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**UKRAINIAN INTERNATIONAL BUSINESS UNDER INFLUENCE OF
EU-UKRAINE ASSOCIATION AGREEMENT**

Association Agreements with the EU have always exerted a severe impact on the signatory countries, restructuring of their international business being one of the effects. International political tensions generated by the Agreement with Ukraine are known to be its special feature. Their implications have a much greater influence on

the economy than the Agreement itself. The EU-Ukraine Association Agreement is believed to have had a greater geopolitical impact than any other Association Agreement with the EU, its influence being comparable only to the collapse of the Eastern bloc and the disintegration of the Soviet Union in the early 1990s. The most important distinctive characteristic of the Agreement is rather broad geographic scope of its impact.

Naturally enough the Agreement will have the strongest influence upon Ukraine but it will also affect both EU countries and third countries. Restructuring of EU international business will be definitely influenced by the sanctions imposed against Russia as well as by the so-called Russia's anti-sanctions (the Russian food embargo). They can affect not only a trade turnover with Russia but also cause other changes with respect to substitution of commodity transactions with Russia. It is natural that among third countries the Agreement should mostly have effect upon Russia.

However, the Agreement can indirectly affect other countries. For example, Latin America countries may substitute European products in the market of Russia. As a result, not only Ukraine but also third countries exert both direct and indirect influence over EU countries including Germany. Seven months statistics have shown that indirect consequences of the Agreement have influenced German-Ukrainian international business more than those between Germany and Russia in relative terms. Another important feature of the Agreement is the power of its influence.

In Ukraine influence of the Agreement has appeared to be broader than one would assume even before its signing. The fact is that its signing has caused changes in the political and economic regime in the country. That means that in general the consequences will be more profound than the direct effect.

Thus, the effects of the Agreement should be divided into direct and indirect consequences, the latter being caused not by the Agreement itself but by the changes, which took place because of its signing. These effects are not likely to appear simultaneously. First, since before the Agreement was signed its indirect consequences had already appeared. The Agreement signing itself appeared to take too much time. Accordingly, the consequences are likely to be modified while it is being implemented. Various stages of the Agreement implementation are certain to be observed since free trade regimes are not introduced simultaneously. Actually even before the Agreement came into operation, certain changes have taken place with regard to international business of Ukraine and other countries being involved.

Naturally, they will become more profound from now on. The indirect consequences have already become apparent in the first half of the year. Thus, an important milestone with regard to Ukraine international trade appears to have been passed. In

2013 as well as during previous period of time major portion of foreign trade was being carried on with CIS countries (if compared to EU) but in the first half of 2014 sharp changes took place and major portion of Ukrainian export fell on EU countries by comparison with CIS countries. In 2013 Ukrainian exports to EU was 10% less than to CIS countries, but it exceeded by 8% in 2014 and 35% in 2015.

This has to do with both the political situation and the removal of trade barriers between EU and Ukraine since May 2014. However, Ukraine can use this removal of trade barriers, even by providing quotas, not always fruitfully. Thus, quotas provided to Ukraine for 2015 were used on the average by only 20% for half of the year, compared with 60% use of quotas received by Turkey.

Contrary, in 2016 almost quotas provided to Ukraine were used in the first few weeks or months. Somewhat different and unfortunately unfavorable trend has been observed in the sphere of foreign direct investments. They have been seriously reduced including those coming from the EU countries. The Agreement influence will not add up only to regional restructuring of international business or foreign direct investments.

The Agreement will have non-uniform influence on the development of industries, the possible effects having to be analyzed individually for each industry. Reorientation of the economy of Ukraine from Russia to the European Union is already fundamentally changing the structure of Ukrainian foreign trade and the international business in general. In addition, it cannot but have an effect on the sectoral structure of the foreign trade. If Russia used to buy engineering products from Ukraine, in Europe the only Ukrainian industries that could be successful on the European market would be food and light industries.

The analysis that has been carried out allows concluding that the Agreement is bounded to have the greatest impact on restructuring of the international business of a significant number of countries and mostly of Ukraine.