

Flourishing trade is bringing Ukraine and EU closer together

Written by Ivanna Klympush-Tsintsadze on 24 January 2019 in Opinion Plus
Opinion Plus

Ukraine has built a lasting partnership with the European Union, underpinned by trade and security, explains Ivanna Klympush-Tsintsadze.



Ivanna Klympush-Tsintsadze | *Photo credit: PA Images*

Five years ago, Ukraine stood at a crossroads: should it stick with its traditional political and economic partners in the Russian Federation or join the family of democratic nations in the European Union.

Faced with this choice, the people made their views clear about the future of their country. When the political establishment refused to sign the Association Agreement with the EU, mass protests in Kyiv demonstrated to the whole world the desire of Ukrainians to live in a free European state.

Next month (February), Ukraine will mark the fifth anniversary of the Revolution of Dignity which brought about the long-awaited transition from the post-Soviet reality of economic dependence on

Russia. In the years since, there has been a transformation in Ukraine's political, social and economic systems.

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This change hasn't been without cost. No longer able to rely on Russia as an export market, we had to find new buyers for our goods. According to our Ministry of Economic Development and Trade, the value of exports of goods and services to the Russian Federation decreased by around €15bn to €3bn between 2012 and 2018.

Instead, the trade agreement with the EU allowed Ukraine to redirect its exports, ensuring a reliability and transparency that was never available with Russia. Now the laws and procedures that govern trade are applied to all players in the same way.

Gradually, the customers of European supermarkets have begun to see more and more Ukrainian sweets, chocolate, butter, meat, and even yogurts. Europeans bought €17.6bn worth of Ukrainian goods in 2018, an increase of 15 per cent.

At the heart of this change has been the free trade agreement between Ukraine and the EU, which provides for the liberalisation of movement of capital and trade in goods and services. As part of the agreement, Ukraine has committed itself to adapt a large portion of its regulatory standards to those of the EU - and are well ahead of schedule in meeting these obligations.

The alignment of our standards with the EU has not only increased trade here, it has also made Ukrainian goods more competitive throughout the world.

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As European requirements in quality and safety are considered the toughest in the world, Ukrainian products are now perceived in a completely different way because people understand they are meeting these strict requirements. As a result, new markets such as Japan, Australia and Latin America have opened up.

The largest share of exports from Ukraine are agro-industrial and food industry products, which made up 27.3 per cent of our exports to the EU last year. This has encouraged Ukrainian food producers to overhaul and improve their businesses and increase the range of their products beyond cereals, oilseeds and oils.

Europeans are also turning to Ukraine for more niche products, such as organic foods, turkey and quail meat. Unexpectedly, snails became one of the surprise trends with more than 350 tonnes shipped to European customers, mainly in Lithuania, Romania and Poland.

As well as foods, Europe uses Ukraine as a resource for ferrous metals, the value of which grew by 30 per cent in the first three months of 2018, the largest growth of any exports, and electric machines such as car components.

Today, almost 15,000 Ukrainian companies have the right to export to the EU, Poland (17 per cent), Italy (14 per cent), Germany (10 per cent), Hungary (8 per cent) and the Netherlands (8 per cent) are our leading markets.

Analysts, including the European Business Association, are confident this trend will continue.

"Ukraine has built a lasting partnership with the European Union, underpinned by trade and security, which is already working for both sides and is worth celebrating"

But trade is not a one-way street. Being the biggest country in Europe, Ukraine itself represents an opportunity for European suppliers to access a country of 44 million people, which includes a developed consumer market, six cities with a population of one-million plus and a highly-educated workforce, strategically placed between Europe and Asia.

In fact, despite our massive growth in exports, Ukraine has a significant trade deficit of more than €3bn with Europe. In 2018, Kyiv increased imports from EU countries by 13.1 per cent, mainly from Germany, Poland, France and Italy.

In particular, European chemicals, electric and mechanical machines, mineral products, agriculture and foods, vehicles, aircraft and boats have appeared on the Ukrainian market.

The trade agreement between Europe and Ukraine has given both sides access to significant markets and is proving a win-win deal.

There can be no doubting the courage of the Ukrainian people who made a stand five years ago when they could see their country heading in the wrong direction. The Euromaidan uprising was a pivotal moment in history.

The journey over the past five years has been tough. The loss of life during the protests, Russian aggression in annexing our territories and the uncomfortable process of reform have all contributed to a difficult chapter in our history.

Today, the determination of Ukrainians is being rewarded by an economic recovery which saw real GDP grow by 3.4 per cent, the largest in seven years. European consumers are buying Ukrainian goods and Ukrainians are improving the quality of goods to satisfy their new customers

Ukraine has built a lasting partnership with the European Union, underpinned by trade and security, which is already working for both sides and is worth celebrating.

About the author

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