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**Tsygankova T.**

*Doctor of Economics, Professor,  
Kyiv National Economic University Named After Vadym Hetman, Ukraine;  
e-mail: tmtsygankova@gmail.com; ORCID ID: 0000-0001-6177-2555*

**Obolenska T.**

*Doctor of Economics, Professor,  
Kyiv National Economic University Named After Vadym Hetman, Ukraine;  
e-mail: knauobt@ukr.net; ORCID ID: 0000-0002-8448-3622*

**Yatsenko O.**

*Doctor of Economics, Professor,  
Kyiv National Economic University Named After Vadym Hetman, Ukraine;  
e-mail: yacenkoolgakneu@gmail.com; ORCID ID: 0000-0003-4399-2217*

**Lyskova L.**

*Ph. D. in Economics, Associate Professor,  
Kyiv National Economic University Named After Vadym Hetman, Ukraine;  
e-mail: luskoval@ukr.net; ORCID ID: 0000-0001-6304-7445*

**Sovenko O.**

*Logistic company «LOGISTIC-PLUS», Ukraine;  
e-mail: lenasovenko07@gmail.com; ORCID ID: 0000-0003-0325-9897*

### **PRIORITY FORMATS OF TRADE INTEGRATION OF COUNTRIES**

**Abstract.** The study is devoted to the problem of trade integration of countries, in the context of globalization, the development of foreign trade is one of the main factors in the competitiveness of the national economy. Partnership with the EU is strategic for Ukraine. The aim of the study is to reveal the key characteristics and manifestations of the asymmetric development of trade integration of Ukraine and the EU and to identify priority areas of trade and economic cooperation. The object of the study is the process of trade integration of countries on the example of Ukraine with the EU. Methods, measures and tools of trade and economic cooperation between Ukraine and the EU in the context of integration are the subject of the study. The study is devoted to the characteristics of the partnership between Ukraine and the European Union in the context of the Deep and Comprehensive Free Trade Area (DCFTA), which came into force on September 1, 2017 and is part of the Association Agreement. The dynamics of indicators of Ukraine's economy development and foreign trade sphere is quantitatively estimated. An analysis of relations between Ukraine and the EU was conducted and it was concluded that the EU is a priority partner of Ukraine, as on average 42% of Ukraine's goods and services are exported to Europe in recent years. The existing asymmetries of trade and economic integration of Ukraine and the EU, which are manifested in technological disproportion, raw material exports from Ukraine and high-tech imports, a negative balance and the constant growth of the negative trade balance of Ukraine are pointed out. To assess the effectiveness of Ukraine's trade policy measures in terms of the DCFTA, a gravity model was built, which allowed to state that bilateral trade between the EU and Ukraine is more elastic than the dynamics of economic growth of EU GDP and less elastic than the dynamics of Ukraine's GDP. The study confirmed that the DCFTA between Ukraine and the EU has already significantly affected the growth of trade turnover between these countries. The main integration opportunities and threats of cooperation between Ukraine and the EU have been identified. The main tools of trade integration are highlighted and the priority goals of trade integration of countries are identified in our study of Ukraine and the EU.

**Keywords:** trade integration, trade policy, DCFTA, FTA, globalization, international trade.

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**Цыганкова Т. М.**

*доктор економічних наук, професор,  
Київський національний економічний університет імені Вадима Гетьмана, Україна;  
e-mail: tmtsygankova@gmail.com; ORCID ID: 0000-0001-6177-2555*

**Оболенська Т. Є.**

доктор економічних наук, професор,  
Київський національний економічний університет імені Вадима Гетьмана, Україна;  
e-mail: knauobt@ukr.net; ORCID ID: 0000-0002-8448-3622

**Яценко О. М.**

доктор економічних наук, професор,  
Київський національний економічний університет імені Вадима Гетьмана, Україна;  
e-mail: yascenkoolgakneu@gmail.com; ORCID ID: 0000-0003-4399-2217

**Лиськова Л. М.**

кандидат економічних наук, доцент,  
Київський національний економічний університет імені Вадима Гетьмана, Україна;  
e-mail: luskoval@ukr.net; ORCID ID: 0000-0001-6304-7445

**Совенко О. І.**

логістична компанія «ЛОГІСТИК-ПЛЮС», Україна;  
e-mail: lenasovenko07@gmail.com; ORCID ID: 0000-0003-0325-9897

### ПРІОРИТЕТНІ ФОРМАТИ ТОРГОВЕЛЬНОЇ ІНТЕГРАЦІЇ КРАЇН

**Анотація.** Дослідження присвячено проблемі торговельної інтеграції країн. В умовах глобалізації розвиток зовнішньоторговельної сфери є одним з головних чинників конкурентоспроможності національної економіки. Партнерство з ЄС для України є стратегічним. Мета дослідження — розкрити ключові характеристики і прояви асиметричного розвитку торговельної інтеграції України і ЄС та визначити пріоритетні напрями торговельно-економічного співробітництва країн. Об'єктом дослідження є процес торговельної інтеграції країн на прикладі України з ЄС. Предметом дослідження виступають методи, заходи та інструменти торговельно-економічного співробітництва України з ЄС у контексті інтеграції. Дослідження присвячено характеристиці партнерства України та Європейського Союзу в контексті поглибленої та всеосяжної зони вільної торгівлі (ПВЗВТ), яка набула чинності від 1 вересня 2017 року і є частиною Угоди про асоціацію. Кількісно оцінено динаміку показників розвитку економіки України та зовнішньоторговельної сфери. Проведено аналіз відносин України та ЄС і зроблено висновок про те, що ЄС є пріоритетним партнером України, адже в середньому за останні роки 42 % товарів і послуг Україна йде на експорт в Європу.

З'ясовано наявні асиметрії торговельно-економічної інтеграції України та ЄС, що проявляються в технологічній диспропорційності, сировинному експорті з України та високотехнологічному імпорті, негативному сальдо та в постійному зростанні негативного торговельного балансу України. Для оцінки ефективності заходів торговельної політики України в умовах ПВЗВТ побудовано гравітаційну модель, яка дала змогу стверджувати, що двосторонній товарообіг між ЄС та Україною є більш еластичним від динаміки економічного зростання ВВП ЄС і менш еластичним від динаміки ВВП України. Дослідження підтвердило, що Угода про ПВЗВТ між Україною та ЄС уже значно вплинула на зростання товарообігу між цими країнами. Ідентифіковано основні інтеграційні можливості та загрози співпраці України і ЄС. Виокремлено основні інструменти торговельної інтеграції та визначено пріоритетні цілі торговельної інтеграції країн, у нашому дослідженні — України та ЄС.

**Ключові слова:** торговельна інтеграція, торговельна політика, ПВЗВТ, ЗВТ, глобалізація, міжнародна торгівля.

Формул: 2; рис.: 1; табл.: 4; бібл.: 19.

**Introduction.** Given the intensification of integration processes, the development of the foreign trade sphere is one of the main factors in the competitiveness of the national economy. During the systemic transformation of the national economy there are changes in foreign trade. Their consequences have different effects on the state of economic security. Therefore, the analysis of existing trends, transformations and prospects in the field of foreign trade is an important aspect for making the right management decisions at the micro and macro levels and the implementation of well-grounded changes in economic trade and economic policy.

**Analysis of research and problem statement.** Various aspects of the problems of trade integration of countries are reflected in the works of such scholars as: L. Antoniuk, P. Bosh, Dzh. Bkhahvati, D. Irvin, T. Kalchenko, P. Kruhman, D. Lukianenko, Dzh. Pyhman, R. Pomfret, A. Poruchnyk, V. Sidenko, P. Smit, Ya. Stoliarchuk, E. Khelpman, M. Khart-Landsberh, A. Filipenko, O. Shvydanenko and others. The works of I. Burakovskiy, V. Heits, O. Holovachova, M. Emerson, T. Zinchuk, O. Ostashko, S. Kvasha, I. Klymenko, T. Melnyk, V. Movchan, N. Karasova, V. Chuzhykova and others have studied the issues of threats and opportunities of Ukraine-EU cooperation. Trade and economic cooperation between Ukraine and the EU have undergone a long period of formation, and a historical journey proves that the transition of the system to a qualitatively new stage of development is accompanied by transformations. The trade integration provides new opportunities for the development of national economies, but at the same time deepens the existing asymmetries, so constant monitoring and analysis are required.

**Unsolved aspect of the problem.** To assess the effectiveness of trade integration of Ukraine and the EU in terms of the DCFTA and build a gravitational model that will assess the factors influencing bilateral trade turnover between countries.

**The purpose of the article.** The purpose of the study is to reveal the key characteristics and manifestations of the asymmetric development of trade integration of Ukraine and the EU and to identify priority areas of trade and economic cooperation.

**Research results.** The current state of development of globalization of trade processes poses to Ukraine a number of tasks related to the active search for new sources of economic competitiveness and the creation of new economic unions and ties to accelerate the modernization of the national economy. At present, Ukraine's foreign trade and the choice of its directions directly depend on the socio-economic situation of the national economy as a whole, as well as on the government's foreign economic policy. According to data [1] there was created *Table 1*, which lists the main indicators that characterize the development of Ukraine's economy in 2014—2018. Their analysis allows to state a slow growth of Ukraine's economy.

Table 1

**Dynamics of indicators of economic development of Ukraine**

Key indicators	Years				
	2014	2015	2016	2017	2018
National accounts					
GDP, UAH billion	1 567	1 979	2 385	2 983	3 483
GDP, real,%	93,4	90,2	102,4	102,5	103,0
Consumption, real, %	93,8	84,8	102,0	107,1	103,5
Gross fixed capital formation, real, %	76	90,8	120,4	118,2	114,0
<b>Industry and agriculture</b>					
Industrial production, real, %	89,9	87	102,8	100,4	101,7
Agricultural production, real, %	102,2	95,2	106,3	97,3	108,0
<b>Foreign economic activity</b>					
Exports of goods and services, %	85,7	73,0	96,4	116,6	108,6
Imports of goods and services, %	72,9	70,7	103,7	123,6	114,3
Balance, million dollars	3 356,2	3 828,2	541,6	-2 501,1	-5 826,1
Direct investment, million dollars USA	299	3012	3268	2593	2 300

Source: [1].

The economy of Ukraine throughout the study period tended to grow in terms of real and nominal GDP. However, this growth occasionally turns into a decline. Compared to the countries of Europe, in particular Poland, the countries of Central Europe and the Baltics, the countries of the Eurozone and the EU in general, the growth of Ukraine is insignificant, there is a growing disadvantage. The slow pace of Ukraine's economic development is generally of internal character, as it concerns events in the East, rising inflation, rising NBU discount rates, low investment attractiveness of national enterprises, growing foreign debt, obsolete transport infrastructure, weak economic dynamics and so on.

The study is devoted to the characteristics of the partnership between Ukraine and the European Union in the context of the Deep and Comprehensive Free Trade Area (DCFTA), which came into force on September 1, 2017 and is part of the Association Agreement. In recent years, the

list of Ukraine's trade partners includes more than 200 countries. The European Union is increasingly proving itself as a strategic partner of Ukraine, as Ukraine exports 44% of goods and services to the EU. However, Russia is still in the lead, which for many decades remains one of Ukraine's main trading partners, even despite the sanctions and fighting in Donbass [1, 2].

Due to the lag effect of trade and economic integration of Ukraine and the EU, there is an asymmetry of trade, which is manifested in technological disproportion, raw material exports from Ukraine and high-tech imports, negative balance, limited access of Ukrainian business to the European market [3—7]. In the *Table 2* shows the dynamics of imports and exports, the trade balance of the EU and Ukraine in 1991—2018. Obviously, the asymmetry is manifested in the constant growth of the negative trade balance of Ukraine, which requires a study of the influence of the Ukraine's trade policy with the EU and the importance of free trade zone since 2016. Regarding trade in services with EU countries, in Ukraine in 2016—2018 there is a significant excess of exports of services over imports.

Table 2

### Dynamics of foreign trade of Ukraine and the EU

Country	Year							
	1991	2000	2005	2014	2015	2016	2017	2018
Exports of goods and services, billion dollars								
EU	1 952,2	3 004,8	5 078,6	8 042,9	7 212,0	7 269,6	7 934,5	8 689,7
Ukraine	20,2	19,5	41,9	64,9	47,9	46,0	53,9	59,1
Imports of goods and services, billion dollars								
EU	1 974,3	2 975,6	4 957,1	7 493,0	6 646,3	6 685,2	7 312,6	8 051,9
Ukraine	18,5	17,9	41,7	69,6	50,3	52,5	62,5	70,4
Trade balance, billion dollars								
EU	-22,1	29,2	121,6	549,9	565,7	584,4	621,9	637,8
Ukraine	1,7	1,6	0,3	-4,7	-2,4	-6,5	-8,6	-11,2

Source: [1].

The commodity structure of Ukraine's foreign trade with the EU is dominated by exports of cereals, ie raw materials, which accounts for 11% of exports in 2018, seeds and oilseeds (5.8%), ready for use food products are 4.5%, mineral products (13.4%), including ores, slag and ash, mineral fuels, oil and its products, wood and wood products (5.2%), base metals and articles from them (22%), including ferrous metals 18.4%, machinery, equipment and mechanisms; electrical equipment (14.2%), including electric machines (11.8%).

The structure of imports with EU countries is dominated by finished food products (6.2%), mineral products (14.1%), mineral fuels; oil and oil products (13.8%), products of chemical and type-bound industries (17.3%), pharmaceutical products (6.1%), polymeric materials, plastics and plastic products (7.3%), machinery, equipment and mechanisms; electrical equipment (22.1%). It should be noted the main aspects of the asymmetry of the Association Agreement, including: political, legal, economic, aspects of the movement of capital and labor, respectively. In general, the agreement with the EU is seen as a chance to significantly reduce the negative impact of the shadow sector in Ukraine's economy [17].

It is safe to say that a deep and comprehensive free trade zone 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 Ukraine's number one trading partner. This can be confirmed by analyzing the statistics. Against the background of complicated relations with Russia and the continuing downward trend in exports to Russia — in the first year of the Agreement, the share of the northeastern neighbor in total Ukrainian exports fell to 9.9%, the EU's share of total exports over the same period amounted to 37.1%, and for the first quarter of the second year of the Agreement, compared to the corresponding period of the first year, increased by another 24.5%. That is, the results of the DCFTA are obvious today. At the same time, there are skeptical groups of people [8; 19]. The main argument of the opponents of the DCFTA is the non-comformity of Ukrainian companies' products with EU standards and, as a result, the inability to compete and export goods to European markets, expecting European products to capture some segments of the Ukrainian market.

The DCFTA is called the most ambitious bilateral agreement the EU has ever concluded. First, the DCFTA allows for the freedom to conduct entrepreneurial activities. Of course, this requires first of all establishing a system of legislation in Ukraine in accordance with European legislation, because so far the shortlist of areas where entrepreneurial activities are allowed in the European Union comprises only financial, telecommunication and postal services [9]. But in line with how Ukraine will harmonize its regulatory framework with the European one, the list of areas that will be granted access to the EU market will expand. This should be a new challenge, a new impulse for regional companies, which have not been able to fully realize their potential due to difficult access to markets, differences in legal frameworks, bureaucracy, and so on. Second, the DCFTA allows for mutual access to public purchases. Legal harmonization will create suitable conditions for Ukrainian companies to participate in government contractual works, as well as allow them to provide services and conduct tenders at the EU level on terms identical to those which European companies have. There is a chance to optimize the system of government agencies and enterprises, improve their functions and reduce costs.

To assess the effectiveness of the use of the potential of economic cooperation between countries, the most common econometric model is the gravity model [5, 10]. This model was first proposed by J. Tinbergen in 1962 [11]. The author suggested that there is a relationship between trade turnover of countries and the size of their economies and showed this relationship in the form of an equation:

$$F_{i,g} = G \frac{M_i^\alpha M_j^\beta}{d_{ij}^\delta} \varepsilon_{ij}, \quad (1)$$

where  $F_{i,g}$  — trade between countries  $i$  and  $j$ ,

$M_i^\alpha M_j^\beta$  — gross domestic product of countries  $i$  and  $j$ ,

$d_{ij}^\delta$  — factor of trade costs, including logistics costs,

$\varepsilon_{ij}$  all other factors that affect turnover, but are not included in the equation,

$\alpha, \beta, \delta$  — constants (model parameters).

Theoretical substantiation of this model was carried out by economists D. Eaton and S. Kortum, D. Bergstrand, E. Helpman and P. Krugman, D. Anderson and E. van Winkup, etc., the gravity equation as a result became one of the most stable and the most reliable empirical patterns in the economy and remains relevant for a long time. The main idea of this model is based on Newton's law of universal gravitation, but in it the mass of the Earth was replaced by the GDP of partner countries. That is, trade between the two countries is directly proportional to the size of their economies and inversely proportional to the distance between them. The gravity model has become widespread, is frequently used in economics and has received many possible interpretations. In particular, in logarithmic form, the equation of gravity looks like this:

$$\ln \ln(F_{ij}) = \beta_0 + \beta_1 \ln(M_i) + \beta_2 \ln(M_j) + \beta_3 \ln(D_{ij}) + \varepsilon_{ij}, \quad (2)$$

A distinctive feature of this model is the possibility of adding qualitative variables, such as the affiliation of countries to a particular integration group, the signing of a free trade agreement between countries, etc.

In order to estimate the parameters of this model, the collected statistical data of Ukraine and the EU for the period 1996—2018 were used. The indicators of  $M_i$  and  $M_j$  were taken as the GDP of Ukraine and the GDP of the EU, respectively. To measure the distance between countries in the selected model different indicators are used depending on the objectives and the research base. This can be both a geographical distance and, for example, the actual cost of goods transportation. In this case, the world year-average oil prices were taken as an indicator of  $D_{ij}$ , because their fluctuations affect the cost of transportation, and therefore can be used to analyze trade turnover. To show how countries' trade is affected by the EU-Ukraine Free Trade Agreement, we use the DUMMY variable. DUMMY is 0 until 2015 and 1 since 2016. Such values of this variable are explained by the change in trade terms after the signing of the Free Trade Agreement. The data are grouped and given in table 3, which is on the next page.

Table 3

## Basic initial data for building a gravity model for goods

Years	TT mln. USD.	Ukraine's GDP, billion dollars	EU GDP, billion dollars	Oil price, USD / per barrel
1996	894,1	45	9 840	20,65
1997	1 099,4	50	9 288	19,09
1998	1 192,5	42	9 607	12,71
1999	1 089,9	32	9 591	17,8
2000	1 149,0	31	8 910	28,27
2001	1 181,4	38	9 013	24,42
2002	1 369,0	42	9 828	24,96
2003	1 698,9	50	11 960	28,85
2004	2 459,0	65	13 809	38,3
2005	3 067,9	86	14 443	54,43
2006	4 071,6	108	15 409	65,39
2007	5 587,9	143	17 811	72,69
2008	7 972,8	180	19 164	97,63
2009	6 073,6	117	17 127	61,86
2010	6 123,4	136	17 010	79,63
2011	6 905,0	163	18 374	110,93
2012	7 391,4	176	17 317	111,96
2013	8 407,7	183	18 053	108,85
2014	7 140,4	134	18 669	98,93
2015	5 678,0	91	16 446	52,37
2016	5 426,5	93	16 551	44,04
2017	5 985,2	112	17 350	54,39
2018	7 335,7	131	18 756	71,07

Source: [1; 2].

As a result of calculations, the equation of Tinbergen's gravity model is obtained, which describes the dynamics of Ukraine's foreign trade turnover with the EU for the period 1996—2018:

$$\ln \ln(F_{ij}) = -10.35 + 0.2251 \ln \ln(M_i) + 1.7186 \ln \ln(M_j) + 0.2674 \ln \ln(D_{ij}) + 0.1546 DUMMY_{ij}.$$

The results of the regression analysis confirmed the hypothesis that there is a direct relation between the foreign trade turnover of the partner countries and their gross domestic product and a direct correlation between the foreign trade turnover and transportation costs. Testing the model by *F*-test showed that the model is statistically significant (Table 4).

Table 4

## The main results of building a gravity model

<i>Regressive statistics</i>				
R is the coefficient of determination				0,976992091
Multiple R				0,971879222
Standard error				0,137104189
Number of observations				23
ANOVA				
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>
Regression	4	14,367	3,591	191,087
Leftovers	18	0,338	0,018	
In general	22	14,706		
	<i>Model parameters</i>	<i>Standard error</i>	<i>t Statistics</i>	<i>P-value</i>
Intercept	-10,350	3,2375	-3,1969	0,0049
	$\ln \ln(M_i)$	0,2251	1,0806	0,2941
	$\ln \ln(M_j)$	1,7186	4,0705	0,0007
	$\ln \ln(D_{ij})$	0,26739	1,8074	0,0874
	$DUMMY_{ij}$	0,1545	1,4813	0,1558

Source: calculated by the authors.

The economic interpretation of this model allows us to state that if the EU GDP increases by 1 US dollar, bilateral trade will increase by 1.7186 US dollars; if Ukraine’s GDP increases by \$ 1. US, foreign trade turnover will increase by 0.2251 US dollars; increase in oil prices by \$ 1 US dollar is expressed in an increase in turnover by 0.26739 US dollars; The implementation of the Free Trade Agreement, in turn, increases foreign trade turnover by \$ 0.1545US dollars for each dollar of foreign trade turnover. The determination coefficient is close to 1, so it approximates the data well and shows a significant level of explanation of the cause-effect relationships of the proposed model. For the visual demonstration, the total turnover (TT) of Ukraine and the EU in 1996—2018 was modeled (*Fig. 1*).



**Fig. 1. Actual and simulated values of foreign trade turnover of goods of Ukraine and the EU, million USD USA**

Source: calculated by the authors [2].

Thus, the EU economy is undergoing constant change, as is the economy of any country in the world, and the dynamics of the macroeconomic situation in the region is quite rapid. On the one hand, it is highly dependent on changes in the global economic situation, and on the other hand, the state of the EU economy shapes the situation in other markets around the world [12; 18]. Modeling the degree of impact of crisis phenomena in the economy of the EU or Ukraine on bilateral trade and economic relations, in turn, revealed the significance of each of them. In our case, it was found that the bilateral trade between the EU and Ukraine is more elastic than the dynamics of economic growth of the EU GDP and less elastic than the dynamics of Ukraine’s GDP. The study confirmed that the FTZ between Ukraine and the EU has already significantly affected the growth of trade between the countries.

The study identifies priority goals for trade integration, focusing on innovation and SMART specialization, creating a favorable business climate and sustainable development of industries with high economic potential, as well as those that generate new jobs. This, in turn, should also stimulate the reform of state-owned enterprises. Emphasis is placed on the development of the vocational and technical training sector in order to improve the skills of workers needed for small and medium business development, increase the competitiveness of the Ukrainian economy, trade intellectualization [13], modernization of services and industry, and regional and local development. Efforts are also aimed at developing a skilled workforce, exporting high-quality products and improving employment opportunities for young people. In addition, the taken measures are aimed at facilitating access to markets, diversifying access to finance outside the banking sector and supporting consumer protection [14].

The main tools for improving trade and economic cooperation, in particular by the EU, are also highlighted. These include lobbying by the European Union for first-priority reforms in Ukraine, encouraging cooperation between different groups through diplomacy, supporting the development of small and medium-sized enterprises (SMEs), and so on. One of the EU’s effective tools is also the Action Plan. The current Action Plan is a strategic planning tool for the period from January 1, 2018 to December 31, 2021. Its aim is to support reforms aimed at bringing Ukrainian legislation, institutions and practices in line with European standards in the field of human rights,

the rule of law and democracy, thus contributing to the country's efforts to fulfill its obligations as a member state of the Council of Europe.

In order to promote the implementation of the goals of trade and economic cooperation between Ukraine and the EU, priority aspects have been identified for their maximum implementation. In particular, Ukraine should support the existing EU4Business initiative and motivate businesses to join it; intensify its activities within the framework of the Eastern Partnership policy, strengthen cooperation in such sectors as energy, trade, digital economy, customs and security, actively develop spheres of investment, research and innovation, intellectual property, etc. [16]. It is the reorientation of the national economy to high-tech production and a radical reform of existing obstacles and shortcomings in the legislation that will give fresh impetus to the Ukrainian economy and open wide opportunities for European integration.

Ukraine is interested in mediating by the EU and its individual member states in resolving conflicts on Ukrainian territory, as well as in the general development of the EU's ability to participate constructively in strengthening regional security, preventing and resolving international and internal conflicts. Partnership with the European Union is also important for Ukraine with due regard to its democratic future. A strong Ukraine with stable state institutions and a stable democracy is in the long-term interests of the EU, and realizing this potential for cooperation is also considered a priority task of Ukrainian European policy.

**Conclusions.** Bilateral trade between the EU and Ukraine is more elastic than the dynamics of economic growth of the EU GDP and less elastic than the dynamics of Ukraine's GDP. The study confirmed that the DCFTA between Ukraine and the EU has already significantly affected the growth of trade turnover between the countries. Ukraine's foreign trade is characterized by an excessive share of primary commodities and a low level of intellectualization of trade relations, which marginalize its role in the development of the world economy. Currently, there is a gradual convergence of regional models of Ukraine and the EU. In particular, during 2016—2018 there was an increase in exports to the EU, as well as an increase in imports. During 2018, the basis of visible imports from EU countries comprised products of the machine-building, pharmaceutical, chemical and fuel industries. At the same time, exports of services to the EU in 2018 increased compared to the same period last year by 12% and imports — by 10, 8%, which indicates an increase in trade turnover between Ukraine and the EU and can not but signal a significant improving of the situation.

Agreements within the framework of the Free Trade Area with the EU create a number of advantages and threats, as the mechanism of realizing the potential of the free trade zone between Ukraine and the EU will promote deepening trade integration and access of national producers to one of the highest margin markets; formation of value-added chains within the framework of Ukraine-EU DCFTA; attracting investment for the creation and modernization of production facilities; horizontal, concentric and conglomerate diversification; improving energy efficiency and re-equipment; providing consumers with quality and affordable imports; entrance of national businesses into third country markets.

Using the gravity model of international trade helps to show how certain factors that affect it can increase international trade flows between countries and characterize the degree of potential trade flows between trading partner countries in terms of choosing a regional trade bloc. After analyzing this gravity model, we can draw certain conclusions. At this stage, it is most profitable for Ukraine to conduct trade operations with those EU countries that have common borders with it or are not located at a great distance, as well as have a linguistic affinity. Poland, Hungary, Slovakia, Lithuania and some others are among such countries. Namely Poland, Germany, Italy, Spain and the Netherlands are Ukraine's main trading partners. Deepening relations, expanding mutual access to markets, investment and trade development are mutually beneficial both for these countries and for Ukraine. Whereas the Balkan states and Ukraine have an unrealized potential for cooperation in the areas of security and economic cooperation. The countries of Central and Eastern Europe have common interests with Ukraine in a wide range of aspects, as well as European countries of the Black Sea region. Deepening cooperation with them in the long run can make a significant contribution to strengthening regional security.

It is reasonable to identify the following main priority vectors for the protection and realization of Ukraine's national economic interests in cooperation with the EU: full implementation of the provisions of the Association Agreement, as well as EU directives and requirements; guaranteeing and complying with conditions for improving the level of competitiveness of the national economy; rational conduct of Ukraine's export policy towards the EU, without of the existing specific needs and requirements of the European market; ambition for and, as a result of the formation of export-import balance, the availability of a positive foreign trade surplus; special attention to the development of international scientific, technical and industrial cooperation with the EU; acceleration and strengthening control over the work on legal harmonization of Ukrainian legislation with long-standing European and international standards in accordance with the Association Agreement; planned-out and effective use of credit funds and financial assistance provided by the EU, in particular to combat the existing problems of Ukraine's balance of payments, complete but gradual economic reforms, modernization of production, transition to energy-saving technologies, investment and development of knowledge-intensive and high-tech industries.

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