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A.O. ZADOIA,
*Doctor of Science (Economics), Full Professor,
Professor of the Global Economics Department,
Alfred Nobel University, Dnipro (Ukraine)
<https://orcid.org/0000-0003-4620-6920>*

ECONOMIC CONSEQUENCES OF UKRAINE'S ACCESS TO THE EUROPEAN UNION¹

The article is devoted to the study of the possible economic consequences of Ukraine's accession to the European Union for this organization. Most researchers pay attention first of all to the possible results of Ukraine's accession to the EU for itself. However, in order to understand the motives of certain opposition of Ukraine's movement to this organization on the part of some of its members, it is important to assess the results of such accession for the EU and its members. Studies have shown that Ukraine is capable of strengthening the economic and security positions of the European Union. This can be realized through the creation of a defense hub in Ukraine, which will not only produce military products for supply to EU countries, but also provide its own army to protect the borders of the European Union. The undersaturated domestic market of Ukraine can become a driver for the European economy on its way out of the long depression. Cheap, but high-quality and motivated labor force in Ukraine, as well as its proximity to the European market, creates favorable conditions for the relocation of European investments from the countries of Southeast Asia. Ukraine's natural resources will be able to reduce the dependence of EU countries on external suppliers and create favorable conditions for the development of «green» energy. At the same time, with the accession of Ukraine to the EU and NATO, the length of the border with such a dangerous neighbor as Russia is significantly increasing, which will require additional costs to strengthen it. In order to turn the potential gains from Ukraine's accession to the EU into reality, significant expenditures on providing assistance to our country are necessary. Since Ukraine has significantly worse economic indicators than other EU countries, with its accession the average indicators for the EU will also deteriorate, which will negatively affect the global image of the organization. We should also not forget about the growing level of competition on European markets in those areas where Ukraine already has significant potential (agriculture, logistics, etc.). Understanding both the potential gains and threats is important for the proper construction of the EU membership strategy. Joint efforts are needed to create favorable conditions for realizing gains and minimizing potential threats.

Keywords: *European Union, Ukraine, economic security, internal market, investments, level of economic development*

JEL classification: *F02, F52, F62, F63*

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Стаття присвячена дослідженню можливих економічних наслідків від вступу України до Європейського Союзу для цієї організації. Більшість дослідників звертають перш за все увагу на можливі результати вступу України до ЄС для неї самої. Однак для розуміння мотивів певного спротиву руху України до цієї організації з боку окремих її членів є важливою оцінка результатів такого вступу для ЄС та її членів. Дослідження показали, що Україна здатна посилити економічні та безпекові позиції Європейського Союзу. Це може реалізуватися через створення в Україні оборонного хабу, який буде не тільки виробляти воєнну продукцію для постачання в країни ЄС, але й забезпечувати власну армію для охорони кордонів Європейського Союзу. Ненасичений внутрішній ринок України може стати драйвером для європейської економіки на шляху її виходу з тривалої депресії. Дешева, але якісна та мотивована робоча сила в Україні, а також її близькість до європейського ринку створює сприятливі умови для релокації європейських інвестицій з країн Південно-Східної Азії. Природні ресурси, якими володіє Україна, зможуть зменшити залежність країн ЄС від зовнішніх постачальників та створюють сприятливі умови для розвитку «зеленої» енергетики. Разом з тим, зі вступом України до ЄС та НАТО значно зростає довжина кордону з таким небезпечним сусідом як росія, що буде потребувати додаткових витрат для його укріплення. Для перетворення потенційних вигадів від вступу України до ЄС на реальність необхідні значні витрати на надання допомоги нашій країні. Оскільки Україна має значно гірші економічні показники ніж інші країни ЄС, то з її вступом погіршаться також середні показники по ЄС, що негативно вплине на світовий імідж організації. Не слід також забувати про зростання рівня конкуренції на європейських ринках у тих сферах, де Україна має уже зараз значний потенціал (сільське господарство, логістика тощо). Розуміння як потенційних вигадів, так і загроз є важливим для правильної побудови стратегії руху до членства у ЄС. Потрібні спільні зусилля для формування сприятливих умов реалізації вигадів та мінімізації потенційних загроз.

Ключові слова: *Європейський Союз, Україна, економічна безпека, внутрішній ринок, інвестиції, рівень економічного розвитку*

JEL classification: *F02, F52, F62, F63*

Statement of the problem and its connection with important scientific or practical problems. Russia's aggression significantly accelerated the process of Euro-Atlantic integration of Ukraine. Already on the fifth day of the full-scale invasion, Ukraine applied to join the European Union. And on June 23, 2022, the European Council granted Ukraine the status of a candidate for EU accession. In September of the same year, Ukraine also submitted an application to join NATO and expects to go through this path under an accelerated procedure.

Ukraine's European choice is recorded in its Constitution. And for the last almost 10 years, it has been trying to advance on this path. A lot has already been done. In November 2023, the European Commission published an annual report on the enlargement of the European Union [1]. This report covers 10 countries. These are the three countries of the Eastern Partnership, which became candidates for EU membership only in 2022-2023 (Ukraine, Moldova, Georgia). Another 4 countries from the Western Balkans are already in the negotiation process (Albania, North Macedonia, Serbia and Montenegro). And three countries that may one day become candidates (Bosnia and Herzegovina and Kosovo) or with which the negotiation process has stopped (Turkey). The following grades were used in the report: 1 – initial level; 2 – some compliance with EU law; 3 – moderately responsive; 4 – good correspondence; 5 - advanced level.

If we calculate the average indicator for all 33 positions, then Ukraine has the best result among new candidates - 2.3. However, it is significantly lower than the similar indicator of those with whom negotiations are already underway. Our country shows good results (good compliance) in the indicators of «customs union», «energy», «external relations» and «international and security policy». At the same time, according to some parameters, Ukraine is generally at the initial level: financial control, free movement of labor, social policy and employment, agrarian industry and rural development, financial and budgetary provisions. Therefore, we should be prepared for a complex and lengthy promotion procedure, which will include the performance of certain «homework» in combination with negotiations.

In addition to checking the compliance of national legislation with European standards, the European Commission also evaluates other parameters, in particular, the judiciary and compliance with certain rights. Here, the assessment of Ukraine is at the level of «some compliance with EU law.» The worst situation is with the readiness of Ukraine's economy to join the EU. According to the indicator «ability to compete on EU markets», our economy received 1 [2]. However, despite such a low rating, there are many facts that confirm the high competitiveness of Ukrainian goods and services on European markets. This can be confirmed by the protests of farmers and carriers of neighboring countries against the opening of markets for Ukrainian business, which took place in 2023. In general, increasing the level of competitiveness of our economy will be one of the most difficult tasks on the way to the EU.

At the same time, despite significant progress, progress towards the EU is not going as fast as we would like. And this is connected not only with the lagging of our economy or legislation from European standards. Today, both Ukraine and EU member states realize that joining this organization carries not only benefits, but also threats.

Analysis of recent studies and publications, which laid the foundation for solving the problem under study, and highlighting previously unresolved parts of the general problem, which are the subject of the article. In current research, scientists are paying more attention to the potential consequences of joining the EU specifically for Ukraine. This topic has been discussed for a long time, but it became especially active after Ukraine received the candidate status. The article by Kvasha O.S. and Sinyakova A.V. published in 2019 summarizes the results of a nationwide survey that took place in 2018 regarding the assessment by residents of Ukraine of the prospects and advantages of our country's accession to the EU. Despite a number of caveats, the author comes to the conclusion that from a political, economic and social point of view, there is no alternative to Ukraine joining the EU. In particular, from the point of view of the economy, they highlight such advantages as: macroeconomic stability; technological modernization; ensuring free access to the latest technologies, capital, information; provision of subsidies to agriculture; attracting foreign investments and the latest technologies to the Ukrainian economy; creation of new jobs; joint customs tariffs; anti-dumping policy; protectionism and export control [3, p. 116].

The authors of another work focus their attention on the assessment of Ukraine's potential gains from joining the EU by studying the experience and achievements of other countries, in particular, Poland and Greece [4].

Already after Ukraine received candidate status, the Oleksandr Razumkov Ukrainian Center for Economic and Political Studies conducted an in-depth study of the realities and prospects of Ukraine's accession to the EU. The main focus of it is, in particular, on the new opportunities given to Ukraine by the candidate status. Thus, four main new opportunities are highlighted, namely: "(1) trade preferences and expanding access to the EU internal market; (2) loans and grants through special instruments for carrying out reforms; (3) access to other separate EU funds and programs; (4) growth of investment attractiveness" [5, c. 44]. However, even in such a voluminous document there was no place to clarify the consequences of Ukraine's accession to the EU for the organization itself.

Statement of the objectives of the article. The purpose of our research is an attempt to assess both the positive consequences for the EU of Ukraine's accession to it and the threats that arise from this accession. It is the awareness of the latter that is crucial for conducting accession negotiations and for developing such a strategy that would minimize these threats and weaken the opposition to our movement towards the European community.

Presentation of the main research material with full justification of the scientific results obtained. As already mentioned, the consequences of joining the EU and NATO for Ukraine are often discussed today. At the same time, it is important to assess what the consequences of its entry will be for the organizations themselves and the European economy and security as a whole. After all, now we can observe not only active support for Ukraine, but also some opposition from individual politicians, and even entire countries. Of course, the motivation for such resistance can be different. But quite often, opposition arises as a result of fear of the negative consequences that will arise in the event of EU expansion at the expense of Ukraine's accession to it.

The experience of resisting Russian aggression has shown that today the issues of economy and security are interconnected. Therefore, it would not be correct to consider only the economic consequences of Ukraine's accession to the EU without taking into account security issues.

If we single out the most important achievements of the European Union and NATO in the field of security after the accession of Ukraine, it is worth paying attention to the following:

1. Today, Ukraine has the most experienced and one of the largest armies among European countries, which has experience in confronting a potential aggressor who poses a threat to European security. Yes, Ukraine will need additional weapons, training, and support. Our country does not have its own funds for this, and therefore funding must come from EU and NATO funds. However, Ukraine has the main thing: highly motivated and experienced soldiers. Therefore, the defense capability of the European Union and NATO will undoubtedly increase.

2. The full-scale war for survival has greatly intensified scientific and technical developments in the field of defense. Ukrainian samples of modern weapons are sometimes not only not inferior to European ones, but also surpass them (for example, naval drones). Ukraine can become a place of accelerated development of weapons production enterprises, which will strengthen the military-industrial complex of Europe. Today, the proposal to create a defense hub of the European Union in Ukraine is being actively discussed. It is obvious that

Europe's need to strengthen its defense capabilities will grow. This will require the creation of additional capacities for the production of weapons. Today, only a few EU countries produce modern military equipment. Ukraine has the necessary territories, motivated and trained personnel in order to become one of such manufacturers in cooperation with leading European and American companies [6]. This is not only a matter of defense, but also an opportunity for effective investment.

3. Post-war Ukraine will be a huge additional market. Its saturation will become a driver for accelerating the development of the European economy, will solve the problem of overproduction and unemployment. On the other hand, being integrated into a united Europe, Ukraine will be able to replenish the labor markets of some countries that are already suffering from a shortage of workers (such as, for example, Poland). Belonging to the same civilization, unity of values and life goals will simplify the process of adaptation of Ukrainians to European traditions and conditions.

4. In terms of population, the EU is second only to two countries - India and China. In the case of accession to the European Union of countries that are currently candidates (and the largest of them is Ukraine itself), its population will exceed the population of the United States by one and a half times. This creates additional conditions for economic development. Why is population size becoming a factor in economic growth today? It is absolutely obvious that the service sector has the largest specific weight in the formation of GDP. The main consumers of services are the population. It creates the necessary demand, which serves as a driving force for economic growth. According to scientists, the minimum number of populations, which allows to form a complete cycle of modern production, is 400-500 million people. The European Union has just such a potential.

5. The territory of Ukraine is rich in various natural resources. Our country has the largest reserves of lithium, titanium and significant deposits of other minerals in Europe. In particular, we have 1% of the world's lithium reserves, which is used to create batteries. Without them, the transition to the mass use of electric cars is impossible. Today, the main suppliers of lithium to the world markets are China, Argentina, Chile and Australia. Investments in four lithium deposits in Ukraine, which are at the initial stage of development, can free Europe from its lithium dependence [7], which will increase the economic security of the region. Ukraine also owns about 2% of the world's uranium reserves. Its extraction, processing and supply to Europe will be an important step in the transition to "green" energy and reducing dependence on Russian supplies.

6. Ukraine can become a convenient place for the relocation of the production of European companies, which are currently located in Southeast Asia (China, India, Bangladesh). First, the cost of labor in Ukraine is competitive compared to these countries. Secondly, transport costs from Ukraine are lower compared to Southeast Asia, in particular, China, the cost of sea transportation from which has increased almost five times over the past three years: from 1,100 points in 2019 to 5,050 points in 2022, according to the Container Freight Rate Index [8].

At the same time, one should also understand the possible negative consequences of Ukraine's accession to the EU. And they are the expressed or unspoken arguments for restraining this process.

First, if Russia remains in its current form, there is a threat that it will not give up its encroachment on Ukraine. Without recognizing the right of our country to exist at all, it can unleash a new war. And this will mean a direct clash with the EU and NATO, which will result in the hot phase of the third world war.

Secondly, Ukraine does not have its own funds to support the army according to NATO standards. Today, partners provide significant assistance to maintain Ukraine’s ability to resist Russian aggression. It includes financial, humanitarian and military components. In terms of the total amount of assistance and its financial component, the leaders are the institutions of the European Union. The largest military aid is provided by the USA. Some EU countries are also among the largest aid providers: Germany, Poland, the Netherlands, and Denmark (Fig. 1). Such help will be needed even after victory. Therefore, in order to really create an eastern outpost of the European Union, its members will have to allocate significant funds from their budgets. And not everyone likes it.

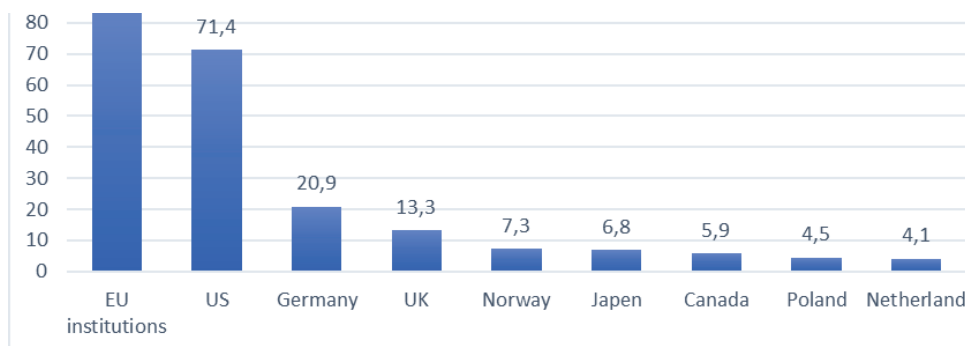


Fig.1. The Countries Committing the Most Aid to Ukraine, in billion euros (from Feb. 24 2022 to Oct. 31 2023)

Source: [9]

Thirdly, the level of economic development of Ukraine is inferior to similar indicators of all the countries of the European Union (Table 1). Thus, GDP per capita in Ukraine is 8.2 times lower than the EU average. Even compared to the country with the lowest value of this indicator in the EU (Bulgaria), Ukraine is three times inferior. The inconsistency of Ukrainian indicators with the macroeconomic criteria of monetary and financial convergence is very significant [10].

Table 1

Ukraine and the EU: comparison of indicators (2022)

Indicator	Ukraine	EU
GDP per capita (current \$ US)	4,534	37,150
CO ₂ emissions intensity of GDP (CO ₂ /GDP, PPP)	0.35	0.13
Inflation, consumer prices (annual %)	20.2	8.8
Electric power consumption (kWh per capita)	3,419	6,022
Life expectancy at birth, total (years)	70	80
Research and development expenditure (% of GDP)	0.29	2.31

Sources: [11, 12, 13].

On the one hand, Ukraine's accession to the EU will worsen the average indicators of this union. So, if Ukraine became a member of the EU this year, GDP per capita would decrease from \$37,150 to \$34,540. On the other hand, according to the procedure in force in the EU, Ukraine can claim significant funding from the common budget. According to some calculations, our country will have the right to receive 186 billion euros during the first seven years. In particular, our country can receive EUR 96.5 billion within the framework of the Common Agricultural Policy of the EU. The consequence could be a reduction of agricultural subsidies for the current member countries by about 20%. Ukraine can receive another 61 billion euros from EU cohesion funds, which are aimed at improving infrastructure in poorer member states [14]. Accordingly, the accession to the EU of such a large recipient will require an increase in deductions to the European budget by both traditional donor countries and the transformation into donors of those countries that remain recipients until now.

Fourthly, even now, even before Ukraine's accession to the European Union, competition is intensifying. The entry of Ukrainian agricultural producers into the European market worsened the situation of farms, especially in neighboring countries, which were not ready for such a level of competition. The same applies to the provision of transport services. Sensing a threat to economic security, European countries began to oppose Ukrainian exports, using both the actions of the state and the various influence of professional associations. Of course, the appearance of a new supplier in fairly saturated markets can threaten economic stability.

Fifth, entering the European business space of Ukrainian business may bring with it certain features that are characteristic of its day, but are not acceptable in Europe: shady dealings, tax evasion, corruption, bribes, bribery, etc. This will create a threat to social stability and provoke an increase in the number of economic crimes.

Of course, Ukraine's accession to the EU will not happen tomorrow. There are various forecasts regarding the possible terms of acquiring full membership in this organization: from 2-3 years to decades. But in any case, the time that separates us from achieving the strategic goal should be used to expand the scope of the positive impact of these events on European and world security. On the other hand, joint efforts of both Ukraine and the EU are needed to minimize potential threats. Internal transformations in Ukraine, which would bring it closer to European standards in the economic, social and legal spheres, should be combined with reforms in the EU, which would take into account the new modern geostrategic realities.

Conclusions. Thus, the conducted analysis showed possible contradictory consequences of Ukraine's accession to the EU for this organization. On the one hand, Ukraine has significant economic, human and natural potential for the growth of the power of the European Union. An additional market of goods and places of investment can become a driver for the European economy and strengthen its position in the world economy. The security component is also important in this regard. Ukraine will be able to reduce the dependence of EU countries on the external supply of metals important for its functioning, energy carriers for the development of "green" energy. Ukraine's military potential can be a certain guarantee of European security.

On the other hand, country whose economic development indicators are significantly inferior to European ones can join the EU. Aid to Ukraine, additional efforts to “bring up” its economy and social sphere to European standards will require significant funds from donor countries, which under other conditions could be used for other purposes. This gives rise to some skepticism on the part of some EU countries regarding Ukraine’s accession to this organization.

Awareness of both EU gains from Ukraine’s accession and potential threats is important for a successful and speedy transition from candidate status to a full member. Joint concerted actions of Ukraine and the European Union are needed to create conditions for maximum gains from Ukraine’s membership and to minimize possible losses.

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ECONOMIC CONSEQUENCES OF UKRAINE'S ACCESS TO THE EUROPEAN UNION

Anatolii O. Zadoia, Alfred Nobel University, Dnipro (Ukraine).

E-mail: zadoya@duan.edu.ua

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The article is devoted to the study of the possible economic consequences of Ukraine's accession to the European Union for this organization. Most researchers pay attention first of all to the possible results of Ukraine's accession to the EU for itself. However, in order to understand the motives of certain opposition of Ukraine's movement to this organization on the part of some of its members, it is important to assess the results of such accession for the EU and its members. Studies have shown that Ukraine is capable of strengthening the economic and security positions of the European Union. This can be realized through the creation of a defense hub in Ukraine, which will not only produce military products for

supply to EU countries, but also provide its own army to protect the borders of the European Union. The undersaturated domestic market of Ukraine can become a driver for the European economy on its way out of the long depression. Cheap, but high-quality and motivated labor force in Ukraine, as well as its proximity to the European market, creates favorable conditions for the relocation of European investments from the countries of Southeast Asia. Ukraine's natural resources will be able to reduce the dependence of EU countries on external suppliers and create favorable conditions for the development of «green» energy. At the same time, with the accession of Ukraine to the EU and NATO, the length of the border with such a dangerous neighbor as Russia is significantly increasing, which will require additional costs to strengthen it. In order to turn the potential gains from Ukraine's accession to the EU into reality, significant expenditures on providing assistance to our country are necessary. Since Ukraine has significantly worse economic indicators than other EU countries, with its accession the average indicators for the EU will also deteriorate, which will negatively affect the global image of the organization. We should also not forget about the growing level of competition on European markets in those areas where Ukraine already has significant potential (agriculture, logistics, etc.). Understanding both the potential gains and threats is important for the proper construction of the EU membership strategy. Joint efforts are needed to create favorable conditions for realizing gains and minimizing potential threats.

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