

# **Between two sides: economic and political relations of Ukraine with the EU and Russia**

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Today's European integration of Ukraine is unquestionable path for the country, development of which could have been noticed even right after the collapse of the Soviet Union. However, due to the long term of historic events, Ukraine had tight relations with countries in the East (which were onetime parts of the USSR). A certain disorientation and being between two sides could be noticed in early 2000 until the annexation of Crimea. Since then, the confidence to interact with EU countries was undoubtful and lies in agreements, one of which is The European Union – Ukraine Association.

Russian invasion of Ukraine confirms impossibility of relations between countries. Trade with Russia has been decreasing over the years since the views on future development had differed. Reorientation in trade's direction shows that the EU has become one of the main destinations. In 2019 share of Ukrainian export in the EU amounted 42.6% while in Russia it was only 7.7% [1]. Exports of Ukraine to the European Union has grown since 2016 by 87% and in 2021 amounted 24.1 billion euro. In 2021 we could observe such dynamics in Ukrainian trade: imports from both

sides – Russia and the EU – reached the national market more than goods were imported. It could be seen that trade with the EU amounted more than 20 million USD than trade with the Russian Federation (table 1).

*Table 1*

Ukraine’s Foreign Trade in Goods in 2021 (in mln USD)

Destination	Exports		Imports		Balance mln USD
	mln USD	% to 2020	mln USD	% to 2020	
Russian Federation	3414,3	126,2	6083,4	133,9	-2669,1
European Union	26794,6	149,4	28946,0	125,2	-2151,4

*Source:* developed by the authors based on (State Statistics Service of Ukraine, 2021) [2].

The will of Ukrainians demands sovereignty and independence of the country, which includes recognition of the nation, political and economic development on freedom basis. Independence of each state in EU was proved not only by certain agreements but observed during existence of the Union. Nowadays, a few statements about intention of Ukraine to become a full member of the European Union by 2024 have been voiced.

It is written in The European Union – Ukraine Association that a fundamental stone for Ukraine to integrate is considering to be economic progress and political stability [3]. Copenhagen criteria set following conditions for countries to join the European Union: stability of democratic institutions, ability to handle economic competition, criteria of membership and political criteria [4]. Therefore, few issues might arise. Even though Ukraine has ratified Constitution and implemented a bunch of laws dedicated to human rights, death penalty, etc., the corruption index of Ukraine is still quite high.

Considering economic conditionality, it should be admitted that Ukraine should reach some certain indexes of economic development. Let’s analyze some of these criteria.

The country entering the EU should have government debt no more than 60% of its GDP. Since 2014, it could be observed rise of government debt in Ukraine, however in 2021 it has reached 48.9% of GDP, which has been 12% less than the year earlier [5].

Inflation index should be no more than the average index in the EU. Decline of the index in Ukraine could be seen since 2015 and was amounted 5% in 2020, but in 2021 raised to 10% [6]. It could be explained by rise of costs of raw materials, which might have resulted in world's stagnation crisis [7].

It could be stated, that even though some requirements were fulfilled, current events definitely have certain consequences which might become a barrier on Ukraine's way to the full integration. Experts forecast stagnation shock which will influence not only the economics of two particular countries, but the whole world. Therefore, the indexes set by the EU Ukraine has to reach might be decreased and could be approachable in future.

The other issue could be a threat for Ukraine's national manufacturer. Some areas of national production can suffer loss due to impossibility to compete with flow of European goods. However, looking at experiences of other countries, that have been under pressure of the soviet regime too, we can see positive changes while being in the EU [8]. Baltic countries have experienced increase of foreign direct investment after joining the Union. It is claimed that rise of GDP per capita in those countries is amounting near 46% 2004 – 2013. The overall economic growth has increased as well. These results might have influence on Ukraine's view of its future.

It could be said that a lot should be done in the country before Ukraine's full integration, for instance, development and future implementation of laws dedicated to defense of national production, property rights, corruption and actions aimed at recovery of economics. Nevertheless, we could see changes already in Ukraine and the fact of having a vivid goal is a driven factor on its way.

Therefore it could be claimed that Ukraine's integration process is happening now and the ending goal might be assumed as joining the European Union. One of the main reasons to join the EU is economic development Ukraine has potential for.

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