INFLUENCE OF EUROPEAN INTEGRATION PROCESSES ON SOCIAL AND ECONOMIC CONVERGENCE OF REGIONS IN UKRAINE-EU CROSS-BORDER SPACE

WPŁYW EUROPEJSKICH PROCESÓW INTEGRACJI NA SPOŁECZNĄ I EKONOMICZNĄ KONWergencję REGIONÓW W OBSZARZE TRANSGRANICznYM UKRAINA-UE

Introduction

After the European Union (EU) enlargement in 2004-2007, Ukraine shares the joint border with EU Member States and its border regions (in the first place, its 6 oblasts – Volynska, Lvivska, Zakarpatska, Ivano-Frankivska, Chernivetska and Odeska) became in focus of Community’s regional policy. It created additional opportunities for border territories to efficiently use their development capacity and to enter the European markets of goods and services through cross-border cooperation mechanisms and adaptation of European legislation in the sphere of regional policy, etc. The process of Ukraine’s integration into the European space and its recognition by European partners requires coordination of efforts in terms of cooperation with EU countries, and with Ukrainian neighbors in the first place. Therefore, application
of harmonized principles of urban planning and spatial development taking into account the territories’ transit capacity, natural, historical and ethno-cultural heritage and the level of social and economic development is the development precondition of cross-border regions that cover the border regions of Ukraine.

The impact of European integration is already visible in some spheres of country’s activity, mainly in institutional and legislative fields. EU-Ukraine Association Agreement (Agreement) and the Deep and Comprehensive Free Trade Area (DCFTA) as the part of the former as well as the visa-free regime are among the most notable achievements in the last couple of years. In the legislative field, there are substantial improvements in the spheres of energy efficiency, digital technologies, environmental protection, aviation, food quality and safety, etc. However, it is going to take time to observe the influence of European integration on social and economic development of Ukraine and its regions.

Currently the issues of Ukraine’s integration into the European space are highly relevant among Ukrainian scientists. V. Heyets, A. Hrytsenko, I. Matyushenko, V. Movchan, I. Storonyanska, Ya. Zhalilo, L. Shynkaruk and many others devoted their research to this subject. V. Borshchevskyi, L. Korolchuk, L. Kuzmenko, N. Mikula, A. Mokiy, V. Trofymova, A. Syshchuk, etc examine cross-border convergence as an important component of European integration processes. Among the foreign scientists G. Arbia, R. Barro, T. Bürzel, C. Coevering, G. Savoiu, P. Goldberg, A. Kutan, etc made the significant contribution to the development of theoretical foundations of convergence in conditions of European integration. However, the issues of European integration impact on the convergence processes with participation of Ukrainian border regions after the signing and in conditions of operation of EU-Ukraine Association Agreement remain to be underresearched.

The paper aims to assess the processes of regions’ convergence in Ukraine-EU cross-border space under the influence of the EU-Ukraine Association Agreement.

Influence of EU-Ukraine Association Agreement and Deep and Comprehensive Free Trade Area on foreign economic operations of Ukrainian border regions

The way the European integration and DCFTA in particular changes Ukrainian economy currently is most visible in terms of export-import operations. It is even more obvious for the oblasts that border the European Union. Figure 1 shows that exports volumes of 6 Ukrainian border regions to EU Member States have been mainly growing in the last two decades, however the growth paces had been diminishing till 2015 and began growing slightly only in 2016 after the markets of EU member states were partially opened for Ukraine in 2014.
In 2016–17, Ukraine and its oblasts bordering the EU continue to export most of its products to European countries and the share of Europe in their exports constantly increases. Lately the exports operations with Asia have fallen in the border oblasts in favour of Europe and CIS countries (Commonwealth of Independent States), although the share of CIS countries in exports is reducing each year.

Analysis of foreign economic activity of border regions demonstrates various tendencies regarding the use of cross-border cooperation opportunities in conditions of European integration. For example, the share of Ukraine’s exports in overall imports of Poland is a little bit over 1%, 19.7% of which accounted for exports from Lvivska and Volynska oblasts in 2017. In 2017, Lvivska oblast exports exceeded Volynska oblast exports almost three times; however, until 2014 the gap was more than 5 times. In the last three years, Volynska oblast exports to Poland increased 3.5 times and the share of Lvivska and Volynska oblast in overall imports of Poland also increased. It confirms to the existence of cross-border effects.

Zakarpatska oblast has the unique location contributing to cross-border cooperation with four neighbouring countries. The most efficient is foreign economic activity with Hungary, to where the oblast exports 10 times more production than to Poland, 8.5 times more than to Slovak Republic and almost 18 times more than to Romania. Therefore, the share of Zakarpatska oblast exports in Hungarian imports is the largest.

The imports of goods from European countries, and EU Member States in particular, in terms of both Ukraine and border oblasts reduced in the period of crisis, however since 2016 the volumes have been growing and the growth rate in 2017 has increased by 20% (Fig. 2). We should note as well that in the period of imports.
reduction in 2013–2015, the border oblasts had more significant fall in imports growth rates than in average in Ukraine. After 2015, the import growth rate in border oblasts exceeds the imports growth rate in Ukraine. So the cross-border effect can be confirmed in terms of imports as well.

The year 2016 is the changing moment for Ukrainian imports due to reduction of import duties for EU goods and elimination of additional imports charge of 5–10%. That year the average duty reduced from 4.5% to 1.7%, boosting the imports from EU from $18075.9 million in 2015 to 18471.2 in 2016.

European countries steadily maintained the largest share in geographical structure of imports of Ukraine and 6 border oblasts in 2016–2017. Their share in the imports of 6 border oblasts remains to be higher than in Ukraine in general.

Analysis of foreign trade geographical structure of Ukrainian oblasts that border the EU demonstrates the increasing importance of European countries, which will grow further due to Agreement. At the same time, more and more new enterprises are expected to be opened there to produce goods oriented at exports to EU Member States.

Regarding the commodities structure of exports-imports, the European integration has brought about significant changes as well. In 2015–2017, the first five commodity groups by exports were machinery, equipment, mechanisms and electrical equipment; vegetable products; wood and wood products; and animal or vegetable fats and oils (Fig. 3). In 2017, exports of various products and items increased more than twice and replaced the textile and textile items commodity group in the first five exports commodity groups. In 2016, the exports of agrarian products substantially increased, the exports of fats and oils grew by 52.5% and vegetable products grew by 20.7%.

Figure 2. Dynamics of goods imports by border oblasts and Ukraine from EU Member States
Source: developed by authors based on the data of State Statistical Service of Ukraine.
However, in 2013 prepared foods, mineral products and products of chemical and related industries were also among the five largest industries by the share of exports. Their exports volumes had reduced by 12.2%, 97.4% and 99.7% respectively by 2017.

Among the other changes in commodities structure of exports of 6 oblasts bordering the EU influenced by DCFTA we can name the following:
- Volynska oblast had been the leader among the border oblasts by the volumes of exports of live animals and animal products till 2013, in 2014-2017 Ivano-Frankivska oblast overtook Volynska;
- polymeric materials, plastic and rubber in 2014 lost their position among the five most exported groups of commodities in Ivano-Frankivska oblast. However, in 2015 they retained their positions due to exports reduction of products of chemical and related industries by 62.7%;
- in 2017, exports of transport vehicles and traffic equipment reduced in Zakarpatska oblast by 87% compared to 2013.
- in 2015, Lvivska and Odeska oblasts reoriented from prepared foods to vegetable products;
- Chernivetska oblast in 2014 reoriented from leather and fur products and items thereof to wood and wood products.

In 2000-2017, mineral products, machinery, equipment, mechanisms, and textiles held the largest shares in the structure of imports of border oblasts. Vegetable or animal fats and oils, raw hides, base metals and products thereof and optical devices were among the most imported commodity groups. Import structure of oblasts under
research mostly repeats the imports structure of Ukraine. The exceptions are mineral products and products of chemical and related industries that have comparatively larger share in the structure of Ukraine's imports and textiles and vegetable products, which have relatively larger share in the structure of imports of 6 border oblasts.

The structure of imports is predicted to change in future under the influence of DCFTA and Agreement, however these changes will become visible only in a couple of years, because the reduction of customs tariff is gradual and will last from three to ten years depending on the type of commodity.

**Expansion of legislative basis and implementation of EU cross-border cooperation instruments in Ukraine**

The impact of European integration is also seen in implementation of various instruments of EU regional policy in partnership with border territories of neighbouring countries, in particular the instruments provided by cross-border cooperation (CBC). Ukraine extended its participation in programs and projects of international technical assistance granted by EU Funds. In addition to four CBC Programs for Ukraine, in 2014-2020 Program Period the country also joined the Danube Transnational Program\(^1\) and received funds under the Sector Policy Support Program\(^2\) (Table 1).

| Table 1. Implementation of projects under the first calls for proposals by Ukrainian border regions in the framework of EU funding (European Neighbourhood Instrument + Structural Funds) in 2014-2020 |
|---|---|---|---|
| **CBC “Poland-Belarus-Ukraine”** | **CBC “Hungary-Slovakia-Romania-Ukraine”** |
| Number of projects, where Ukraine is the leading partner and partner | Number of projects, where Ukraine is the leading partner or partner in the overall number of projects (as the leader only),% | Funding of projects, where Ukraine is the leading partner or partner, € million | Funding of projects, where Ukraine is the leading partner or partner in the overall funding of projects (as the leader only),% |
| 38 | 65.72 | 61.2 (16.1) |
| 6 infrastructural projects | Total funding: € 34.1 million |
| Total funding: € 22 million |

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\(^1\) Ukraine joins the Danube Transnational Programme development and launches a joint with the EU initiative EU Support for the East of Ukraine [Internet resource]. – Available from: https://www.kmu.gov.ua/en/news/250485692

CBC “Black Sea Basin”

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<th>Number of projects, where Ukraine is the partner</th>
<th>Share of projects, where Ukraine is the partner in the overall number of projects, %</th>
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**Danube Transnational Program**

- 8 projects
- Total funding: € 16.6 million

**Sector Policy Support Program**

- 1 call for proposals

Lvivska oblast – € 1.74 million  
Zakarpatska oblast – € 0.5 million  
Odeska oblast – € 0.1 million

Source: developed by authors.

We should also note that participation in CBC Programs is much more active in this Program period. For example, under the Poland-Belarus-Ukraine CBC Program currently Ukraine is the leading partner in 38 projects and the program is still ongoing, while in 2007-2013 Ukraine was the leading beneficiary only in 14 projects.

In the recent years, Ukraine has also become more active in participation in EU cross-border structures. Carpathian Euroregion and Bug Euroregion created in their frameworks the Associations of Self-Governing Bodies to boost and facilitate their operation and overcome the problems related to project activity. Dnipro Euroregion was created in 2012 and is the only Euroregion with headquarters located in Ukraine; therefore, its activity is much more efficient than in those, where Ukraine is only the partner. Moreover, in 2015 Zakarpatska oblast of Ukraine along with Szabolcs-Satmar-Bereg County and Kisvarda municipality in Hungary created the first for our country Tisza European Grouping for Territorial Cooperation (EGTC)³. This year the EGTC will be implementing the large infrastructural project under the “Hungary-Slovakia-Romania-Ukraine” CBC Program related to construction of wastes utilization plant and is awaiting approval by several other projects⁴. In addition to this, Ukraine has obvious perspectives to participate in another form of cross-border cooperation that has been successfully functioning in Europe. Hungary and Slovak Republic have the long-lasting experience of industrial parks development, many of them are located or are planned to be established close to the border with Ukraine with the view to attract Ukrainian investors or even convert the parks into the cross-border ones. For one of them, the “Bereg-Karpaty” Cross-Border Industrial Park with the Elements

³ Tisza EGTC [Internet resource]. – Available from: https://portal.cor.europa.eu/egtc/CoRAActivities/Pages/tisza-egtc.aspx

of Logistics, Ukraine and Hungary even elaborated the relevant documentation un-
der the “2007-2013 Hungary-Slovakia-Romania-Ukraine” CBC Program. There are expectations that the idea of the Park will not remain at the stage of documentation development.

Recently under the influence of European integration processes, the institu-
tional capacity of Ukrainian authorities at different levels in terms of maintenance of cross-border cooperation development has increased. Both activation of their cooperation with neighbouring EU Member States and the EU-Ukraine Association Agreement became the preconditions thereof. Moreover, almost 30 bilateral international treaties and agreements on cooperation directly or indirectly related to cross-border cooperation were signed. The most essential of them are the agreements on local border movement signed by Ukraine with all neighbouring EU Member States, protocols on cooperation in the sphere of European integration between the Ministry of Foreign Affairs of Ukraine and the ministries of foreign affairs in neighbouring EU Member States and agreements promoting strengthening of trust and security.

The number of concluded bilateral agreements on partnership at regional level in various spheres, branches and directions also grows. We should mention the 2018 Program of Cooperation Development between Zakarpatska Oblast State Adminis-
tration, Zakarpatska Oblast Council and General Assembly of Szabolcz-Satmar-Bereg megye of Hungary as of September 30, 2017; Memorandum of further cooperation between twin cities Uzhhorod (Ukraine) and Kosice (Slovak Republic) as of May 5, 2014 and Agreement on cooperation between Zakarpatska oblast of Ukraine and Maramures judet of Romania as of May 12, 2018.

The Declaration of intent on creation of EU Macro-Regional Strategy for the Carpathian region, which is the legal basis for Ukraine’s participation in drafting the new Strategy for Carpathian region, is expected to become another important instrument. Finally, the amendments to the Law of Ukraine «On Cross-Border Cooperation» as of September 4, 2018 not only created the conditions for establishment of new forms, but also expanded the opportunities for cross-border cooperation development.

Evaluation of social and economic convergence in the EU-Ukraine cross-border space under the influence of European integration on the example of Zakarpatska oblast

Proceeding to evaluation of the influence of European integration on economy of Ukrainian border regions, we will examine the level of convergence of socio-econo-
mic parameters in neighbouring regions across the border on the example of Zak-
arpatska oblast of Ukraine, which borders four EU countries. GRP per capita is one of the most illustrative indicators that comprehensively reflect the modern condition

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6 https://www.kmu.gov.ua/ua/npas/pro-pidpisannya-deklaraciyi-pro-namiri-shchodo-stvorennya-makoregio-
nalnoyi-strategiyi-yes-dlya-karpatskogo-regionu
of socio-economic development in cross-border region. Despite slight reduction of differentiation by the GRP per capita in 2010-2013, in 2014 the gap in its rates in adjacent border regions began to increase. In 2016, the GRP per capita rate in Podkarpackie voivodeship of Poland exceeded the relevant rate in Zakarpatska oblast 8.61 times (Figure 4). Moreover, Ukraine suffers stronger differentiation in regions’ development than Poland. The GRP per capita deviation from average rate in Zakarpattya shows that in 2010-2016 the rate in the region was 47-54% lower than in average in Ukraine. At Polish side of cross-border region, the deviation was 29-39%.

Figure 4. Dynamics of GRP per capita in Ukrainian-Polish cross-border region, EUR

Source: developed by authors based on the data of State Statistical Service of Ukraine and Polish Central Statistical Office.

In Ukrainian-Slovakian cross-border region the GRP per capita in 2016 in average by two Slovak border regions exceeded the relevant rate in Zakarpatska oblast 11.45 times (10412 and 909.1 EUR per capita respectively). This rate is almost twice lower in border regions of Hungarian-Ukrainian and Romanian-Ukrainian cross-border regions than in general in the relevant countries. The gap in GRP per capita rate had been steadily growing between the adjacent border regions in Slovakia and Ukraine since 2013 and by 2016 it had reached 7.22 times. In Romanian border regions, the GRP per capita exceeded the rate in Zakarpattya 5 times.

Regarding the average wages, in 2017, in Zakarpatska oblast the average monthly salary was 212 EUR, while in Presov and Kosice regions of Slovakia – 975 EUR. The average pensions level in both Slovak regions exceeded this rate in Zakarpatska oblast 7.2 times in 2016 (408 and 56.5 EUR respectively) (Fig. 5).
Figure 5. Dynamics of average monthly wages and ratio of average monthly pensions in Ukrainian-Slovak cross-border region

Source: developed by authors based on the data of State Statistical Service of Ukraine and Statistical Office of Slovak Republic.

Average monthly wages in Zakarpattya in 2016 amounted to 19% of Podkarpackie voivodeship rate. The gap has been steadily growing since 2014. In Romanian border regions, the rate was 70% higher than in Zakarpatska oblast and amounted to 507 EUR in Satu-Mare and 481 EUR in Maramures. Differentiation by the level of pensions is even more essential, for example in Zakarpatska oblast it is approximately 14% of the level of Podkarpackie voivodeship.

Another economic indicator analyzed by the authors in terms of convergence in cross-border regions is capital investments. Hungarian border territory lags behind the rest of megye in the country by 26% by the number of economic entities per 10 000 persons. Analysis of investment inflows in border territories of Ukrainian-Hungarian region shows less significant deviations from the average rate by the country in Szabolcs-Satmar-Bereg. If in 2017 capital investment per capita in Zakarpattya was 2.4 times less the average rate by country, in Szabolcs-Satmar-Bereg megye in 2016 it was only 1.5 lower than the relevant rate (Fig. 6).
Twice less economic entities are registered at the territory of Zakarpatska oblast than in Podkarpatske voivodeship. However, in 2016, the investment activity in the former began to grow. In 2017, the oblast absorbed 149 EUR per capita. At the same time, it is 58% less than in average in Ukraine (351 EUR per capita). In Podkarpackie voivodeship the rate was 1069 EUR per capita in 2016.

Therefore, we can hardly talk about the growing convergence of border regions in EU-Ukraine cross-border space in the short-term period in terms of economic indicators, let alone any impact of European integration on these processes, except for the export-import operations. It will take time and joint targeted efforts of authorities and civil society for post-crisis Ukrainian economy drained by war in the East to gain impetus and fully use the opportunities the course towards European integration provides.

**Conclusions**

Within the framework of the Agreement new opportunities opened up to the regions for expanding exports of goods and services, introduced a visa-free regime for Ukrainian citizens, reduced the barrier function of the border as an important precondition for intensification of interactions in the cross-border area at all levels of cooperation. At the same time, given the territorial distance from the central regions of the country, which today serve as areas of concentration of investment and economic activity, the border regions traditionally (such characteristics of the border areas are
also common for the EU Member States) lag behind the rest of the regions on the main socio-economic indicators of development. The main challenges facing the border regions today are to ensure competitiveness in the context of European integration processes and to weaken the border barrier function; low level of economic security and outflow of human capital.

Given the new external challenges and unfavorable macroeconomic and micro-environment conditions for economic development (sharp devaluation of the hryvnia, military actions in the East of Ukraine, high levels of corruption, etc.), since 2013, divergence processes are dominated on adjacent border areas in the cross-border area Ukraine-EU. Minor positive trends have emerged in 2017.

Significant increase in exports of goods and services in the border regions of Ukraine took place only in 2017, primarily due to the goods of the agricultural sector with a low share of value added. Nowadays the Agreement has visible impact on the formation of the institutional environment of the country’s economic development through the harmonization of national and EU legislation. Adapting of regional economic systems to the new conditions and opportunities associated with the deepening of European integration processes requires a certain time lag.

The course towards the European integration has boosted the Ukrainian communities’ and local authorities’ awareness about the variety of instruments the EU offers in the sphere of cross-border cooperation with the view to bring closer the adjacent regions of neighbouring countries in social, economic, cultural fields, etc. Ukrainian border regions increased their participation in implementation of projects under the numerous Programs and Structural Funds. Activity of some of already existing cross-border cooperation forms found their second winds (Euroregions). New for Ukraine forms of mutual activity with neighbouring regions abroad emerged (EGTCs) or are about to be established (cross-border industrial parks). However, these options are very new to Ukraine and require more efforts from authorities in terms of informing the population about the principles of their activity, greater involvement of representatives of local communities and cooperation with NGOs as well as strong financial assistance from the state.

European integration positively influences the expanding of treaty and legal basis between Ukraine and the EU. It comprises many international bilateral treaties and interregional agreements signed at the level of regions, cities and villages. In the first place, all these processes activate local authorities, civil society or certain public representatives, eager to solve the problems and improve socio-economic development of their territories through the instruments of cross-border cooperation, especially in border regions.
Summary

Having declared the course towards European integration and having signed the EU-Ukraine Association Agreement, Ukraine has made concrete commitments on improving the life of its citizens. It pledges to achieve the level of EU countries’ system of public administration, when the residents’ rights are protected, they have more chances for self-development and are more confident in future. The way to this goal goes through domestic reforms, elimination of corruption, adaptation of European standards, economic integration and political association with the EU. The impact of European integration is already visible in some spheres of country’s activity, mainly in institutional and legislative fields, foreign economic activity of both the country and its border regions and implementation of European instruments in the sphere of cross-border cooperation. However, it is going to take time to observe the influence of European integration on social and economic development of Ukraine and its regions.

Keywords: European integration, convergence processes, cross-border regions.

Streszczenie

Decydując się na integrację europejską i podpisując układ stowarzyszeniowy UE-Ukraina, Ukraina podjęła konkretne zobowiązania dotyczące poprawy życia swoich obywateli. Zobowiązała się do osiągnięcia poziomu systemu administracji publicznej państw UE, kiedy prawa mieszkańców są chronione, mają większe szanse na rozwój osobisty i są bardziej pewni siebie w przyszłości. Droga do tego celu obejmuje reformy wewnętrzne, eliminację korupcji, dostosowanie norm europejskich, integrację gospodarczą i stowarzyszenie polityczne z UE. Wpływ integracji europejskiej widoczny jest już w niektórych sferach działalności kraju, głównie w obszarach instytucjonalnych i legislacyjnych, zagranicznej działalności gospodarczej zarówno kraju, jak i regionów przygranicznych oraz wdrażania instrumentów europejskich w dziedzinie współpracy transgranicznej. Będzie to jednak wymagało czasu, obserwacji wpływu integracji europejskiej na rozwój społeczny i gospodarczy Ukrainy oraz jej regionów.

Słowa kluczowe: integracja europejska, procesy konwergencji, regiony transgraniczne.

Bibliography:


