changes in the structure of expenditures. In particular, law enforcement bodies are financed excessively. Also, the higher education sphere is again refinanced because now there are 40% fewer citizens of student age than ten years ago. Herewith not enough money was directed towards health care and infrastructure – building and capital repairs of roads and pipelines.

If one pays attention to GDP growth rates of the EU countries and Ukraine, one can say that the Ukrainian economy develops quite slowly, but has a positive tendency. Although, as a percentage, the Ukrainian GDP growth rates are at the same level as the EU countries, it is clear that 1% of German GDP is many times higher than 1% of Ukrainian GDP.

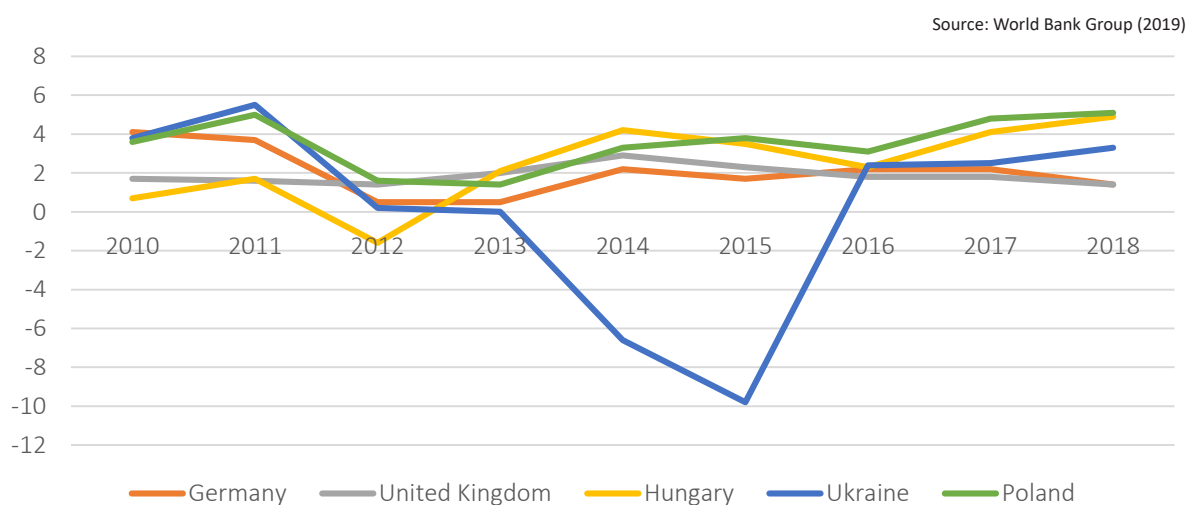
Today the state of Ukrainian social and economic development does not comply with the criteria of membership in the EU. Ukraine's entrance into the EU at the current stage can lead to increased internal economic instability and decreased level of competitiveness of both Ukrainian and the

EU social and economic systems. Also, in today's economic and political realities, it is difficult for Ukraine to adapt to European living standards and comply with them. The aspiration towards membership in the EU makes Ukraine facing many challenges. One of them is accelerating the constitutional reform, innovative changes in all the sectors of national economy and production restructuring.

In particular, the possibility of Ukraine's entrance into the European Union significantly depends on the level of political system democratization and dynamics of Ukrainian economy development, its ability to quickly adapt to the changes in the international markets. Besides, Ukraine should make efforts to strengthen the internal competitiveness of the national economy, focusing on achieving a high level of social development and achieving European standards.

Thus, according to the economic criteria, Ukraine should take measures, directed towards improving the business climate, including by implementing the corresponding changes in the legislation and improving the tax system; developing and implementing the new law of Ukraine on joint-stock companies, implementing the project on modernizing the accounting system; implementing the law on regional development policy; performing the comprehensive reform of Ukrainian banking sector.

As soon as Ukraine fulfills the mentioned criteria, it will have the possibility to take a step closer to the entrance into the EU.



**Figure 1.** GDP growth rates in Ukraine and the EU countries, 2010–2018

SWOT analysis was made in order to evaluate the advantages and disadvantages of Ukraine's entrance into the EU. The strengths and weaknesses, as well as opportunities and threats to Ukraine's entrance into the EU, allow evaluating the potential of possible future membership of Ukraine in the EU and understanding what one can expect in the future from this regional integration.

According to Fedoryshyna (2014), four factors, according to which SWOT analysis was made (strengths, weaknesses, opportunities, and threats), are as follows:

#### 1) strengths:

- political benefits:
  - guarantee of the territorial integrity and independence of Ukraine;
  - increase of the country's significance in the international arena;
- economic benefits:
  - stabilized macroeconomic situation;
  - additional investment inflow into the Ukrainian economy;
  - subsidies from the EU funds of separate sectors of the national economy;
  - removed customs barriers to goods movement;
  - anti-dumping policy;
- social benefits:
  - effective protection of human rights;
  - opened borders for free movement of population;
  - improved living standards of the population;

#### 2) weaknesses:

- political drawbacks:
  - partial loss of sovereignty;
  - worsened relationships with the post-Soviet space countries;
  - absence of unified vision of the EU development prospects and directions;

- economic drawbacks:
  - loss of competitiveness of some industries;
  - difficulties in moving to the European level of prices;
  - quotas for some goods;
- social drawbacks:
  - complicated visa regime with the Eastern neighboring countries;

#### 3) opportunities:

- political prospects:
  - formation of the democratic system of political power;
  - stabilization of the political situation in the country;
- economic prospects:
  - increase of the state's economic security;
  - increase of the national commodity producer's competitiveness based on implementing the EU standards;
  - development of small and medium-sized businesses;
  - development of high-technology sectors of the economy;
  - optimization of the national economic structure;
- social prospects:
  - decrease in unemployment level;
  - increase of the population income and formation of the middle class;
  - increase of the population social security and social welfare level;

#### 4) threats:

- political threats:
  - danger of further involvement of Ukraine into international conflicts;
  - destabilization of the internal political situation in the country;



- economic threats:
  - expansion of negative economic phenomena in the Ukrainian national social and economic system;
  - usage of the Ukrainian natural resources;
  - bankruptcy of the Ukrainian enterprises;
  - movement of the environmentally dangerous production facilities to the Ukrainian territory;
- social threats:
  - increase of migration flows;
  - strengthening of demographic crisis;
  - outflow of the highly skilled personnel;
  - nation aging.

Ensuring peace and stability within its boundaries is the European Union's interest. Thus, the EU requires from its potential members the presence of stable economy and democratic state system with predictable and friendly foreign policy. After entering into the EU, the Common European Policy of Security and Defense will directly relate to Ukraine as well and will become a guarantee of state sovereignty and territorial integrity of the country.

One of the main economic benefits is macroeconomic stability. When adapting the economic indicators of Ukraine to the EU standards, the creation of the developed market will put in place the tendency of sustainable social and economic development, improvement of the legislation, and development of the democratic society.

The additional investments in the Ukrainian economy are another advantage for Ukraine. The EU economic potential and dynamics of its development are the big market for selling domestic products and, at the same time, the source of meeting Ukraine's needs in different consumer and investment goods. Besides, the trade with the EU is an important source of income, inflow of the freely convertible currency into the national social and economic system, which will enable to decrease the level of performing the foreign trade operations according to the principle of barter, the extent of which today threaten the economic security of the country.

The relationships between the EU and Ukraine in the energy sector will be built on the principles, laid out in the European Charter, are the coordinated energy policy and will lead to the impossibility of Ukraine's discrimination. Ukraine can play a role of oil and gas supplier within the EU. Although the Russian and Turkish pipelines will ensure the serious competition to the Ukrainian pipeline, it is still impossible to keep its high level of competitiveness based on geographic position – it is the shortest way from the basin of the Caspian Sea to Europe.

Also it should be noted that in case of entrance into the EU, Ukraine can take an active part in regulating the issue of energy resources transit through its territory and establish its rules of the game at this market because this object will belong to already the EU member country. The EU will become the most important market for selling Ukrainian goods and, at the same time, the source for increasing the Ukrainian import.

The total reduction of average customs duties as a result of the EU expansion will have a positive implication for Ukrainian importers. Besides, the EU will maximally favor the integration of Ukrainian energy, transport, and telecommunication networks with the European infrastructure.

Among the social benefits, the protection of human rights in the EU institutions is effective. The human rights are of the main institutes of any modern state. These include the rights for personal freedom and political freedoms, as well as main civil and economic rights. The active policy in the field of human rights is one of the main tasks of the state, especially in the tradition of European-Atlantic constitutionalism.

As for the political prospects, the following factors should be noted. With the membership in the EU, for the first time in the history, there can appear a situation when Ukraine, as well as other European countries, which during the years were the objects of international relationships and the part of this or that empire, can become a full subject of international relationships, whose voice will have real value in the decision-making process. The additional advantage of Ukraine's membership in the European Union is ensuring the stability of the country's political system.

The disadvantage of Ukraine's functioning as the EU full member is a partial loss of sovereignty. Although the European Union gives a wide range of rights and freedoms for its member states (e.g., to cross the borders freely), many residents of these countries recognized it as a threat to their national integrity. This is confirmed by the referendum on the entrance into the EU on the part of different countries before the ratification of the Maastricht Agreement.

From the economic viewpoint, one of the main advantages of Ukraine's entrance into the EU for ordinary citizens is the compulsory formation and development of small and medium-sized businesses, which is a basis for the formation of the middle class of population and sustainable social and economic development of the state. At the stage of implementing the regulatory measures for eliminating the hidden unemployment, employment policy also gains special importance. The efforts of state authorities and, first of all, the government should focus on implementing the effective stimuli for creating new workplaces, ensuring the employment guarantee in the process of enterprises' privatization and restructuring, entrepreneurship support and self-employment of the population, expanding the public works practices and increasing the labor market flexibility.

Based on the asymmetric opening of markets in favor of Ukraine, the real functioning Ukraine-EU free trade zone should become the result of the transformations of the Ukrainian social and economic system. As for the internal changes that Ukraine should make to activate the eurointegration processes, this is a systemic transformation in the economic and social spheres, namely:

5) in the economic sphere:

- implementation of the high-technology development strategy, which should ensure the annual real GDP growth rates at the level of not less than 6-7%;
- mastering of the national social and economic system rebuilding innovative model (Chystilin, 2007);
- creation of optimal, from the viewpoint of national interests, the Ukrainian economy

structure in order to have a possibility to work steadily in case of regressive phenomena in the EU development;

- implementation and usage of high technology in the military industry, as well as special attention should be given to renewing the aerospace industry at the Ukrainian territory;
- 6) in the social sphere:
- ensuring the conditions for reducing the differences in the standards and population's standards of living in comparison with the living standards in the EU member countries;
  - formation of the middle class, which ensures the basis for political stability, democratization of society and constant GDP growth based on increased purchasing power of the population; creation of reliable system of national economic security.

Nowadays, the state policy is based on Ukrainian legislation, which clearly defines the European integration – economic and political – as the main priority of foreign and domestic policy of our country.

The short-term priorities in the relationships between Ukraine and the EU can be grouped as follows:

7. Practical implementation of Ukraine and the EU Association Agreement. The Association Agreement is an instrument of mutual work, which enables to practically implement the reforms and move away from unnecessary rhetoric on Ukraine's belonging to Europe. Besides, there are no serious conflicts between Ukraine and the EU, as both partners have a common vision and economic and political interests.
8. Usage of all trade and economic benefits from creating the free trade zone with the EU. The free trade zone (FTZ) provides for not only eliminating the tariffs on selling the goods and services, as well as liberalizing and harmonizing the Ukrainian normative and legal base according to European standards.

Besides, FTZ ensures implementing the zero rates, decreasing the non-tariff barriers in selling the goods by harmonizing or mutual recognition of the technical standards; observing the policy in the field of competition, corporate management, and market internal regulation principles, which exist in the EU, as well as some environmental protection standards; giving the necessary support, including technical support, investments in the infrastructure, education, and learning.

9. Cooperation in the energy field. Energy cooperation between Ukraine and the EU is performed within the framework of “Memorandum between Ukraine and the EU on Signing the Agreement on Cooperation in the energy sector” as of December 1, 2005 (Legislation of Ukraine, 2005).

The Memorandum covers the following areas:

- nuclear security;
- integration of electrical energy and gas markets;
- increasing the security of energy carriers supplies and hydrocarbons transit security;
- structural reform, improving the environmental security and protection standards in the mining industry;
- effectiveness of energy usage. As energy carriers importers, Ukraine and the EU are both interested in the reliable energy supply and diversification of its reception. Ukraine is one of the most important partners of the European Union.

10. Cooperation between Ukraine and the European Union within the framework of the EU initiative “Eastern Partnership”. Within the framework of “Eastern Partnership” cooperation, the following main cooperation directions are defined: integrated management of borders, support of small and medium-sized

businesses, development of regional markets in the energy field, energy efficiency and usage of renewable energy sources, environmental protection, as well as strengthening the cooperation in the context of preventing, preparing, and eliminating the consequences of disasters.

11. The integration of Ukraine into the European Union also covers the social and cultural, scientific, and educational aspects. According to this priority, the integration should also promote the reform in the field of education and information. This will enable to solve the problem of researches standardization and obtaining higher education. Based on this, the main issue is the compliance of Ukrainian higher education institutions with the European requirements.

Based on it, the structural reforms in the sphere of Ukrainian science will enable to increase the level of participation of scientific research institutes in the field of European researches.

Within the framework of the necessary measures for entering the EU, Ukraine should fulfill the obligations in the field of human rights protection, freedom of word and information, as well as combating the corruption. Thus, first of all, the European integration policy of Ukraine is an instrument for performing the internal reforms, aimed at modernizing the country, creating the democratic institutes and achieving the European standards of living. Integration into the European political, economic, and social space will create new opportunities for modernization and innovative development of the Ukrainian social and economic system.

The effectiveness of Ukrainian social and economic system development in the direction of regional integration into the EU depends on the effectiveness of further structural reforms in the state. The obstacle in this way is political instability, unsystematic and slow implementation of key economic and political reforms in Ukraine.

## CONCLUSION

The movement of the international cooperation to a qualitatively new level requires the radical changes of the whole Ukrainian social and economic system. At the modern stage of development, Ukraine is not able to fulfill the obligations of the EU member country in full either economically or institutionally.

According to the economic criteria, Ukraine should take concrete measures, directed towards improving the business climate, i.e. the changes in the legislation and the tax system; developing and implementing the new law of Ukraine on joint-stock companies; implementing the project on modernizing the national accounting system; implementing the law on regional development policy; performing the comprehensive reform of Ukrainian banking sector. As soon as Ukraine fulfills the mentioned criteria, it will have the possibility to take a step closer to the EU's entrance.

SWOT analysis which was performed by the authors allows assessing the advantages and disadvantages of Ukraine's integration into the EU. The strengths and weaknesses, as well as opportunities and threats of Ukraine's entrance into the EU were defined.

So, when making a decision to move into the direction of the European integration, Ukraine should take several measures, connected with adapting the national social and economic system to the European values and standards, as well as define its strategically important goals, which would correlate with the strategic sustainable development goals of the European Union.

Herewith it is necessary to consider the fact that in modern conditions, the development of the national social and economic system is impossible without taking into account the dynamics and tendencies in the international relationships, which are multi-vector and multilevel and refer to the sphere of policy, economy, finance, and social welfare.

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