

2.1 DCFTA: a starting gear for structural changes in Ukraine's trade relations with the EU

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The vector of the European integration of Ukraine at the legislative level was determined by the Strategy of Ukraine's Integration into the European Union approved by the Decree of the President of Ukraine in 1998. In 2004 the National Program on Adaptation of Ukrainian Legislation to Legislation of the European Union was adopted, in 2009 – the EU–Ukraine Association Agenda. Article 11 of the Law of Ukraine “On the Foundations of Domestic and Foreign Policy” (2010) defined, among the main principles of foreign policy, “ensuring Ukraine's integration into the European political, economic and legal area with the aim of gaining membership in the European Union”.

Meanwhile, the legal and regulatory preparation of the European integration process of Ukraine left aside trade relations between Ukraine and the EU countries, which were traditionally marked by rather unstable dynamics (Fig. 5).

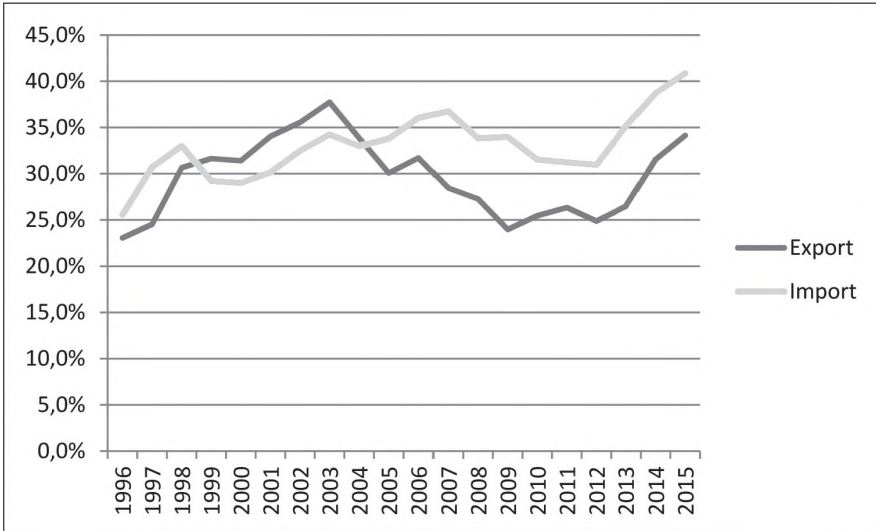
2.1.1 CHANGING DYNAMICS OF UKRAINE'S FOREIGN TRADE WITH THE EU

While at the stage of recovering from the transformation crisis and resuming economic growth (1996–2003), the share of commodity export from Ukraine to the EU has steadily grown, reaching 37.7 per cent¹⁵⁰, later the priority of this geographical direction became weak for a long period. And the specified indicator decreased to 24.9 per cent in 2012, which was even lower than the share of exports to Asian countries (25.7 per cent). This was primarily caused by the outstripping growth of exports to the CIS countries, whose share increased over the period 2004–2012 at 11 points and should be explained by the development of production cooperation in this sphere and the growing lag in the competitiveness of Ukrainian goods in the European market. Accordingly, in the structure of commodity export, the predominance of low-technology products was formed: the

¹⁵⁰ The calculations in this article are based on the data of the State Statistics Service of Ukraine.

share of metallurgical products in exports from Ukraine to the EU in 2004–2010 averaged 31.2 per cent, the share of mineral products was 20.1 per cent.

Figure 5. The share of Ukraine’s foreign trade with the EU in 1996–2015, in %



It is characteristic that the dynamics of imports was much more stable, and the share of imports of goods from the EU countries has been growing during the period preceding the economic crisis of 2008–2009 almost constantly, reaching 36.7 per cent in 2007. From our point of view, such dynamics is caused by the importance of the investment factor of economic growth in this period and the growth of demand for investment products. According to the estimates of the Ministry of Economic Development and Trade of Ukraine, for the period 2004–2010, machinery and equipment (including energy) accounted for 44.8 per cent of imports from the EU to Ukraine, another 15.4 per cent were vehicles. 16.6 per cent of imports belonged to the products of chemical industry and related industries.

The post-crisis recovery of 2010–2013 was no longer accompanied by marked increase in trade between Ukraine and the EU. Exports from Ukraine to the EU did not exceed the pre-crisis level, and from 2012 began to decline (Figure 6). However Asian and African directions intensified significantly. Imports from the EU have intensified; however, they also did not exceed the pre-crisis index, which is logically explained by stagnation processes in the investment sphere of Ukraine.

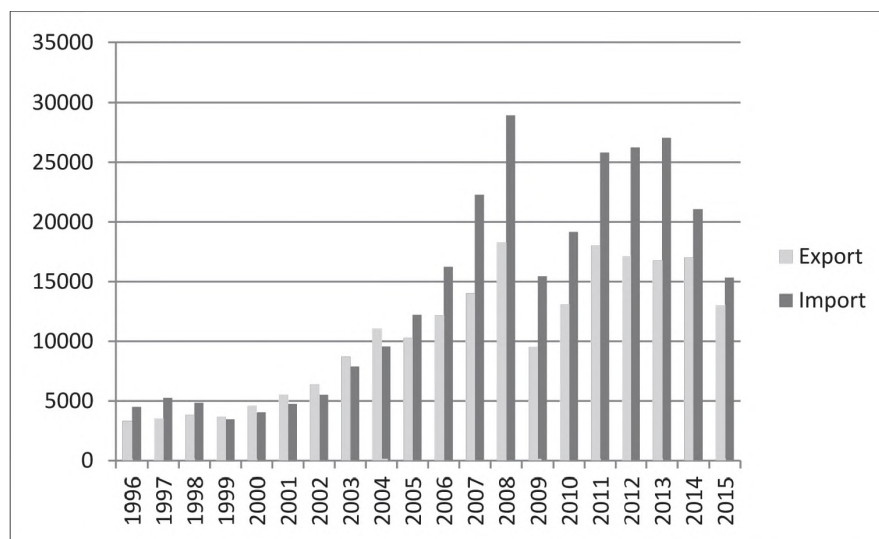
It is important that during this period Ukraine started practical implementation of the EU–Ukraine Association Agenda, which had to prepare Ukraine for signing the Association Agreement. Meanwhile, the conditions, put forward by

the European Union, applied to political aspects primarily (electoral legislation, reforms of judicial system, internal affairs bodies, fighting corruption, release of political prisoners, etc.), they had no practical effect on current economic processes. A certain positive impact on the development of the economy should be provided by simplifying conditions for starting a business and registering property, obtaining permits, protecting investors' rights that were implemented in accordance with the Agenda. However, their potential has not been disclosed in the face of growing depressive trends in both Ukrainian and European economies.

In the pre-crisis year 2013, mutual trade between Ukraine and the EU was characterized by the following:

- The share of commodity export to the EU was 26.5 per cent, and imports was 35.1 per cent;
- 10 major trading partners accounted for 77.4 per cent of exports and 78.3 per cent of imports;
- Metallurgical products (27.9 per cent), agrarian raw materials and products of fat and oil industry (22.6 per cent), mineral products (17.9 per cent) prevailed in the structure of exports. Production of machine–building and instrument–making industries amounted to 13.2 per cent of exports;
- In the structure of imports, production of machinery and equipment (33.2 per cent), chemical products and polymers (17.2 per cent), mineral products (11.9 per cent), agrarian and food products (11.9 per cent) prevailed.

Figure 6. Trade volumes of Ukraine and the EU in 1996–2015, USD million

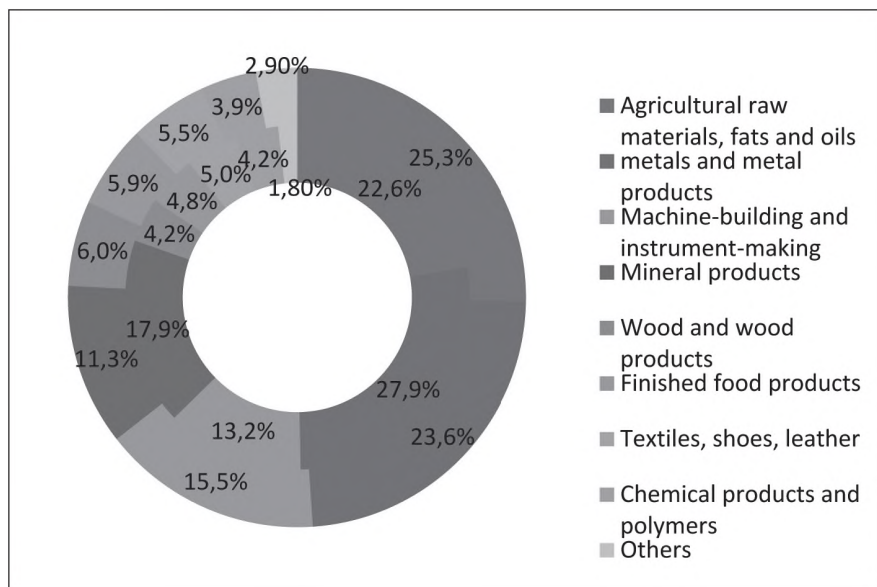


The general decrease in volumes of Ukraine's foreign trade in the crisis period 2014–2015 was marked by a decrease in exports by 39.8 per cent and imports by 51.3 per cent. The main factors of this reduction were the crisis phenomena caused by an internal political and economic crisis and a military aggression of the Russian Federation. They led to a rapid drop in the investment activity, loss of income and aggregate demand. Exports to the Russian Federation decreased by 1.5 times, which was caused by both further development of the trade war against Ukraine and the loss of control over the part of the territory of those regions that had traditionally high export orientation.

Losses in trade relations in the European direction were significantly smaller. During this period, exports from Ukraine to the EU decreased by 22.3 per cent, imports from the EU decreased by 43.3 per cent. This contributed to the fact that the EU's share in Ukraine's foreign trade turnover began to grow dynamically, reaching 34.1 per cent of exports and 40.9 per cent of imports. At the same time, there were tangible positive shifts in the structure of exports (Figure 7):

1. The geography of mutual trade has expanded. In conditions of a general significant reduction, exports to Portugal increased by 20 per cent, to Spain – by 5.7 per cent, to Romania – by 2.1 per cent. At the same time, the share of Central and Eastern European countries that experienced high economic growth rates during the period of stagnation in the EU declined from 44.7 per cent in 2013 to 41.3 per cent in 2015. However, there was no geographical diversification of exports in terms of value. The share of major partners increased to 78.5 per cent, and more than a half of commodities were exported to 5 countries: Italy, Poland, Germany, Spain and Hungary. A number of commodity groups have a significant geographical concentration: one quarter of the machine–building exports in the EU goes to Hungary and 22.3 per cent – to Germany, 33.6 per cent of the export of metallurgical products goes to Italy, 36.4 per cent of textiles – to Germany, 43.7 per cent of skins and leather – to Italy, 37.2 per cent – to Poland, 23.4 per cent of agricultural raw materials – to Spain, almost half of fats and oils – to Italy and Spain.

Figure 7. Changes in the structure of exports from Ukraine to the EU in 2013–2015, in %

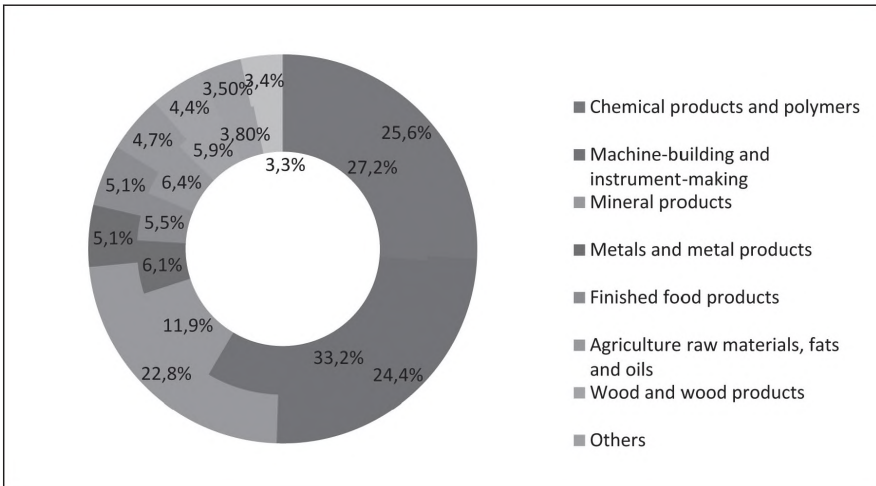


2. In the structure of commodity exports from Ukraine to the EU, the share of agrarian raw materials and products of the fat and oil industry increased insignificantly, reaching 25.3 per cent (Figure 3). At the same time, there was an increase in 28.1 per cent in the export of poultry meat (there is no access for beef, pork and lamb meat from Ukraine to the EU market), 40.4 per cent – in the export of flour and cereals. According to the Ministry of Economic Development, in 2015, the tariff quotas for duty-free importation of honey, barley and flour, processed tomatoes, oats, wheat, corn and flour from them, grape and apple juice from Ukraine to the EU was used in full. However the quota for the import of eggs was used at 5 per cent.
3. The share of integrated food products also slightly increased from 4.8 to 5.9 per cent of exports to the EU (primarily due to confectionery and finished grain products). However, according to the Ministry of Economic Development, in 2015 Ukraine used only 0.4 per cent of the export quota for food products. Taking into account that agrarian and food products prices declined by 15–20 per cent in the specified period, in general, in the natural dimension, the export of food and basic types of agrarian products increased significantly.
4. Exports of metals and metal products to the EU decreased by 32.8 per cent, and their share in the total exports to the EU – by 23.6 per cent, mineral products – by 11.3 per cent. It should be noted that these changes

occurred during the period of a synchronous decline in prices for these products: according to the State Statistics Service, the price for ferrous metals exported from Ukraine decreased by 25 per cent in 2015, and for products made from ferrous metals – by 15.6 per cent. Consequently, we are talking about a physical reduction in exports of metallurgical and mineral products, which is primarily connected to the loss of a number of production capacities on the territories of the Donets Basin that are not controlled by Ukraine.

- The share of machine–building and instrument–making products in exports increased to 15.5 per cent. Export of these products decreased in value only by 9.6 per cent, with a 10–12 per cent decrease in prices, which suggests preservation of the pre–crisis physical volume of engineering products exports. Moreover, 42.1 per cent of the total export of machine–building products from Ukraine was directed to the EU, including 72.5 per cent of electric cars. At the same time there was an increase in exports of transport engineering products: shipbuilding – 1.8 times, motor industry – 2 times, aircraft construction – 9.6 times. The export of optical instruments increased 1.3 times.

Figure 8. Changes in the structure of imports from the EU to Ukraine in 2013–2015, in %



- There was a slight increase (from 5.0 to 5.5 per cent) in the share of exports of textiles, footwear, hats, leather and skins, which are usually sold by small and medium–sized enterprises. At the same time, 80.2 per cent of textiles are exported to the EU countries, 93 per cent of these exports are

ready-made clothes. Now 90 per cent of the total export of ready-made clothes from Ukraine is directed to the EU.

Changes in the structure of *imports* in the period under review were more controversial and generally reflected trends in the change in aggregate demand under the impact of the economic crisis (Figure 8):

1. Imports to Ukraine from the EU declined more significantly than exports, which is caused by a deep fall in a domestic demand, reinforced by the threefold devaluation of hryvnia. At the same time, the level of geographical concentration increased: the top ten largest trading partners accounted for 80.0 per cent of total imports from the EU, including a quarter of imports from Germany. The three countries – Germany, Poland and Hungary – provided 51.6 per cent of all imports to Ukraine from the EU. Only imports from Hungary, which grew by 14.8 per cent, showed positive dynamics for the period under review, and the share of this country grew more than 2 times (also imports from Luxembourg and Malta grew, however this figure is not significant).
2. In the commodity structure of imports, the share of investment and production products decreased the most significantly. Thus, the import of machine-building and instrument-making decreased by 56.6 per cent, and the share was up to 24.4 per cent, the share of metallurgical products – up to 5.1 per cent, chemical products and polymers – up to 25.6 per cent. Such changes clearly correlate with a phenomena of the investment crisis and a reduction in the inflow of foreign investment. They indicate a natural narrowing of cooperative relations with European enterprises in the face of growing risks for economic activity.
3. A significant increase occurred only for imports of mineral products – as a reflection of Ukraine's reorientation from the Russian to the European hydrocarbon market: import of mineral fuels grew by 13.2 per cent, and their share was 22.3 per cent of total imports from the EU.
4. A decrease in imports of agricultural raw materials by 2.3 times and finished food products by 1.8 times is also indicative. Due to this, the share of imports of goods of groups 1–24 by CNoFTA decreased from 11.9 to 9.8 per cent. Such a reduction is a consequence of a narrowing in both domestic consumer demand, including for food products, and export of finished food products and, accordingly, production in the food industry.

So, the main engines for trade reducing between Ukraine and the EU in 2014–2015 were crisis phenomena in Ukraine, including the destruction of a part of the export potential caused by the military operations in the East of the country, the decline in prices on world markets and the stagnation of global economy. At the same time, the effect of these negative factors on the European vector has softened significantly, as evidenced by a much lower level of decline in trade

volumes and marked positive structural changes. From our point of view, positive trends were primarily due to institutional factors that were implemented in the process of practical realisation of Ukraine's European integration steps, namely:

- Strengthening motivation of Ukrainian companies to search for new markets for their products after the loss of Russian markets;
- Growing interest in Ukraine and prospects for cooperation with it among European businesses as a result of the adoption of the political part of the Association Agreement;
- Provision from mid–2014 of autonomous trade preferences in the form of the EU's abolition of duties on the majority of imports from Ukraine;
- Reforming the system of technical regulation, by a phased implementation of European technical regulations and the beginning of the creation of modern conformity assessment bodies;
- Activation of the Ukrainian government's policy on information and methodological support for the entry of businesses into European markets;
- Development of cross–border cooperation.

2.1.2 IMPACT OF DCFTA

Since January 2016, the Deep and Comprehensive Free Trade Area (FTA) between Ukraine and the EU came into force. It will continue to modify the terms of trade between Ukraine and the EU, in particular as a result of the phased removal of tariff barriers to European goods access into the Ukrainian market. According to the preliminary a priori estimates, business representatives expect positive results mostly from this process. So, following a survey conducted by the Ukrainian Institute of Economic Research and Policy Consulting in May 2016¹⁵¹, 30.8 per cent of industrial enterprises reported that they won in a result of the FTA introduction, 10.1 per cent of companies stated their losses, other companies noted the lack of the FTA influence on their activities. Changes in trade regimes have already allowed 32.2 per cent of companies to start or increase their exports in the EU market.

It should be noted that the impact of the reduction of customs and tariff protection of the European and Ukrainian markets is not of fundamental importance yet because of the considerable devaluation of hryvnia, which absorbed relatively small differences in customs tariffs. Perhaps a certain exception would be the export of agricultural products to the EU, where a tariff reduction of 19.8 per cent is significant. Thus, the average weighted import duty rates used in trade

¹⁵¹ “Чи виграв український бізнес від створення ПВЗВТ з ЄС?” Інститут економічних досліджень і політичних консультацій. Available online: <http://www.ier.com.ua/ua/publications/articles?pid=5358> (accessed on March 21, 2017).

between Ukraine and the EU are relatively low: the EU import duties on industrial products – 3.9 per cent; import duties in Ukraine for products from the EU countries – 9.2 per cent for agrarian and 3.7 per cent for industrial products. Since the entry into force of the agreement, the average EU rates have decreased to 0.6 per cent for agrarian and 0.5 per cent for industrial products (until then unilateral trade preferences for Ukraine *de facto* were used). Ukraine's rates decreased, respectively, to 6.8 per cent and 1.1 per cent with movement over 10 years – to 1.4 per cent and 0.0 per cent.

So, now the leading role in the development of trade relations between Ukraine and the EU will be played not by customs and tariff factors, but by institutional factors that will encourage or discourage cooperation. In particular, in the already mentioned survey among the obstacles that will not allow to take advantage of the FTA in full, the companies' managers pointed out the insolvency to quickly adapt products to the EU standards, the lack of partners in the EU countries, the lack of knowledge of the EU legislation and market.

Thus, the entry into force of the Association Agreement regarding formation of the Free Trade Area puts the task to maximize the positive potential for facilitating access of Ukrainian companies to the European markets, strengthening competitiveness of the national economy, as the access of European goods to the domestic market of Ukraine is gradually simplified, creating conditions for mutually beneficial economic cooperation.

As the experience of the countries of Central and Eastern Europe shows, in the process of free trade relations with the EU, the participation of national economies in the international division of labor is gradually changing. Therefore, the shifts in the structure of Ukrainian economy are inevitable. However, the decrease in the share of domestic producers on a number of certain commodity groups should be compensated by the growth of export-oriented industries in the directions that make up the current and prospective foreign trade specialization of Ukraine.

In turn, this change will require significant investment and occur if the situation is favourable and Ukraine provides for a consistent reforms policy, friendly for the investment climate and optimization of the national resources use to meet the competitive challenges and opportunities. Therefore, in the medium and long term, the most significant in the implementation of the Agreement provisions are institutional changes that should contribute to the modernization of the domestic economic and legal environment.

So, assessment of the effectiveness of the associated membership of Ukraine in the EU only by changing trade conditions means considerable loss of its potential. Implementation of the entire set of obligations, stipulated by the Agreement, is, in fact, the content of the reform of the national economy, which provides for the regulation of foreign trade in accordance with the WTO rules, competition policy, control over national assistance, competition in public procurement and etc.

To ensure the constructive perception of both parties of the Agreement, it is necessary, first of all, to use it not as a set of obligations that must be mechanically ensured or controlled. We must look for potential opportunities for mutually beneficial steps to strengthen in Ukraine the European economic and legal framework. Cooperation forms envisaged by the Agreement propose methodical and informational support of the implementation of economic policy instruments, monitoring, public control, trainings for employees of state administration and local self-government bodies, cooperation of experts in joint research.

2.1.3 OPTIMIZING A DCFTA POTENTIAL: PRIORITY AREAS FOR COOPERATION

Among promising areas of cooperation, which are essential for the development of economic cooperation between Ukraine and the EU, we consider it is important to focus on the following:

1. **Formation of mechanisms for the provision of national assistance** in accordance with the Agreement (Article 262) and the Law of Ukraine “On National Assistance to Commercial Organizations” adopted in 2014. The Antimonopoly Committee of Ukraine as the Authorized Body shall develop and adopt a methodology for assessing the admissibility of national assistance to commercial organisations for a competition, which will be taken into account when assessing the development of new regulatory and legal acts providing for the budgetary funding, tax incentives, state guarantees, other types of support. Meanwhile, the relevant executive authorities should develop new acceptable instruments of assistance, and in this they need a methodological support and a European experience.
2. **Completion of reforms in the field of technical regulation.** According to Article 55 of the Agreement, the parties strengthen their cooperation in the areas of technical regulation, standardization, market supervision, accreditation and compliance assessment in order to deepen mutual understanding of relevant systems and to facilitate access to relevant markets. It provides for the development of a qualitative infrastructure for standardization, metrology, accreditation, compliance assessment and market supervision in Ukraine. This direction is very important, as technical barriers to the entry of Ukrainian companies into the EU market often arise not because of real properties of the products, but because of the lack of a proper system for recognizing Ukrainian certificates of compliance, or the difficulty of obtaining European certificates. Therefore, the main purpose should be not to introduce technical regulations as such, but rather to create an infrastructure of testing laboratories and certification bodies for activities in accordance with European requirements.

3. **Support of Ukraine in improving and developing the tax system.** According to Article 351, the parties of the Agreement cooperate in the issues of improving and developing the tax system and tax authorities of Ukraine, in particular, strengthening collection and control capacities, with an emphasis on VAT refunding procedures in order to avoid accumulation of debts, ensuring efficient tax collection and strengthening fight against tax fraud and tax evasion, introduction of European principles of proper tax administration. Such assistance should include provision, adaptation and implementation of relevant software products, methods of indirect control of taxpayers, cooperation between Ukrainian and European specialists in developing measures of tax reform.
4. **Expansion of cooperation between Ukraine and the EU in the field of science and technology** will contribute to accelerating technological development, strengthening competitiveness of the national economy, and capitalizing scientific and technological sphere in Ukraine. According to Article 374 of the Agreement, the parties make efforts to develop research capacities and human potential, as well as respect for global responsibility and obligations in such areas as health care, environmental protection and etc. Article 376 provides for the joint implementation of scientific programs and research activities, training through the implementation of exchange programs for researchers and specialists, organization of joint activities for scientific and technological development, exchange of experience in the management of research institutions, as well as ensuring proper protection of intellectual property of research results. Implementation of this potential will require a completion of a system for the intellectual property protection in Ukraine, targeted actions to support the development of international scientific and technical cooperation, and stimulation of innovative entrepreneurship through the appropriate tax, financial and organizational tools that have been tested in the EU countries.
5. **Implementation of modern tools to promote the development of small and medium-sized enterprises (SME) with the support of the EU.** According to Article 379 of the Agreement, the parties cooperate to implement SME development strategies on the principles of the European Charter for Small Enterprises, with special attention to microenterprises, improving the regulatory and legal framework for SMEs, introducing innovative entrepreneurship, cluster development. Assistance is provided for expanding contacts between private enterprises of Ukraine and the EU. To implement these opportunities, synchronization of the Ukrainian policy of deregulation and support of SME development from the European one is extremely important. The provisions of the Agreement give grounds for proposing an increase in the share of financing SME development programs in the framework of technical assistance, providing methodological

support for creating institutional support for SMEs (funds, service, advisory institutions, etc.).

6. **Expansion of cooperation in the modernization of Ukraine's industry, and, first of all, its basic industries.** Such cooperation is provided, in particular, by Article 379 of the Agreement. Article 381 separately provides for cooperation in the mining and metals industries with emphasis on the information exchange on development prospects, restructuring measures and the achievement of sustainable development of these industries. Article 379 also separately provides for support from the EU to take measures to stimulate exports to Ukraine. On this basis, it is advisable to use the experience of creating of financial and information support systems for exports, first of all, gained by the new members of the EU. It is appropriate to harmonize Ukraine's industrial policy with the EU industry revival program envisaged by the European Parliament resolution "Renaissance of Industry for Sustainable Europe" (RISE)¹⁵². It should be taken into account that the incompleteness of the restructuring processes of the old industrial regions in the East of the EU may become the basis for joint development of technologies for modernization and restructuring of basic industries. The creation within the framework of the RISE implementation of the *Investment Plan for Europe* and the public investment network on the basis of the *National Promotional Banks*¹⁵³ extends the possibilities for Ukraine to be included into the relevant investment projects, at least as a recipient of updated technologies for basic industries.
7. **Adaptation of European experience in supporting agriculture and rural development in Ukraine.** Article 403 of the Agreement provides for a gradual approximation of policies and legislation of the EU and Ukraine in this area. Corresponding cooperation, according to Article 404, provides for the promotion of modern and sustainable agricultural production in Ukraine, improving the competitiveness of the agricultural sector and the efficiency and transparency of the markets, enhancing harmonization on issues addressed within the framework of international organisations. Relevant priorities could be integrated into technical assistance programs for Ukraine, including those that relate to the restoration and restructuring of territories in the conflict zone in the East of Ukraine, and can also be used to determine the investment attractiveness of the Ukrainian agrarian sector.

¹⁵² "Renaissance of Industry for a Sustainable Europe. Motion for a European Parliament resolution on reindustrialising Europe to promote competitiveness and sustainability." Available online: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2013-0464+0+DOC+XML+V0//EN> (accessed on March 21, 2017).

¹⁵³ "Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe," Communication from the Commission to the European Parliament, the Council. – COM (2015) 361. – Brussels, July 22, 2015.

8. **Development of cross-border cooperation, support for the implementation of a regional policy in Ukraine** with special emphasis on the development of disadvantaged territories (Article 446 of the Agreement) and the wide involvement of local and regional authorities in cross-border and regional cooperation by strengthening cross-border and regional economic ties and business partnerships (Article 447). Article 448 defines transport, energy, communication networks, culture, education, tourism and health-care as priorities for cooperation. Implementation of this potential will help to expand the powers of regional authorities and local self-government in the implementation of cross-border links, to develop cooperation within the Euroregions, to get an experience of restructuring the old industrial areas of Eastern Europe. Special attention should be paid to the program cooperation with the EU on the restoration and restructuring of the economy of the territory in the conflict zone in the East of Ukraine, which provides both assistance programs for restoring infrastructure and attracting private investments.
9. **The improvement of the mechanisms for using external financial assistance** through the relevant EU funding instruments. Section VI of the Agreement provides for the prevention of fraud with the funds received. This will require an introduction of institutional tools, receipt and use of such assistance on program principles, in cooperation and coordination with other donor countries, donor organizations and international financial institutions and in accordance with the international principles of effective assistance. In particular, this will be facilitated by: creation of a program of financial support to Ukraine (provisionally, the “Marshall Plan for Ukraine”) jointly with the main private and institutional donors, defining the institutional framework for managing the implementation of this plan through an appropriate body, which will include donor representatives, creation of a specialized financial Institution – regional development fund – for the implementation of financial assistance programs in the regional dimension and etc.

It is understood that the flexibility of the economic model that will be formed in Ukraine through the implementation of the Association Agreement grants European partners opportunity to go beyond the “trade-centered” limits to form the economic space in Ukraine, extend logically the competitive advantages of the EU on the basis of cross-cutting projects and cooperative chains that contribute to the introduction of modern Industry 4.0 technologies in a wide range of industries, including traditional ones. This will change the structure of domestic demand in Ukraine, build new capacious markets for advanced products and services, improve resource use in the economy of Ukraine and orient them to the variable structure of demand, which finally gives a synergetic effect for further development of economic relationships across the whole Europe which now

needs reconsolidation sources. So, a full-scale implementation of the AA is potentially beneficial for united Europe no less than for Ukraine.

Until now, the lack of understanding of the importance of developing such an ideology of formation of common interests holds back the development of mutual relations, causes the so-called "fatigue from Ukraine", and also discourages Ukrainian authorities from undertaking the necessary European integration reforms.

Therefore, it is necessary to focus on the development of institutional mechanisms for expanding and deepening cooperation between Ukraine and the EU regarding the implementation of the potential laid down by the Association Agreement. Among possible steps that contribute to this development, it is worth emphasizing the following:

- Formation and approval of a new Strategy for European Integration of Ukraine, adopted in 1998, which should position Ukraine's participation in solving common European problems, determine the directions and mechanisms for realizing positive potential of the Association Agreement, creating governance mechanisms for the development of associated membership in the direction of deepening integration;
- Development of mechanisms for deliberative participation of Ukraine at the stages of decisions preparation in groups and committees of the European Commission, especially those that change conditions for the functioning of the EU space, and consequently – must be adopted by Ukraine (the model of such participation of the European Economic Area countries, in particular – the experience of Norway, can be used as an example);
- Clarification of the powers of the Vice-Prime Minister of Ukraine for European and Euro-Atlantic integration and the government office for European integration – with the expansion of functional tasks from the implementation of the Association Agreement prior to organizing participation of the government and relevant ministries in monitoring, developing and evaluating the decisions of the EU bodies in relevant spheres;
- Creation of an expanded expert group and, if necessary, consultative groups with stakeholders in assessing the current implementation of the Association Agreement and of relevant problems, further expanding cooperation between Ukraine and the EU;
- Development of mechanisms for technical assistance to public authorities on modern management tools, establishing an adequate institutional support of public policy;
- Formation of joint institutions for the distribution and control of the use of international (particularly European) aid to Ukraine, credit programs of European organizations, sovereign and, for individual arrangements, other creditors;
- Development of cooperation with the diplomatic departments of the EU

countries on the systemic support of economic diplomacy of Ukrainian exporters in the European commodity markets: the agreements signing on simplification of customs procedures, participation of business representatives in negotiations on economic and trade issues, protection of national economic interests in relevant international organizations, etc.;

- Creation of facilitation mechanisms for the entry of small and medium companies to the markets of the EU countries with the preparation of the necessary documents on the «single window» principle; creation of organizational mechanisms for providing transparent publicly available information and legal support from the Ministry of Economic Development and the Ministry of Foreign Affairs to promote products of these companies to foreign markets;
- Deepening of the cross-border cooperation, primarily on the basis of Euroregions, increased involvement and powers of local communities in this process, wide involvement of small and medium-sized businesses to cross-border cooperation;
- Assistance in contacts broadening between business associations and directly between private enterprises of Ukraine and the EU, for direct exchange of business proposals, getting the experience in European markets and under the conditions of European regulations – this may attract technical assistance programs to Ukraine by European donors.

The high level of geopolitical tension around Ukraine's strategic choice makes the passive European waiting tactics too risky for system changes in Ukraine. Therefore, the participation of European partners in Ukraine's institutional modernization and promotion of economic communications with the EU countries is a necessary condition for consistent and dynamic European integration process of Ukraine.