**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**

# Diploma Thesis

## Evaluation of Economic Development of Independent Ukraine

**Bc. Iryna Ryzhkova**

# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

# DIPLOMA THESIS ASSIGNMENT

Bc. Iryna Ryzhkova

European Agrarian Diplomacy

Thesis title

**Evaluation of Economic Development of Independent Ukraine**

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**Objectives of thesis**

The aim of the thesis is to evaluate the economic development of Ukraine in the period from 1991 to 2021, explore the difference in economic growth and development between Ukraine and the Visegrad Group (V4) countries from 1991 to 2021 years, examine the prospects for Ukraine's accession to the EU and, as a result, analyse and identify the pros and cons for Ukraine and the V4 countries from Ukraine's entry into the EU economic zone.

**Methodology**

The master thesis deals with analysing and comparing the economic development in Ukraine and in the Visegrad Group countries (Poland, Czech Republic, Slovakia, and Hungary) in the period from 1991 to 2021. The thesis contains theoretical and practical parts. The theoretical part presents a literature review concerning the topic and includes theoretical concepts such as Economic Growth & Economic Development, Visegrad Group (V4), EU Integration Policy and European Economic Area. The practical part deals with the comparison of the economic development of Ukraine with the V4 countries and investigates perspectives of the economic development in Ukraine after joining the EU based on the analysis of the relevant data. Mainly general theoretical methods (comparison, analysis, synthesis) are used in the thesis.

**The proposed extent of the thesis**

60 – 80 pages

**Keywords**

economic growth and development, Ukraine, the Visegrad Group countries, EU integration, European Economic Area (EEA)

**Recommended information sources**

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**The Diploma Thesis Supervisor**

doc. Ing. Karel Tomšík, Ph.D.

**Supervising department**

Department of Economics

Electronic approval: 11. 3. 2024

**prof. Ing. Lukáš Čechura, Ph.D.**

Head of department

Electronic approval: 14. 3. 2024

**doc. Ing. Tomáš Šubrt, Ph.D.**

Dean

Prague on 23. 03. 2024

## Declaration

I declare that I have worked on my diploma thesis titled ***"Evaluation of Economic Development of Independent Ukraine"*** by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break any copyrights.

In Prague on 31.03.2024 ______________________________

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I express my sincere gratitude to my thesis supervisor, Ing. Karel Tomšík, Ph.D., for his invaluable guidance and support throughout the entire process.

I am also deeply grateful to my mother, whose unwavering support has been a constant source of strength and encouragement throughout my life.

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# Evaluation of Economic Development of Independent Ukraine


**Abstract**

The economic landscape of the 21st century is characterized by heightened globalization, resulting in increased economic and political competition among nations. In this context, weaker states seek to align their economic and political agendas to bridge the gap with more advanced counterparts, navigating the complexities of the global market and international political dynamics. This study focuses on the economic development of independent Ukraine since its inception in 1991, examining various facets such as sectoral contributions to GDP, foreign direct investments (FDIs), trade dynamics, and strategic partnerships with the Visegrad Group (V-4) countries.

The thesis begins with an exploration of Ukraine's historical background and its evolution post-independence, delving into economic trends observed during different phases of development. It also analyzes the economic trajectories of the V-4 countries, providing a comparative analysis to contextualize Ukraine's economic performance within the regional landscape.

Specifically, it scrutinizes Ukraine's exports to the EU-27 in 2021, evaluating their contribution to economic growth, and analyzes imports from the EU-27 during the same period. Furthermore, the study investigates lessons learned by Ukraine from its interactions with the V-4 countries, offering insights into strategic partnerships and economic cooperation.

Lastly, the study undertakes a comprehensive evaluation of the advantages and disadvantages associated with Ukraine's potential accession to the European Union, offering a balanced assessment of the implications of such a move.



**Keywords:** Economic growth and development, Ukraine, the Visegrad Group Countries.

# Hodnocení hospodářského rozvoje nezávislé Ukrajiny


## Abstrakt

Hospodářské prostředí 21. století se vyznačuje zvýšenou globalizací, která vede ke zvýšené hospodářské a politické konkurenci mezi státy. V této souvislosti se slabší státy snaží sladit své ekonomické a politické programy, aby překonaly propast s vyspělejšími protějšky a propluly složitostí globálního trhu a mezinárodní politické dynamiky. Tato studie se zaměřuje na ekonomický vývoj nezávislé Ukrajiny od jejího vzniku v roce 1991 a zkoumá různé aspekty, jako je podíl jednotlivých odvětví na HDP, přímé zahraniční investice, dynamika obchodu a strategická partnerství se zeměmi Visegrádské skupiny (V-4).

Práce začíná zkoumáním historického pozadí Ukrajiny a jejího vývoje po získání nezávislosti a zabývá se ekonomickými trendy pozorovanými v různých fázích vývoje. Analyzuje také ekonomické trajektorie zemí V-4 a poskytuje srovnávací analýzu, která dává do souvislosti ekonomickou výkonnost Ukrajiny v rámci regionu.

Konkrétně zkoumá ukrajinský vývoz do EU-27 v roce 2021 a hodnotí jeho příspěvek k hospodářskému růstu a analyzuje dovoz z EU-27 ve stejném období. Studie dále zkoumá zkušenosti, které Ukrajina získala ze svých interakcí se zeměmi V-4, a nabízí vhled do strategických partnerství a hospodářské spolupráce.

Nakonec studie provádí komplexní hodnocení výhod a nevýhod spojených s potenciálním vstupem Ukrajiny do Evropské unie a nabízí vyvážené posouzení důsledků takového kroku.



**Klíčová slova:** Hospodářský růst a rozvoj, Ukrajina, země Visegrádské skupiny.

# Table of Content

## 1. Introduction

The emergence of globalization in the 20th century intensified economic and political competition among nations, leading to the establishment of a multipolar world characterized by powerful governments vying for dominance. Amidst this landscape, weaker states are endeavoring to bridge the gap with more advanced counterparts by aligning their economic and political agendas, aiming to thrive in a fiercely competitive global arena and on the international political stage. This phenomenon stems from the disparities among developed, transitioning, and developing economies, where the latter are often plagued by unstable governance, political unrest, inadequate national economic frameworks, infrastructure deficiencies, and outdated technological infrastructure – issues that resonate with the situation in Ukraine.

The economic trajectory of Ukraine since attaining independence in 1991 has garnered significant attention and analysis. Endowed with abundant natural resources, strategically located geopolitically, and deeply entrenched in a historical legacy with the Soviet Union, Ukraine's journey towards economic prosperity has been marked by both promise and adversity.

This thesis endeavors to assess the economic progress of independent Ukraine, focusing on diverse facets such as the sectoral contributions to GDP, patterns of foreign direct investments (FDIs), dynamics of trade, and strategic alliances with the Visegrad Group (V-4) nations. Through a comprehensive exploration of Ukraine's economic evolution over recent decades, this study aims to shed light on the factors influencing its economic advancement, including the repercussions of external partnerships and global economic dynamics.

In delving into Ukraine's economic history since independence, this thesis uncovers the nation's historical backdrop, its evolutionary trajectory, and the economic trends observed during various phases of development. Furthermore, it embarks on an exploration of the economic trajectories of the V-4 countries, facilitating a comparative analysis to contextualize Ukraine's economic performance within the broader regional landscape.

# 2. Objectives and Methodology

## 2.1 Objectives

The aim of the thesis is to evaluate the economic development of Ukraine in the period from 1991 to 2021, explore the difference in economic growth and development between Ukraine and the Visegrad Group (V4) countries from 1991 to 2021 years, examine the prospects for Ukraine's accession to the EU and, as a result, analyse and identify the pros and cons for Ukraine and the V4 countries from Ukraine's entry into the EU economic zone.

## 2.2 Methodology

The master's thesis deals with the analyzing and comparing the economic development in Ukraine and in the Visegrad Group countries (Poland, Czech Republic, Slovakia and Hungary) in the period of 1991-2021. The practical parts employees the analysis of trade between Ukraine and V-4 counties based on the ABC method. Further, the simple linear regression model is applied to demonstrate the relationship between the export of Ukraine and its economic growth for the period of 2002-2022. Mainly, the theoretical methods are applied such as (comparison, analysis and synthesis) in the thesis. Eventually, the discussion part presents the analysis of Ukrainian accession to the European Union.

# 3. Literature Review

## 3.1 Strategic Partnerships of V-4 and Ukraine

The Constitution of Ukraine outlines its strategic direction towards NATO and EU membership, shaping its foreign policy since independence. Strengthening ties with Visegrad Four (V4) nations is a key priority. This involves exploring and summarizing European and Euro-Atlantic integration within the V4 framework, enhancing regional defense capabilities, and fostering collaboration across various fields of mutual interest (Decree of the President of Ukraine, 2021). Given that Poland, Slovakia, and Hungary—all V4 members—share borders with Ukraine, geographical proximity plays a significant role. The need to broaden interactions with neighboring countries arises from a range of complex challenges, including energy crises, food shortages, pollution, and inflation. The Russian invasion of Ukraine has also adversely impacted global economic investment and trade. By analyzing trade and economic cooperation patterns between Ukraine and the V4, the author's aim to evaluate the potential implications of Ukraine's EU accession for both parties. This comparative analysis primarily relies on macroeconomic indicators, trade volumes, commodity structures, existing cooperation agreements, and recent financial and military assistance from V4 states. However, it's crucial to acknowledge the multifaceted nature of this topic, as economic indicators alone may not provide a definitive conclusion. Nonetheless, economic stability is paramount for all states, particularly amid current challenges such as the COVID-19 pandemic and conflicts like the Russian aggression in Ukraine, which directly affect the energy sector of V4 countries. These factors underscore the complexity of the issue. Subsequent chapters delve into the establishment of Ukraine's independent government and the evolution of the V4 alliance.

### 3.1.1 General Characteristics of Ukraine

Before we go any further into the economic study of the nation, let's first present a brief summary of Ukraine itself. Ukraine is a country located in Eastern Europe that shares borders with the western countries of Hungary, Poland, and Slovakia; the southern countries of Romania and Moldova; the northern nation of Belarus; and the eastern and north-eastern country of Russia. The reason for this is because Ukraine, which has a total land size of 603,628 square kilometers, is the second biggest nation in Europe. The majority of it is made up of steppes and plateaus, and it is divided by a number of rivers, the most significant of which being the Dnipro. Additionally, the constitution stipulates that Ukraine is a neutral and unified state that is made up of 27 regions: 24 oblast, Autonomous Republic of Crimea and 2 cities with special status; Kyiv (capital city) and Sevastopol. A parliamentary-presidential state serves as Ukraine's government. It is the President of Ukraine who serves as the head of state, while the Verkhovna Rada of Ukraine is the most powerful authority of the state.

As a member of the World Trade Organization, the World Bank, the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe, and the Group countries (Georgia, Ukraine, Azerbaijan and Moldova) (GUAM), as well as a part-time member of the United Nations Security Council (1948–1949, 1984–1985, 2000–2001, 2016–2017), Ukraine is working to establish robust, partnership relationships with the European Union and the North Atlantic Treaty Organization (NATO).

At this time, there are around 40,9 million people living there; 77.8 percent of them are Ukrainians, and 17.3 percent are Russians. The percentage of people living in urban areas is 67.2%. Ukrainian is recognized as the official language. However, the Russian language is popular in the eastern and southern districts. In addition to being the seventh most populated city in Europe, Kyiv, which is the largest city and capital of Ukraine, is home to a total population of 2,962,180 people. In spite of this, it is essential to keep in mind that the most recent census of the nation's population was conducted in the year 2001, and since then, the population of the country has been slightly decreasing. There are a number of reasons for this, including but not limited to the following:

- economic issues
- inadequate medical care and infrastructure
- low salaries
- corruption
- the present geopolitical environment

Despite the reality that Ukraine is primarily a farming nation with a preponderance of agricultural products, it possesses a tremendous potential to become a powerful manufacturing nation as well. This is because to the fact that Ukraine was once the primary manufacturing center of the Soviet Union, and numerous factories in the country have been abandoned or sold to private individuals. One of the most important producers of various kinds of agricultural goods and food. A number of sectors, including mining (coal, oil and gas, iron and manganese ores), engineering, ferrous and nonferrous metallurgy, as well as certain engineering, are included in the nation's economic structure. There is a significant amount of electricity produced in Ukraine. Launch vehicles, satellites, and other equipment for space exploration have been manufactured. Tanks, combat transportation planes, anti-aircraft missile systems, and optical equipment are only few of the items that Ukraine manufactures from a huge amount of military equipment and weapons.

It is positioned at the 74th place in the UN inequality-adjusted human development index (HDI), which takes into account a country's progress in terms of health, education, and income, as well as the distribution of these factors among its people. In terms of comparability, Poland ranks 35$^{th}$, Russia ranks 52$^{nd}$, and the USA ranks 17$^{th}$. The source of this information is the Human Development Reports from the year 2020. Nevertheless, Ukraine continues to hold the position of being the second least wealthy nation in Europe, behind Moldova. Conversely, Ukraine is a prominent global exporter of grain due to its vast agricultural grounds, as mentioned above.

Ukraine has reached the 32$^{st}$ anniversary of Independence with uncertain economic outcomes. If the nation has seen a decline in both absolute output numbers and its position in the global economy, the situation regarding the wellbeing of its population truly quite the reverse.

### 3.1.2 Ukraine As a Part of USSR and After its Collapse

Before the proclamation of independence, the economy of the Ukraine played a substantial role in the overall economy of the USSR. The USSR Plan[1], in conjunction with the Ukrainian State Plan, formulated quinquennial programs to foster the growth of the USSR's economy as an essential component of the Soviet economy.

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[1] When it came to financial strategy, the Soviet Union used a series of Five-Year Plans as its organizational framework. Within the scope of these plans, production objectives and goals were defined for a period of five years. Joseph Stalin initiated the very first Five-Year Plan in 1928, and successive plans lasted until the fall of the Soviet Union in 1991. Joseph Stalin was the leader of the Soviet Union at the time.

Ukrainian businesses were placed under the authority of either the Union Ministries in Moscow or the Republican Ministries in Kyiv. Following 1991, the enterprises, regardless of their official ownership, fell under the authority of their managing directors. By 1996, approximately 6,000 medium- and large-sized businesses had undergone the process of transforming into joint-stock entities. By 1998, 45,000 small enterprises and nearly 99% of the retail shops, trade enterprises, and service businesses had been privatized (Akimova, 2002).

Following the breakdown of the Soviet Union, Ukraine endured a profound economic recession characterized by a complete collapse of the economy and rampant hyperinflation, resulting in a catastrophic decline in GDP. The economic situation became significantly more complex due to the government's leadership's decision to not immediately implement a fully established national currency. Instead, they opted to gradually withdraw from the ruble zone and initially introduce alternative currency known as coupon rubles. The process of gaining independence unfolded in the late 20th century, and Ukraine officially declared its independence on August 24, 1991. However, with the announcement of its independence, Ukraine didn’t manage to introduce its own currency.

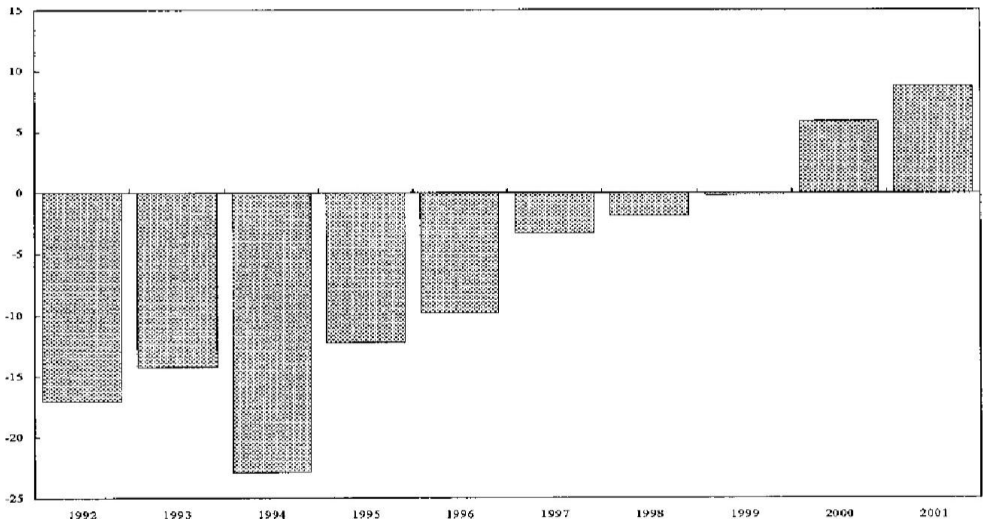
Disposable coupon rubles were implemented by the National Bank of Ukraine on January 10, 1992 (Epravda, 2015: 4). Following the implementation of coupon rubles as a form of currency in Ukraine, two currencies coexisted simultaneously - the Soviet ruble and the Ukrainian coupon rubles. Purchases of food and industrial products were exclusively recognized in coupon rubles. However, for services and other kinds of payments, both rubles and coupon rubles were utilized at a 1:1 exchange rate (Epravda, 2015: 4). During the initial months following their introduction, coupon rubles had values slightly higher compared to the Soviet ruble due to their increased usage. In April 1992, the entire cash circulation began to be replaced with voucher rubles. In November 1992, the ruble was substituted with the coupons and noncash circulation (Epravda, 2015: 4).

Initially intended for a usage period of 4 to 6 months, coupon rubles unexpectedly remained in circulation until 1996, serving as a safeguard against the impact of inflation. Although hyperinflation ended with the introduction of the national currency, the hryvnia, in 1996, economic expansion continued to decline until the last quarter of 1999 (Epravda, 2015: 5).

### 3.1.3 The New Era of 2000

The year 2000 marked a significant turning point in Ukraine's recent economic history. The period of economic downturn, which occurred during the shift to a market-oriented economy starting in 1992, concluded in 2000 with a significant increase of approximately 6 percent in real GDP (Figure 1). The growth rate surged to 9 percent in 2001. The duration (eight years) and the extent of the decline in economic activity (approximately 60 percent) were unparalleled for a nation in a state of peace. Hence, the reversal of the economic downturn that commenced in 2000 was a highly significant occurrence (Áslund, 2001).

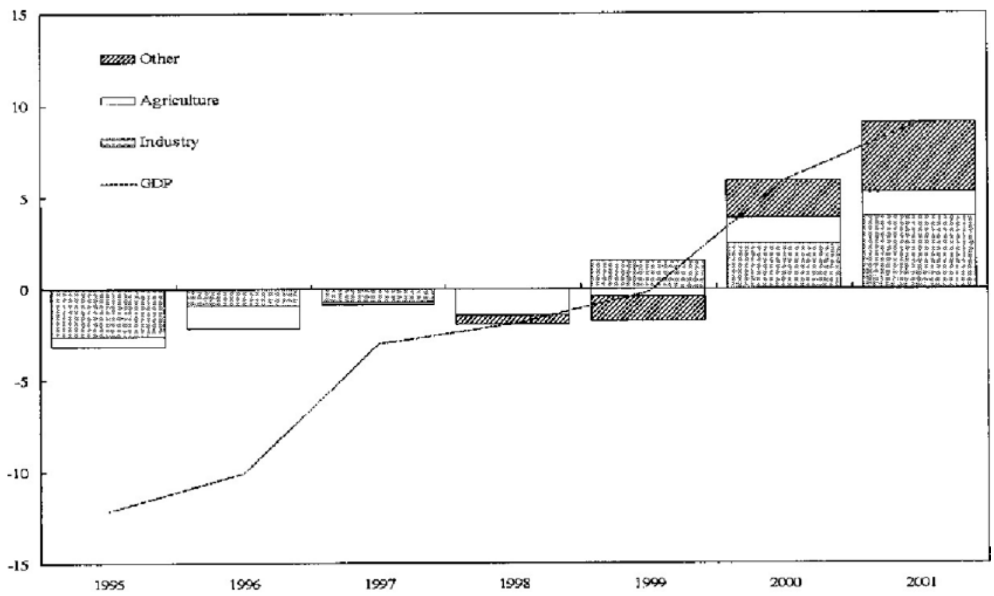
*Figure 1: Real GDP of Ukraine, 1992 – 2001, % change over previous years.*




*Source: (Áslund, 2001: 13)*

In the year 2000, the Ukrainian economy experienced a significant recovery after a prolonged period of stagnation during the 1990s, with the real Gross Domestic Product (GDP) expanding by 6 percent. The recovery in 2000 surpassed the forecasts made by the Fund staff (Elborgh – Woytek, 2003). Initially, the staff predicted zero expansion for 2000, but later revised their forecasts to 2.5 percent by the middle of 2000. From a production standpoint, the recovery was extensive. The industry's production experienced a 9 percent growth in actual terms (Kobzev, 2002), as shown in Figure – 2 (Kobzev, 2002).

*Figure 2: Contributions to Real GDP in %.*




*Source: (Åslund, 2001: 13)*

*Table 1: Real GDP Growth: Production Side, 1995—2001*

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 Prel. |
|---|---|---|---|---|---|---|---|
| Industry | -11.2 | -4.0 | -3.0 | 0.0 | 6.0 | 9.0 | 14.2 |
| Construction | -31.9 | -34.2 | -10.0 | -0.4 | -6.6 | -4.8 | 7.1 |
| Agriculture | -4.5 | -9.8 | -1.0 | -11.2 | -3.9 | 12.3 | 10.2 |
| Trade | -18.0 | -1.4 | 0.9 | 1.7 | 9.3 | 10.7 | 24.0 |
| Transportation | -19.1 | -19.3 | -7.3 | 1.1 | -7.3 | 2.8 | 0.2 |
| Financial services | 2.0 | 3.8 | -2.8 | -3.3 | -4.9 | -4.4 | -0.8 |
| Other services | -0.1 | -5.5 | 0.7 | -1.8 | -3.8 | -2.0 | 0.3 |
| Other | 3.2 | 6.1 | 20.8 | -3.4 | 13.4 | 3.0 | 0.2 |
| Net taxes on products and imports | -13.1 | -9.7 | -6.7 | -1.9 | 0.2 | 9.6 | 9.3 |
| GDP | -12.2 | -10.0 | -3.0 | -1.9 | -0.2 | 5.9 | 9.1 |

*Source: (Åslund, 2001: 14)*

Kobzev (2002) claims that certain business sectors experienced a remarkable rate of growth, such as light manufacturing, wood and paper industries, food manufacturing, the production of ferrous and nonferrous metals, and the construction of machines (Table 1). Conversely, there was a decrease in electricity generation, primarily due to technical challenges as well as stricter measures to collect payments and a more assertive approach to disconnecting non-paying customers (King, 1999). The fuel industry also experienced a decrease in output due to a significant reduction in oil processing.

In 2001, the Ukrainian economy exhibited robust growth. It is worth noting that industrial production contributes to approximately one-third of Ukraine's overall GDP (Dabrowski, 2002: 13). The categorization into specific industrial sub-sectors predominantly illustrates an expansion of the patterns observed in the year 2000 (Julian, 2003: 8). The agricultural industry experienced a 10 percent increase due to management reforms and weather-related factors, resulting in a large yield. Additionally, there was an acceleration in trade and construction development. However, the recovery of other sectors remained sluggish.

Russia was an important trading partner for Ukraine's exports, and the two countries' economies were very intertwined. Almost 40% of the growth in Ukraine's exports in 2000 came from Russia, whose proportion in the country's total exports jumped from 19% in 1999 to 23% in 2000 (Akimova, 2002). The 9% real GDP growth and 12% increase in Russia's import market were good for Ukrainian exports (Åslund, 2001: 15). On top of that, with a 2% increase, Ukraine accounted for 10% of Russia's overall imports. Iron, steel, and rolled metal (mostly for re-export), machinery and pipes, aluminum, food items, and other exports became especially important to the Russian market. Germany and Turkey became other important export destinations for Ukrainian goods, each receiving around 5% of total exports; the United States accounted for nearly 5% of all exports in 2000, a 2/3 increase among industrialized nations (Åslund, 2001: 15). Although exports to other developed nations, such as Japan, France, and Belgium, also experienced remarkable growth rates, the amount of exports from Ukraine to these countries remained relatively small.

### 3.1.4 2000 – 2005 Spike of Ukrainian Economy

The overall enhancement in payment conduct and confidence in the economy can be ascribed to prudent fiscal and monetary measures, streamlining of tax regulations for improved understanding and adherence, and the government's focus on generating higher revenue from the energy industry. The increase in confidence is apparent from the rapid restoration of a monetary system and a decline in non-monetary transactions. As a result, there was an increasing need for currency, which led the National Bank of Ukraine (NBU) to adopt monetary accommodation measures. Commencing in 2000, these actions involved unregulated interventions in currency markets to avert the depreciation of the hryvnia, thereby bolstering the competitiveness of Ukraine's industries. The practice of fixing the exchange rate of the national currency to the U.S. dollar was introduced in other countries as early as 2000. Within this particular framework, the provision of monetary accommodation seemed to support the expansion of industry without causing a resurgence of inflation, as long as there were sufficient unused assets available.

Another significant catalyst for the increase was the rapid growth of private consumption, which began at a low point and then experienced a substantial spike due to substantial wage and pension hikes in 2001 and subsequent years[2]. Subsequently, particularly in the years 2003 and 2004, private investment, including foreign direct investment (FDI), played a significant role in driving development, thanks to the revenue generated by exporters and consumer sectors. However, the per capita FDI inflows in Ukraine were significantly lower compared to other transition countries, including neighboring CIS countries, due to the difficult investment conditions in Ukraine. The recent years witnessed a significant increase in private sector credit, which further bolstered economic expansion. In 2004, a combination of the factors described earlier contributed to the significant growth observed that year (as shown in Table 2), while also revealing capacity limitations.

*Table 2: Ukrainian Macroeconomic Indicators 2001 –2005*

| ***Indicator*** | ***2001*** | ***2002*** | ***2003*** | ***2004*** | ***2005*** |
|---|---|---|---|---|---|
| GDP growth (real annual change in % | 9.2 | 5.2 | 9.4 | 12.1 | 2.6 |
| Gross industrial production (real annual change in %) | 14.3 | 7 | 15.8 | 12.5 | 3.1 |
| Gross agricultural production (real annual change in %) | 10.2 | 1.2 | -11.0 | 19.9 | 0 |
| Consumer price inflation (year-end, %) | 6.1 | -0.6 | 8.2 | 12.3 | 10.3 |
| Unemployment rate (year-end, ILO definition, %) | 11.2 | 11.1 | 9.0 | 8.7 | 8.2 |
| Consolidated government budget balance (% of GDP | -1.6 | 0.5 | -0.9 | -4.4 | -2.5 |
| Merchandise trade balance (% of GDP) | 0.5 | 1.7 | -0.5 | 5.8 | -1.1 |

[2] Thus, the "timing" of wage developments may have facilitated the progression of the Ukrainian recovery to some extent: The severe contraction of real wages in the 1990s decreased the expenses of heavy industries in Ukraine, which had hardly been reorganized. After additional progress in competitiveness had been made through currency devaluation and increasing external demand, robust wage and pension adjustments could have a positive impact on growth, provided that idle capacities persisted.

| | | | | | |
|---|---|---|---|---|---|
| Current account balance (% of GDP) | 3.7 | 7.5 | 5.8 | 10.5 | 3.0 |
| External debt (end-year, % of GDP) | 31.8 | 30.1 | 29.4 | 31.1 | 31.8 |

*Source: Derzhkomstat (2005)*

As a result of the global economic slowdown, both the demand for and prices of Ukrainian exporting commodities (refined crude oil, chemical compounds, and aluminum) declined or dropped off, stopping the nation's terms-of-trade profits and reducing its current account balance. A portion of the competitiveness of Ukraine's industries was lost as a result of the currency's actual appreciation patterns, primarily due to inflationary trends caused by the fiscal deregulation surrounding the 2004 elections as well as capacity limitations that materialized (Shiells et al., 2006). Additional salary and pension increases fueled consumer demand, which remained the sole factor providing sustained growth stimulus in 2005.

From a supply-side perspective on GDP development between 2000 and 2004, the engines of expansion were industry, transportation and trade in particular. Although there were periods of growth, most notably from 2000 to 2001, agriculture has exhibited more of a volatile performance and has, on the whole, experienced a decline in significance. The demand component evolution (Table 3) provides clear evidence that Ukraine's inclination towards foreign trade grew from 2004 until 2005, when it experienced a setback: the proportions of exports and imports in the country's gross domestic product expanded gradually before abruptly contracting in 2005. The growth and subsequent decline observed can be accounted for through significant developments with regard to trade and adaptations to fluctuations in demand. Table – 3, illustrates the dangers of an economy that is overly reliant on commodity prices. During the period from 2001 to 2005, one of the demand-side driving forces behind the Ukrainian economy was household consumption, as opposed to government consumption. Gross fixed capital formation experienced a surge in 2003 and 2004, but subsequently declined in 2005 due to a more challenging investment environment and the economic situation.

*Table 3: GDP and Its Components – Demand Side*

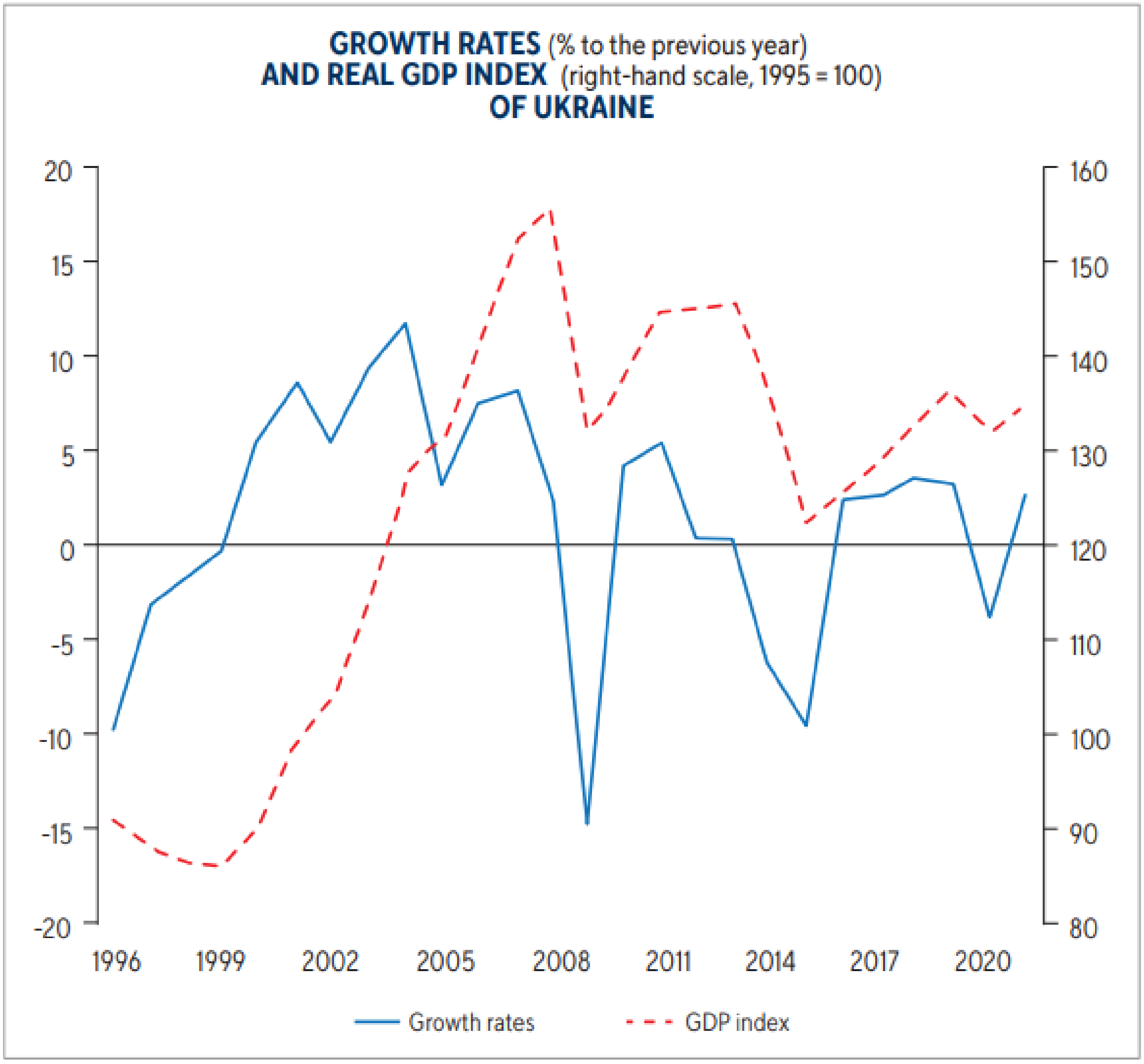
| | Growth (real annual change in %) | | | | | Structure (share in total GDP in %) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2001 | 2003 | 2004 | 2005[1] | 1999 | 2001 | 2003 | 2004 | 2005[1] |
| Total GDP | −0.2 | 9.2 | 9.4 | 12.1 | 2.6 | 100 | 100 | 100 | 100 | 100 |
| *of which:* | | | | | | | | | | |
| *Final consumption* | *−5.5* | *11.1* | *9.6* | *9.0* | *12.7* | *77.1* | *76.5* | *75.4* | *73.3* | *77.7* |
| *households* | *−3.9* | *10.4* | *8.6* | *10.3* | *15.9* | *54.7* | *54.9* | *54.7* | *53.8* | *56.9* |
| *government* | *−7.6* | *15.1* | *13.2* | *6.8* | *4.1* | *19.9* | *19.6* | *19.0* | *18.1* | *19.5* |
| Gross accumulation of fixed assets | −2.2 | 9.8 | 17.6 | 9.9 | −4.0 | 19.2 | 19.7 | 20.6 | 20.2 | .. |
| Change in inventories | x | x | 53 | x | .. | −1.8 | 2.1 | 1.4 | −1.0 | .. |
| Exports of goods and services | 29.6 | −2.9 | 15.0 | 18.9 | −13.6 | 54.4 | 55.5 | 57.8 | 61.3 | 51.9 |
| Imports of goods and services | 10.2 | 2.4 | 19.3 | 9.1 | −0.8 | −48.8 | −53.8 | −55.2 | −53.7 | −51.4 |

*Source: IMF (2005)*

## 3.2 Economic Development of Ukraine After 2005

Indeed, beginning in the year 2000, Ukraine entered a rather stable first period of economic progress that continued until the global financial crisis of 2008-2009. This era of economic growth lasted until the year 2009. Indicators reflecting the potential and ambition for speeding rehabilitation, strengthening the economic landscape, lowering unemployment, improving living standards and corporate profitability, and retaining consistent access to global markets were shown over the period that spanned from the year 2000 to the year 2007. On the other hand, the completion of this time period in 2007 brought to light the possibilities and possibilities that were available. Chart Nominal GDP and its dollar equivalent, which Yakymenko (2020: 62), provides information that indicates that the average annual growth rate of GDP over that span was 7.5%, which resulted in a cumulative gain of 80%.

*Figure 3:Growth Rates (%) and Real GDP Index*

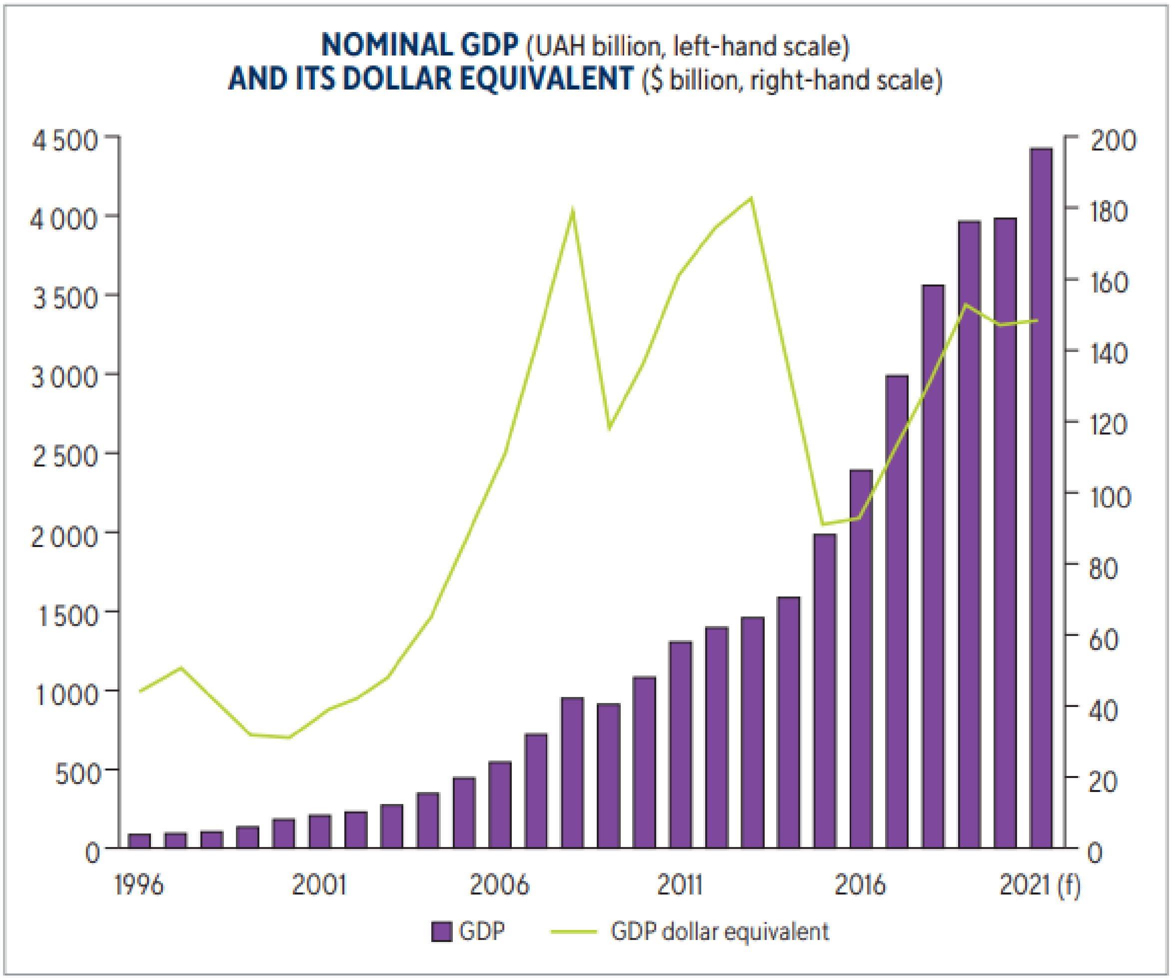



*Source: Yakymenko (2020: 62)*

In spite of the fact that such economic trends were mainly brought about by high levels of external demand, it served two purposes: first, it served as an engine of capital that contributed to the revitalization of the majority of businesses and industries; secondly, it provided a dependable foundation for an entirely novel social agenda that led to substantial accomplishments and enhancements in the quality of life (Yakymenko, 2020: 62).

There has been a rapid and beneficial shift in the economy, which has underlined the validity of the course that the nation has selected for its growth. Over the course of this time period, Ukraine strengthened its strategic dependence on Europe. "European choice" was the title of an exceptional speech that the President delivered in April of 2002. The pro-European plan for Ukraine's growth was defined in the document titled "The conceptual basis of the strategy of economic and social development of Ukraine for 2002-2011." In spite of a number of challenges and inconsistencies, the Strategy started to take shape, even though the political crisis that occurred throughout the presidential campaign in 2004 wasn't disruptive but rather strengthened the strategic European orientations and possibilities.

*Figure 4: Growth Rates (% to the previous year) and its Dollar Equivalent*




*Source: Yakymenko (2021: 61).*

The global financial crisis that occurred in 2008-2009, on the other hand, rendered the execution of future changes more difficult. At that point in time, Ukraine had reached a level of integration into international commerce that allowed it to participate in global investment and capital flows respectively. To put it another way, under these circumstances, rising economies have become very susceptible to hardship from the outside world. When combined with volatility in financial markets and a considerable depreciation of the hryvnia, a significant decrease in GDP in real and dollar terms occurred in 2008-2009.

This loss was caused by a combination of factors, including a weakening of external demand and difficulties in joining competitive situations from 2008-2009. And despite the fact that Ukraine once again shown strong growth rates in the years that followed, the country was still working to make up for the losses that it had sustained during the crisis (the country's gross domestic product in dollar terms did not reach the level it had attained in 2007-2008 until 2012-2013 (Yakymenko, 2021: 63).

In the meanwhile, it is important to acknowledge how the nation has not been able to achieve steady advancement in the process of constructing the socio-economic environment. As a result, the nation has been susceptible to both internal and foreign fluctuations, which have impeded or even stopped constructive plans from being implemented. The inability of government institutions to establish strategic ideas and put them into practice in the context of the complicated and conflicting circumstances of global development was the primary contributor to the failure of transitions. A study of the economic dynamics of the last seven years, on the other hand, would be insufficient if it does not take into account the losses that were inflicted by the Russian aggression in 2014, which is still ongoing today, and which Ukraine will keep experiencing for years ahead.

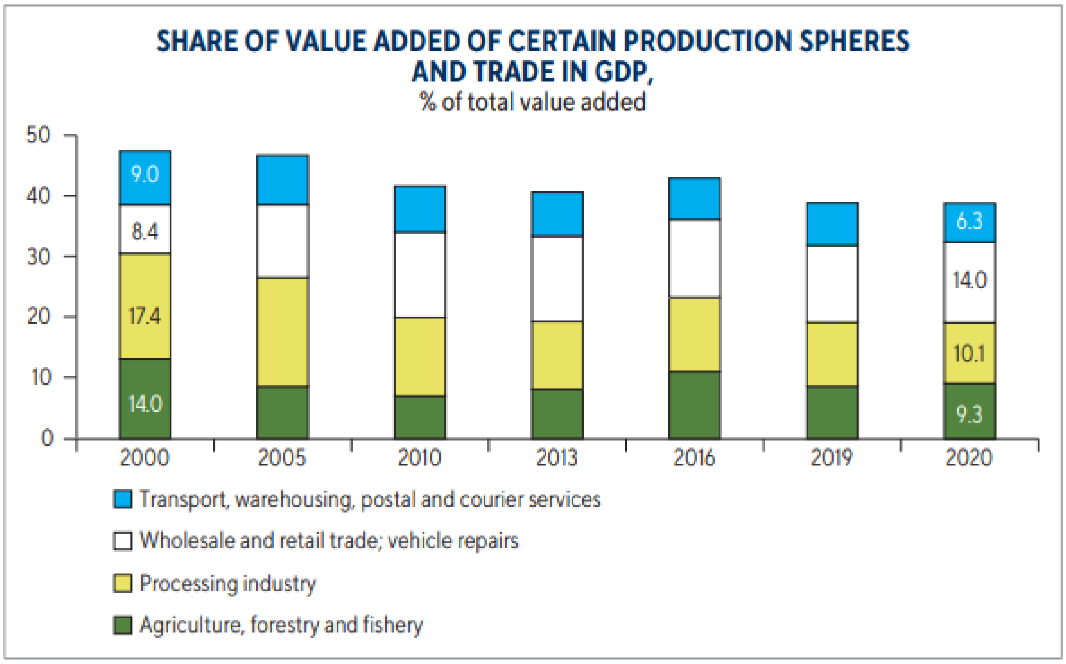
### 3.2.1 Sectoral Contribution to Total GDP of Ukraine

From 2000, Ukraine inherited a production structure that was highly twisted due to the dominance of sectors that were inefficient with regard to energy and use of resources. In instance, Ukraine had a massive mining and metallurgical complex (MMC) that served as the nation's ***"business card"*** for a considerable amount of time and included the use of a significant number of resources.

Despite the fact that this structure made it more difficult for Ukraine to renew its competitiveness, the Metal Manufacturing Company (MMC) was nonetheless able to generate considerable quantities of metallurgical sector output in the 1990s and 2000s, which led to an increase in Ukraine's exports. Because of this, the country was able to keep its nominal and real GDP at high levels until the year 2008, and it was also able to regain its foreign currency resources via the sale of metallurgical commodities on international markets. On the other hand, the global financial crisis that occurred between 2008 and 2009 had a substantial impact on the structure of global demand and, therefore, the composition of value generated. Specifically, the demand for Ukrainian industrial products has decreased (Xu et. el, 2016), which may be attributed to a number of factors, including the substantial energy and capital costs of these items, as well as the fact that their quality does not meet the standards offered by competitive economies. The whole structure of the national economy was clearly impacted as a result of this incident.

The amount employed in manufacturing fields in Ukraine saw a significant decrease as a consequence of this (Yakymenko, et. al., 2021. 69). On the other hand, the business service sector, particularly the industries of finance, insurance, and consulting, has been steadily expanding the scope of activity (Chart Share of value added of different service sector components in GDP).

*Figure 5:Share of Value Aded of a Certain Production Shperes, % of GDP*

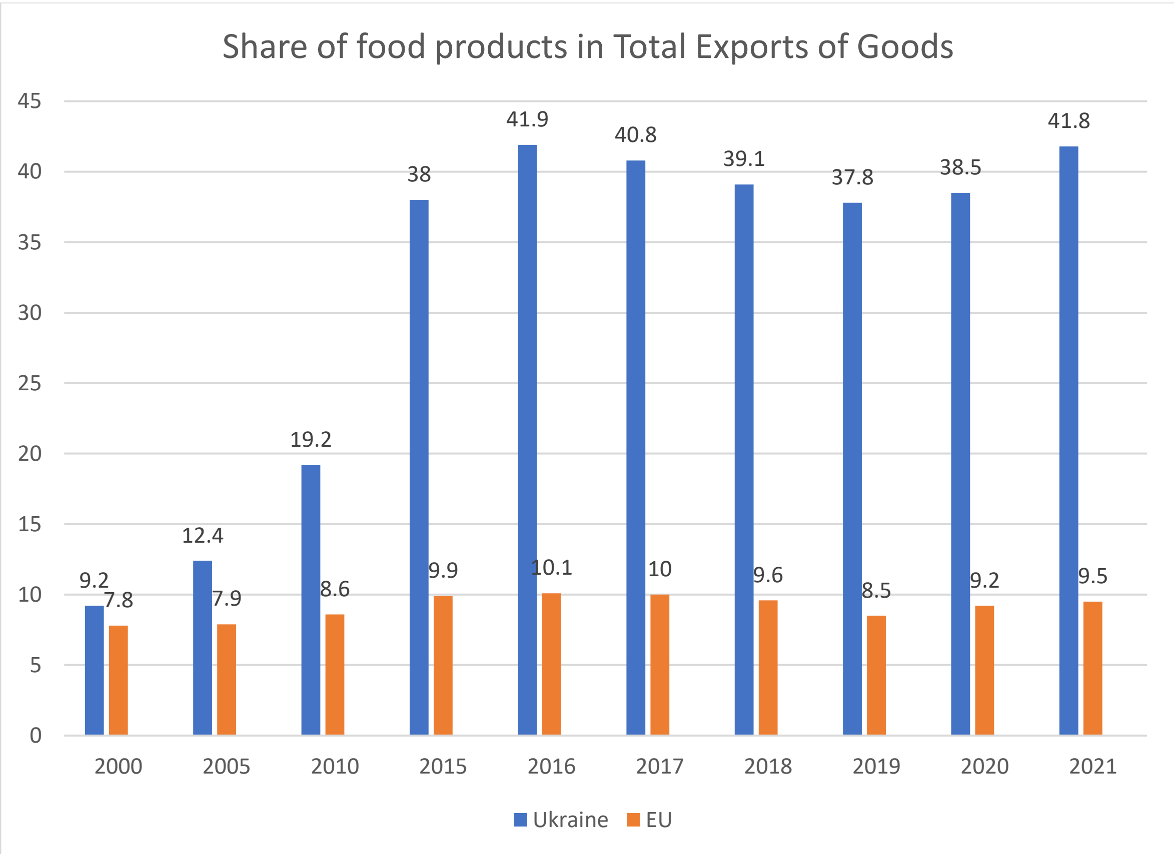



*Source: (Yakymenko, 2021: 63)*

Throughout the thirty years that Ukraine has been independent, the country has, in general, been able to successfully integrate itself into the global post-industrialization trend, which has enabled the services sector to flourish in a forward-looking manner. Between 1990 and 2019, its contribution to the gross domestic product of the nation than increased by double, going from 28.5 % to 54.4 %. The comprehensive mechanism for altering structural proportions was mainly caused by a substantial reduction in the manufacturing industry, decreasing from about 42.6 % of GDP (54.5 % in 1991) to 22.6%. This decline was a result of numerous sectors losing competitiveness in an open economy.

It is important to keep in mind that the capacity to employ relative advantages in global markets is the primary evaluation factor for the achievement of economic reforms. In this framework, the agricultural and food production industries of Ukraine display especially strong performance, gaining niches not just in international commerce but also in international trade. To be more specific, the proportion of food items that are exported from Ukraine has climbed from 9.2 % in the year 2000 to 39.1 % in the year 2021 (and even 41.9 % in the year 2016), which means that it has nearly tripled in a span of relatively short time.

*Figure 6: Share of food products in Total Exports of Goods*

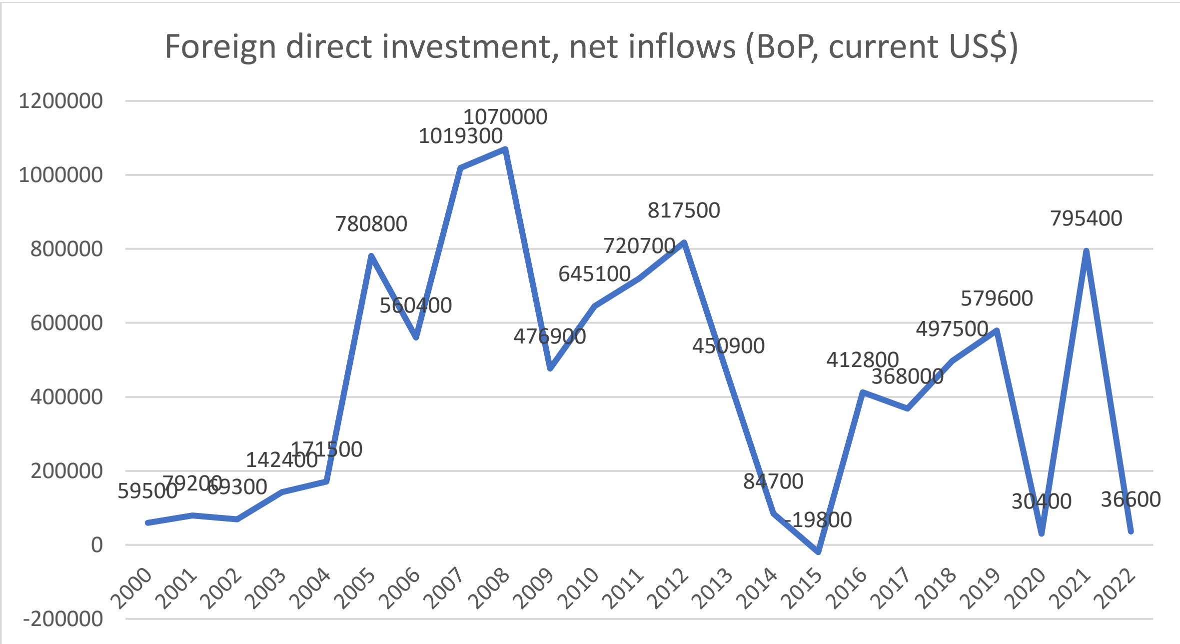



*Source: Derzhstat (2024)*

### 3.2.2 Foreign Direct Investments

Attracting foreign investment is related to the benefits and risks that exist in the host country. Today, the global economy reveals the essence of investment policy as a revival of cooperation with foreign investors, the regulation of economic, political and social activities, and control over the market (Gerasymchuk, 2021: 37). In Ukraine, there are a number of positive aspects, such as the liberalization of currency legislation, the stability of the national currency, reducing inflation, and continuing dialogue with the IMF, but there are old problems, such as an unreliable judiciary and political and economic turbulence (Gerasymchuk, 2021: 41). At the same time, the shadow economy, a lack of incentives, the lack of operational market information, and the low level of cooperation with investors, constrain the attraction of foreign investments (Averchuk, 2023).

*Figure 7: BoP of Ukraine, inflow and outflow (billion of USD)*




*Source: World Bank (2023)*

As can be seen in the Figure – 7, which include foreign direct investment (FDI) net inflows and FDI net outflows, these metrics exhibit a high degree of fluctuations, which is indicative of an uncertain business-investment environment in Ukraine. It is possible that the absence of a military risk insurance program in Ukraine is an additional obstacle that has to be resolved at the national degree with the goal to bring about an increase in the competitiveness of Ukraine for foreign direct investment (FDI).

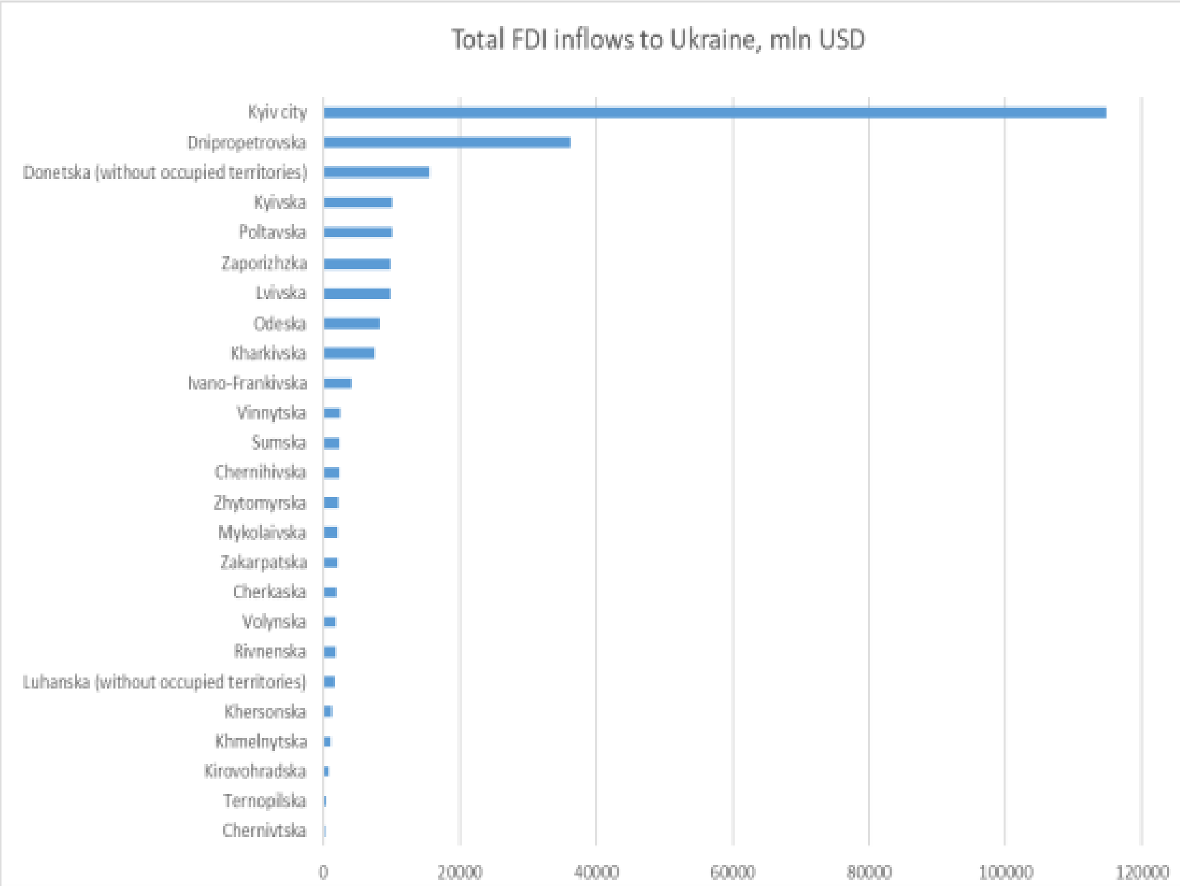
Insecurity, war dangers, and ruined facilities are the second most significant obstacles to foreign direct investment (FDI) in Ukraine. As a result, there has been a reduction in the amount of FDI flows (both inflows and outflows) from the year of 2012. In 2016, foreign direct investment (FDI) left Ukraine at a total of $198 million. According to the World Investment Report 2023 published by the United Nations Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) flows to Ukraine are expected to drop by about USD 7 billion in the year 2024, resulting in net disinvestment of USD -1.4 million (UNCTAD, 2023).

#### 3.2.2.1 Regional Distribution of FDI's

The chapter is devoted to evaluate data from the National Bank of Ukraine that spans the years 2015 through 2021 in order to get a deeper understanding of the manner in which Foreign Direct Investment (FDI) is distributed throughout different regions and industries in Ukraine. In order to achieve this goal, we will be classifying foreign direct investment (FDI) in Ukraine according to regions and industries. There are two figures that illustrate the data that is being examined: The Dynamics of Foreign Direct Investment (FDI) in Ukraine from 2015 to 2022, broken down by regions and expressed in USD billions, are shown in Appendix 1.

As a result of the study that is shown in Figure 8, it is clear that Kyiv City is the location that receives the greatest amount of foreign direct investment (FDI), which presents problems from the author's point of view. Kharkiv region, Zaporizhia region (thanks to its broad industrial base), and Odesa region are among of the other areas that are displaying signs of potential or promise. On the other hand, areas such as Mykolaiv region and Kherson region, which are strategically located along the Danube and the Black Sea, respectively, do not get sufficient amounts of foreign direct investment (FDI). This disparity may be linked to the concentration of foreign direct investment (FDI) in Kyiv City, which has led to an unequal distribution throughout Ukraine without any prioritizing of areas.

*Figure 8: Total FDI Inflows to Ukraine 2015-2021 (by region, million USD)*




*Source: Yakymenko (2020: 74).*

There is a significant amount of foreign direct investment (FDI) solely in the area around Kyiv City, as shown by the study presented above, while there is a shortage of efficient distribution of it in important sectors of the economy along with other regions. Noteworthy is the fact that foreign direct investment in Ukraine is broken down into the following:

1. Agriculture, forestry, and fishing
2. Industry (including mining and manufacturing)
3. Electricity, gas, steam, and air conditioning supply
4. Water supply, sewerage, and waste management
5. Construction
6. Trade and repair services for motor vehicles and motorcycles
7. Transportation, storage, postal, and courier activities
8. Temporary accommodation and catering services
9. Information and communication

10. Financial and insurance activities
11. Real estate activities
12. Professional, scientific, and technical services
13. Administrative services
14. Social security
15. Education
16. Health and social work
17. Arts, sports, entertainment, and recreation
18. Other services

Occasionally, nevertheless, the division that was offered above incorporates enormously various industries that aren't closely connected to one another (for instance, the first sector: extraction must stay self-sufficient from production; and the 6th industry: trade and repair activities constitute distinct fields of the economy). Furthermore, this differentiation fails to take into consideration the significance of certain businesses of economy, such as the appropriate areas of innovation. Both information technology and transportation infrastructure exist. As seen in Figure 10, the sector of commerce is the one that brings in the most foreign direct investment (FDI) in Ukraine, with the sole exception of the industrial sector. In this particular instance, the author is in agreement about the expert view of Vlasyuk (2022) believes the fact that it is necessary to shift the framework of the national economy out of a transit shadow economy to a real market economy in order to achieve the objective of constructing a technologically advanced economy that includes the digital processing business, protection advancements in technology, and developed transport systems.

## 3.3 Development of V – 4

The Visegrad collaboration has seen significant fluctuations in its characteristics since its establishment in 1991 (Fawn, 2013, 339). The development of the V4 may be categorized into two main eras: pre-accession and post-accession. The pre-accession phase might be further broken down into three distinct stages (1991-92, 1993-98, and 1998-2004) which indicate the degree of collaboration and degree of engagement (Dangerfield, 2008). The period before the four nations joined the EU was characterized by volatility, with the Visegrad countries alternating between tight collaboration and comparative passivity. This raised worries regarding the future of the V4 Partnership.

### 3.3.1 The Initial Years (1991-1992)

An increased level of collaboration between the three republics was a defining characteristic of the initial few years following the formation of the Visegrad Group. At a variety of stages, the elected officials of the nations met in a manner that was not structured but was still regular (Fawn, 2013, 342). As a result of their tight collaboration, they were able to accomplish the breakdown of the Warsaw Pact and the departure of Soviet soldiers from the three nations (Veselý, 2013: 32-33). The development of common strategies that would eventually lead towards the intended participation in the European Union and NATO remained the primary focus of the policy, with the exception of that specific attainment (Dangerfield, 2008: 630). In the initial stage, the most significant accomplishment was the establishment of the CEFTA in Krakow on the 21st of December in the year 1992 (Veselý, 2013: 33). The promptly Visegrad collaboration was defined by a strong dedication to commercial partnership, and the formation of CEFTA designed to promote regional trade, combine the market-based economies of the countries that joined, and therefore assist them in integrating towards European frameworks. This was accomplished through the development of CEFTA.

The formation of an intra-regional partnership per se did not constitute the primary objective during the early phase of the project; instead, the primary objective was to obtain participation in the European Union and the North Atlantic Treaty Organization (NATO). The collaboration was mainly conducted on an elite international platform (Veselý, 2013, 35). Through the ratification of the Europe Agreements in December of 1991, this objective has come to a full realization. According to Dangerfield (2008: 638) the rapidity of the entire system may be attributed to the communal method.

### 3.3.2 The Decline Phase (1993 – 1998)

The Visegrad partnership was hampered by a number of circumstances that finally contributed to the demise of the organization following the year 1992. This occurred after the organization had gotten off to an excellent beginning and engaging in intensive cooperation over the initial period of time. To begin, the split of Czechoslovakia in 1993 and the subsequent internal political changes that followed might be considered to be among the most significant elements that resulted in the obstruction of collaboration. In point of fact, the governing bodies of the newly formed Czech Republic and the Slovak Republic did not demonstrate a significant commitment to developing regional relations (Dangerfield 2008: 639).

According to Pehe (2011), and Walsch (2018), the Czech Republic's determining alliance, which is led by the prime minister Václav Klaus, turned out to be excessively cautious of the Visegrad Organization. They asserted that the regional collaboration only prevented the Czechs from catching up with the European Union in a timely manner. Individuality and "go-it-alone strategies" were ideas that Czech leaders considered would provide its citizens advantages throughout the course of acceptance (Rhodes, 2003: 9-10). At that time, Czech government leaders claimed that they were more equipped compared to their Visegrad allies. Prime Minister Klaus constituted opposed to any form of political interconnectedness and opposed the Visegrad Group. He believed that the CEFTA was much more essential compared to the Visegrad Group. As a consequence, his administration placed a primary emphasis on trade relations and dispatched authorities of an unreasonably low rank to events of the V4 (Fawn, 2008, 683).

The result of Vladimir Mečiar's authoritarian rule in Slovakia, who ruled from 1992 to 1998, which was responsible for the redirection of Slovak foreign policy far from Euro-Atlantic cooperation and more towards Russia and the East. This resulted in the nation being excluded from V4 conferences, as stated by Fawn (2008, 55).

The remaining three presidents were unwilling to be linked with the dictatorship in Slovakia because they were concerned about sacrificing an advantageous position in the development of Euro-Atlantic cooperation (Dangerfield 2008, 640; Rhodes, 2003, 64).

### 3.3.3 “Visegrad 2” & V4 Cooperation During the EU Accession Negotiations (1998-2004)

The Visegrad Group became more active once more in 1998 (interviews 2M and 4D), following a period of time during which their collaboration was slow. The resurgence occurred in part as a result of shifts to government in the Czech and Slovak Republics, and in particular as a result of the advancement of the procedures of joining NATO and the European Union (Dangerfield, 2008: 642; Fawn, 2003, 215). According to Dangerfield (2008) and Fawn (2013), the resignation of Václav Klaus in 1997 and following his replacement of a leadership that was primarily pro-V4 were seen to be favourable occurrences that contributed to the "Visegrad revival." Additionally, the election failure of Vladimír Mečiar in 1998 was also considered to be a significant factor. Moreover, it is worth noting that the newly formed government of Slovakia, which was led by Mikuláš Dzurinda, garnered greater acceptance from Western nations, hence enhancing Slovakia's chances of engaging in the NATO alliance and European integration/

The first official step toward bringing the Visegrad Group back together was taken at the CEFTA meeting in Prague in September 1998 (Dangerfield, 2008: 644). After that, leaders from the Czech Republic, Poland, and Hungary invited Slovakia to join the Visegrad Group again and take part in the meeting that was planned for October 1998 in Budapest (Fawn, 2001: 62). In May 1999, the first conference of "Visegrad 2" held in Bratislava. All four countries agreed to the terms spelled out in "The Content of Visegrad Cooperation" deal (Dangerfield, 2008: 644). They set up an organized framework for governments to collaborate together by holding frequent conferences at different levels. They also committed to working together more via programs like the "V4 plus" format, which made the relationship bigger (Dangerfield, 2008: 645–646).

### 3.3.4 After EU Accession (after 2004)

Slovakia adopted NATO in 2004, while all four of the nations in the group joined the EU. As a result, there was discussion about the Visegrad Group's prospects shortly after the EU membership talks were over (Dangerfield, 2008). A lot of people thought the project would "clinically die" after its "raison d'être," which was to bring together Euro-Atlantic countries, succeeded (Dostal, 2017: 35-41). To debunk these ideas, the Prime Ministers of the four countries got together in Kroměříž on May 12, 2004, to talk about how they would work together in the future. It was the lessons gained before accession which assisted them decide how to move the Visegrad collaboration forward after accession (Dostal, 2017: 35-41).

The Visegrad Group approved the Kroměříž Declaration in 2004. It lays off four ways for the four Central European countries to work together: within the V4 area, with other partners, with NATO, and with the EU. But, unlike the Visegrad Declaration of 1991, there were no set strategy objectives in 2004. People see the statement not as a major decision that changes the way things are usually done, but as a political document that confirms the countries' desire to keep talking to each other and working together to protect their shared interests. The four countries wanted to make Central Europe more distinct and keep building on their unity through Visegrad.

Despite initial skepticism about the committee losing its objective, the amount of conferences, particularly at governmental levels, has significantly increased since the EU's expansion in 2004 (Kořan, 2012: 207). The Visegrad collaboration is anchored in the security provided by long-standing personal networks that have formed throughout several decades via frequent meetings among ministries and other officials in all four nations (Lucas 2014). Nevertheless, despite some progress, the Visegrad Group continues to face challenges at greater political levels due to competitive mindsets and national goals. These tensions have culminated in several problems and difficulties, leading to doubts regarding the group's ability to sustain itself (Schmidt, 2016). The subsequent paragraphs examine the primary barriers that have hindered a more intimate collaboration among the V4 nations in recent times.

Russia is still the "greatest common divisor" for the Visegrad Group, as shown by what has happened in Ukraine since the Euromaidan revolution in 2013 and the recent war launched in February 2022. (Rácz, 2015: 2022b). Even though every nation were against Russia's takeover of Crimea and its violence in eastern Ukraine, they weren't able to agree on how to punish Russia (Rácz, 2015; Šuplata et al. 2015). Visegrad countries have different strategic worries, trade relationships with and energy reliance on Moscow, in addition to various values that affect their choices and how they feel about Russia (Kiss, 2015: Rácz, 2015).

### 3.3.5 Independent Actions of V–4.

The independent collaboration between the Visegrad nations and other parties, or the adoption of individual policies, is not a recent occurrence (CEPA, 2011: 32). During the process of joining NATO and the EU, the governments of the V4 countries often chose to take action and negotiate separately in order to reap benefits, as previously stated (Knutelská, 2011). In a similar vein, all four partners persist in vying with one another for expenditures, particularly in the automobile industry. An issue frequently mentioned about the Visegrad Group is that it was formed as a cooperative effort with specific objectives. As a result, the members' desire to collaborate is influenced by various incentives and national interests (Madej, 2013: 6; Michelot, 2015: 22). When all four partner countries cannot agree or when it seems more advantageous, they tend to choose individual methods (Keese, 2020: 87). The V4 generally reaches a consensus that is restricted to the most basic and widely accepted ideas.

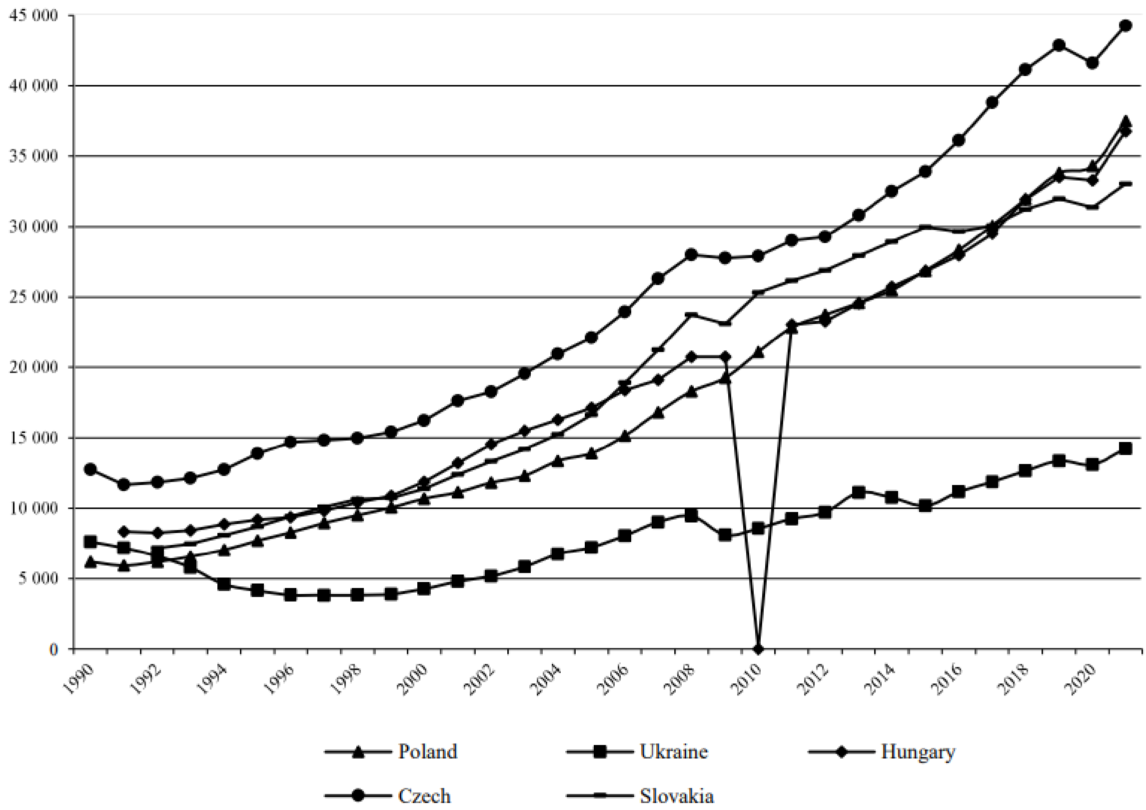
Indeed, the Visegrad Group operated in this manner for a period. However, upon the accession of the four partner states to the EU, they refined their approach, displaying a newfound adeptness in navigating disagreements and adopting a more assertive stance in achieving their union's objectives. One key objective was the support for both the Eastern Dimension of the ENP and the aspirations of the Western Balkan states to integrate into the EU. Another priority was a collective emphasis on attaining energy independence (Kořan, 2012). Apart from initiating regular pre-Council meeting discussions in 2009, most exchanges occurred at lower levels of governance. This gradually expanding network of contacts at working levels has since become a significant aspect of regional cooperation in Central Europe. Furthermore, the inaugural Czech, Hungarian, and Polish EU presidencies in 2009, 2011, and 2011 respectively, provided an educational platform, affording them the opportunity to shape agendas and formulate policies rather than merely adhering to EU regulations (Nič, 2016).

## 4. Practical Part

### 4.1 Comparative Analysis

More than three decades ago, Ukraine and V4 made significant adjustments to the way economic policy was carried out, which was centered on market interactions instead of other factors. The initial circumstances in each of the nations that were taken into account were, for the most part, comparable. Comparatively speaking, the outcomes of the reforms that were implemented in Ukraine and V4 are quite different from one another. A macroeconomic indicator such as GDP (according to PPP) per capita in dynamics during the period of 1990-2021 will be used by us in order to make a comparison between them (Figure 9). Its use makes it possible to evaluate, in a manner that is both fair and objective, not only the ratio of the buying power of the people, the level of labor productivity, and the status of the financial system in other countries, but also to compare the states of their overall economic growth.

*Figure 9: Dynamics of GDP (PPP) per capita in Ukraine and V4, in dollars,*




*Source: World Bank (2023)*

The disparity in GDP (Gross Domestic Product) per capita between the V4 nations and Ukraine in 1991 can be explained as follows: The Czech Republic's GDP per capita was 1.6 times higher, Poland's was 0.8 times higher, Slovakia (in 1992) was at parity, and Hungary's was 1.2 times higher than Ukraine's. By the end of 2021, this gap had widened, with Poland's GDP per capita 2.6 times higher, Slovakia's 3.1 times higher, and Hungary's 2.3 times higher compared to Ukraine's. Over the period from 1991 to 2021, GDP growth per capita in the V4 nations compared to Ukraine showed significant differences: Poland's grew by 6.3 times, the Czech Republic's by 3.8 times, Slovakia's (since 1992) by 4.6 times, Hungary's by 4.4 times, whereas Ukraine's only doubled.

*Table 4: Main indicators of quality of life in Ukraine and V-4*

| **Indicators** | **Poland** | **Czechia** | **Slovakia** | **Hungary** | **Ukraine** |
|---|---|---|---|---|---|
| GDP (PPP) & billion | 1 438 | 469 | 194 | 362 | 588 |
| GDP (PPP) per capita $ th. per person. | 37 997 | 43 837 | 35 463 | 37 201 | 14 324 |
| Human Development Index | 0.875 | 0.889 | 0.848 | 0.846 | 0.779 |
| Expected duration life, years | 78.6 | 79.3 | 77.5 | 76.8 | 72.3 |
| Average monthly salary, in EUR | 1 115 | 1 250 | 1 261 | 1 067 | 360 |
| Security housing sq.m for 1 person | 24.2 | 27.7 | 26 | 31.2 | 23.5 |

*Source: Own processing, based on (World Bank, 2023, EuroStat, 2023 and HDI, 2022)*

Table 4 presents data enabling a comparison of the quality of life and standard of living among Ukraine, V4 nations, and Germany within the European Union. Key criteria such as gross domestic product (GDP) per capita, human development index (HDI), life expectancy, average monthly wage, and housing are analyzed. Additionally, it includes the respective global rankings in brackets. It is evident from the data that Ukraine lags significantly behind its neighboring countries in terms of these primary indicators, reflecting lower socio-economic development and quality of life for its population. Particularly concerning is

Ukraine's comparatively short life expectancy of 72.33 years, placing it at 114th globally. The average monthly wage in Ukraine stands at 360 euros.

The State Statistics Committee of Ukraine reports that between those countries that are partners in trade with Ukraine in 2021, the V4 nations hold the following places in the three most significant parameters (placement on the list; amount of trade, in millions of dollars; share in total trade, in percentages): There are four countries in this group: Poland (2; 9000; 6.8), Czech Republic (14; 2430; 1.8), Hungary (18; 1833; 1.4), and Slovakia (20; 1818; 1.4). As a result, V4 has a prominent place in the Top 20 among the 235 nations that are Ukraine's commercial partners (SSSU, 2021).

*Table 5: Foreign trade in goods of Ukraine and V4 in 2002/2021, in million*

| **Country** | **YEAR** | **EXPORT** | **IMPORT** | **BALANCE** | **TRADE TURNOVER** |
|---|---|---|---|---|---|
| Poland | 2002 | 505 | 537.2 | 31.2 | 1042.2 |
| Poland | 2021 | 5227.4 | 4962.5 | 264.9 | 10189.9 |
| **Based Index Change %** | | **90.34%** | **89.17%** | | **89.77%** |
| Czechia | 2002 | 172.9 | 223.2 | 50.3 | 395.1 |
| Czechia | 2021 | 1414.6 | 1480.8 | 66.2 | 2895.4 |
| **Based Index Change %** | | **87.78%** | **84.93%** | | **86.35%** |
| Slovakia | 2002 | 292.1 | 136.1 | 156 | 428.2 |
| Slovakia | 2021 | 999.3 | 923.2 | 76.1 | 1922.5 |
| **Based Index Change %** | | **70.77%** | **85.26%** | | **77.73%** |
| Hungary | 2002 | 525.1 | 188.8 | 336.3 | 713.9 |
| Hungary | 2021 | 1622 | 1571 | 51 | 3193 |
| **Based Index Change %** | | **67.63%** | **87.98%** | | **77.64%** |

*Source: State Statistics Service of Ukraine (2022)*

The deindustrialization of the Ukrainian economy was caused by reforms that were not well balanced and were implemented too quickly (see Chapter 3.2.1). The structure of Ukrainian exports, which consists mostly of raw resources, lends credence to this assertion. During the year 2021, the structure of export deliveries from Ukraine to the V4 nations was dominated by ores, slags, and ash. Additionally, black metals, agricultural goods, timber, and pulp and paper products were also among the most important components. To highlight the positive aspects, it is important to take notice of the fact that Hungary accounts for forty percent of the total exports of electrical equipment, followed by the Czech Republic (16.8%). Poland (9.7%). and Slovakia (9.1%) (SSSU, 2021). From Table 5, it is seen that the Chain Base Index increases for all countries within a given frametime.

Products with a high value added are given a significant position in the structure of imports coming from the V4 nations. Electrical machinery. land vehicles. nuclear reactors and boilers. and pharmaceutical items are the primary categories of high-tech components that are imported into the country. On the Ukrainian market. there is a need for mineral fuels. oil and items derived from its distillation. polymeric materials. and rubber. There is a growing trend in the exchange of different kinds of services in a variety of industries. including transportation. business. tourism as for the year (SSSU, 2021). the processing of material resources. and the information technology sector specifically.

## 4.2 Foreign Direct Investments of V-4 in Ukraine

According to data obtained from the National Bank of Ukraine as of January 1, 2022, significant amounts of investment capital have been transferred into the Ukrainian economy from the V4 countries. In particular, the Czech Republic contributed 213.0 million dollars, Poland 1140 million dollars, and Slovakia 280.7 million dollars. Hungary contributed 390.7 million dollars. The majority of these investments were allocated to industries and sectors including real estate transactions, financial and insurance services, and wholesale and retail trade. Polish entrepreneurs' activities serve to emphasize the eagerness of foreign investors to allocate their financial resources towards Ukraine. Their investment earnings increased by an unprecedented 130 million euros between 2014 and 2021 (NBU, 2023).

## 4.3 Trade with EU-27

### 4.3.1 Export of Ukraine to EU-27 for 2021

This article's objective is to conduct an analysis of the value indicators of Ukraine's foreign trade in products with the European Union in the year 2021. As well as to assess the influence that the conflict will have on Ukraine's export and import operations with the European Union in the coming years. The first step in accomplishing this goal will include the use of ABC-analysis which is based on Pareto Method, which will result in the categorization of all EU nations into the three categories, see Table 6.

For analytical purposes, data will be collected from the official website of the State Statistics Service of Ukraine, excluding the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol, and portions of the temporarily occupied territories in the Donetsk, Zaporizhia, Kherson, and Luhansk regions. Additionally, information will be sourced from the Ministry of Economy of Ukraine.

*Table 6: Analysis of ABC*

| Criteria | A | B | C |
|---|---|---|---|
| Description | Countries with the volume of goods export ranging from 80 % and more. | Countries with the volume of goods export ranging from 15 % and more. | Countries with the volume of goods export ranging from 5 % and more. |

*Source: Totska (2022)*

Ukrainian exports of items to the EU. Indicators of the number of items that Ukraine sells to 27 countries in the European Union are shown in Table 1. In addition to this. it will compute the percentage of overall exports of Ukrainian commodities to the European Union as well as the cumulative percentage of each nation. The last step is to identify the category that they belong to base on the findings of the ABC analysis. Please take note that the nations mentioned in Table 7 are arranged in a decreasing order of the number of commodities they export.

*Table 7: Ukraine's trade in goods with EU – exports. 2021 (thsd. USD)*

| Position | Country | Exports | Share in total exports to the EU. % | Accumulated share of exports to the EU. % | ABC classification |
|---|---|---|---|---|---|
| 1 | Poland | 5 257 413.10 | 19.5% | 19.5% | A |
| 2 | Italy | 3 449 269.20 | 12.8% | 32.4% | A |
| 3 | Germany | 2 866 373.40 | 10.7% | 43.0% | A |
| 4 | Netherlands | 2 345 530.20 | 8.7% | 51.7% | A |
| 5 | Spain | 1 677 241.70 | 6.2% | 58.0% | A |
| 6 | Hungary | 1 622 073.10 | 6.0% | 64.0% | A |
| 7 | Romania | 1 545 445.30 | 5.7% | 69.7% | A |
| 8 | Czech Republic | 1 414 558.40 | 5.3% | 75.0% | A |
| 9 | Slovakia | 999 275.10 | 3.7% | 78.7% | A |
| 10 | Austria | 915 155.50 | 3.4% | 82.1% | B |
| 11 | France | 896 493.50 | 3.3% | 85.4% | B |
| 12 | Bulgaria | 856 770.90 | 3.2% | 88.6% | B |
| 13 | Belgium | 659 034.30 | 2.4% | 91.1% | B |
| 14 | Lithuania | 576 917.60 | 2.1% | 93.2% | B |
| 15 | Portugal | 341 202.10 | 1.3% | 94.5% | B |
| 16 | Latvia | 288 575.10 | 1.1% | 95.5% | C |
| 17 | Denmark | 285 816.40 | 1.1% | 96.6% | C |
| 18 | Greece | 212 785.10 | 0.8% | 97.4% | C |
| 19 | Estonia | 168 628.90 | 0.6% | 98.0% | C |
| 20 | Finland | 110 813.20 | 0.4% | 98.4% | C |
| 21 | Sweden | 108 674.50 | 0.4% | 98.8% | C |
| 22 | Ireland | 97 882.30 | 0.4% | 99.2% | C |
| 23 | Slovenia | 76 974.50 | 0.3% | 99.5% | C |
| 24 | Cyprus | 47 678.00 | 0.2% | 99.7% | C |
| 25 | Croatia | 45 746.00 | 0.2% | 99.8% | C |
| 26 | Malta | 30 105.60 | 0.1% | 99.9% | C |
| 27 | Luxembourg | 15 652.40 | 0.1% | 100.0% | C |
|  | Total | 26 912 085.40 | 100.0% |  |  |

*Source: State Statistics Service of Ukraine (2022)*

Therefore, the nine nations that make up Group A are as follows: Poland, Italy, Germany, the Netherlands, Spain, Hungary, Romania, and the Czech Republic and Slovakia from the European Union. There was a total of 999.3 million to 5.227.4 million dollars' worth of

Ukrainian products that were shipped to each of these countries in 2021. The percentage of the total quantity of commodities that Ukraine exported to the European Union that was accounted for by these nations varied from 3.7% to 19.5%. However, the total ratio of exports to the A countries accounts for 78.7%.

Group B in the table consists of countries with moderate Ukrainian export volumes to the European Union, including Austria, France, Bulgaria, Belgium, Lithuania, and Portugal. Collectively, these countries contribute approximately 11.2 million units (in the units of measurement used in the table) to the EU market. Individually, their share in total exports to the EU ranges from 0.8% to 3.4%. However, their cumulative share of total exports to the EU amounts to 17.9%, signifying their collective significance in the EU market. While the trade ratio for each country within Group B varies. As a group, they represent a notable portion of the EU's trade activity, facilitating significant economic exchanges within the European Union.

Group C in the table comprises countries with relatively lower export volumes to the European Union compared to Groups A and B. These countries include Latvia, Denmark, Greece, Estonia, Finland, Sweden, Ireland, Slovenia, Cyprus, Croatia, Malta, and Luxembourg. Despite their lower individual export volumes, the combined total trade from Group C countries plays a significant role in the EU market. These countries contribute to the EU market, with a total trade value of approximately 5.5%. Individually, their trade activities vary. with each country contributing differently to the total trade turnover with Ukraine. However, as a group, they collectively facilitate economic exchanges within the European Union, contributing to the overall trade dynamics of Ukraine.

There was a wide variety in export quantities ranging from 15.7 million USD to 5.227.4 million USD in total. The fact that Ukrainian products were sent to every country in the EU should be brought to the attention. Table 8 displays the findings of an ABC analysis that was performed on the nations that make up the European Union based on the value of Ukrainian exports of commodities in the year 2021.

*Table 8: Results of ABC analysis across EU countries and Ukrainian export of goods. for 2021.*

| Group of countries | Number of countries | Share of countries. % | The cost of expend. thsd. USD. | Share of export. % |
|---|---|---|---|---|
| A | 9 | 33% | 21 177 179.50 $ | 78.7% |
| B | 6 | 22% | 4 245 573.90 $ | 15.8% |
| C | 12 | 45% | 1 489 332.20 $ | 5.5% |
| Total | 27 | 100% | 26 912 085.40 $ | 100% |

*Source: Own, based on the Table 7.*

The member countries of Austria, France, Bulgaria, Belgium, Lithuania, and Portugal were the members of Group B, which represents the European Union. The amount of money that these nations spent on Ukrainian items varied from 341.2 million to 915.2 million for the total amount of money that they spent. There was a range of 1.3 to 3.4% in how much they contributed to the overall number of commodities that were imported from Ukraine. It was determined that there was a discrepancy of USD 84 million between the lowest ranking of exports in Group A (USD 999.3 million) and the higher position in the second group (USD 915.2 million). Latvia, Denmark, Greece, Estonia, Finland, Sweden, Ireland, Slovenia, Cyprus, Croatia, Malta, and Luxembourg are the participants in Group C, which is comprised of twelve nations from the European Union. The total value of items exported from Ukraine to each of them was less than three hundred million dollars. There was a range of 0.1 to 1.1% in their proportion of the overall quantity of commodities that were exported to the European Union. In Group B, the lowest position of exports was 341.2 million dollars, while in Group C, the highest position was 288.5 million dollars. The gap between these two positions was 52.6 million dollars. There was a wide variety in export quantities, ranging from 15.7 million USD to 5.227.4 million USD in total. The fact that Ukrainian products were sent to every country in the EU should be brought to attention.

It is clear that in 2021, one-third of the nations that make up the European Union (EU) made purchases of Ukrainian products totaling USD 21.082.2 million. This represents 78.7% of the total quantity of goods that Ukraine exported to the EU. Additionally, 22.2% of EU countries made purchases of USD 4.224.1 million (15.8%). and 44.4% of EU countries made purchases of USD 1.486.7 million, or 5.5%. As a result, the majority of products (94.5% of the total) were exported from Ukraine to 55.5% of the nations that make up the European Union (groups A and B).

#### 4.3.1.1 Export of Ukraine and its Economic Growth

A correlation-regression analysis was performed to determine the dependence of Ukraine's exports to the EU countries on changes in gross domestic product on the basis of the following initial data (Table 9).

*Table 9: Exports to the EU and Ukraine´s GDP for 2002–2021, in million US dollars*

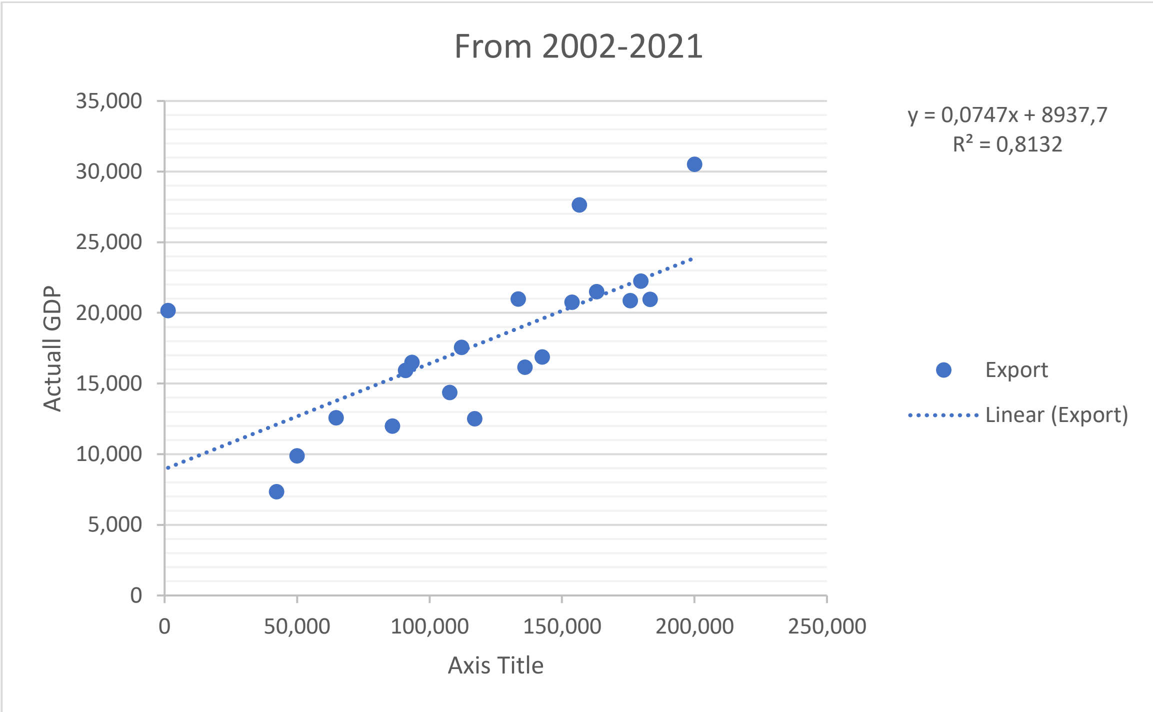
| **Indicator** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|---|
| GDP | 42 352 | 50 084 | 64 820 | 86 058 | 107 648 | 142 580 | 179 817 |
| Export | 7 358 | 9 887 | 12 571 | 12 001 | 14 362 | 16 889 | 22 248 |
| **Indicator** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| GDP | 117 113 | 136 013 | 163 160 | 175 781 | 183 310 | 133 503 | 91 031 |
| Export | 12 524 | 16 169 | 21 495 | 20 862 | 20 954 | 20 995 | 15 943 |
| **Indicator** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| GDP | 93 356 | 112 190 | 1 309 | 153 781 | 156 600 | 200 104 | n/a |
| Export | 16 501 | 17 554 | 20 166 | 20 751 | 27 651 | 30 514 | n/a |

*Source: State Statistics Service of Ukraine (2022)*

The value of the correlation coefficient ***(r)*** for a series that has a term of nineteen years is equal to ***0.8132*** respectively. Due to the fact that it is larger than zero, the link between the two indicators is direct. This indicates that an increase in exports to the nations that are members of the EU would result in an increase in GDP. Considering that the value of the correlation indicator is extremely near to 1, the link can be described as being pretty strong. This may be attributed to the fact that the European Union is its primary and most important trade partner. The regression equation has the following form: ***y = 0.0747x + 8937,7*** (Figure 3). This equation, that assumes that the value of exports is taken for ***x*** and the volume of GDP for ***y***, demonstrates the extent to which the proportion of gross domestic product will go up if Ukraine's exports to the nations of the European Union (EU) rise by one million dollars.

It should be brought to attention that over the last several years, the economic development of Ukraine has grown much more reliant on exports, and this dependency keeps on growing. This is something that is characteristic of the majority of countries that are developing market economies.

*Graf 1: Regression equation and coefficient of determination of exports to EU countries and Ukraine´s GDP*




*Source: Own processing in Excel.*

### 4.3.2 Import of Ukraine from EU-27 for 2021

The indicators of commodities that are imported into Ukraine from 27 different countries in the EU are presented in Table 2. Furthermore, it determines the percentage of each country's total imports of commodities from the European Union to Ukraine, as well as the cumulative percentage of each country's share, and it classifies the countries into the respective groups based on the findings of the ABC analysis. It is important to take note that the nations indicated in Table 10 are arranged in a declining order of imports.

*Table 10: Ukraine's trade in goods with EU – import,. 2021 (thsd. USD)*

| Position | Country | Imports | Share in total imports from the EU, % | Accumulated share in total imports from the EU, % | ABC classification |
|---|---|---|---|---|---|
| 1 | Germany | 6 384 374.90 | 22.28% | 22.28% | A |
| 2 | Poland | 4 645 500.10 | 16.21% | 38.49% | A |
| 3 | Italy | 2 737 593.00 | 9.55% | 48.04% | A |
| 4 | France | 1 664 887.60 | 5.81% | 53.85% | A |
| 5 | Hungary | 1 585 978.50 | 5.53% | 59.38% | A |
| 6 | Czech Republic | 1 445 978.90 | 5.05% | 64.43% | A |
| 7 | Lithuania | 1 291 457.40 | 4.51% | 68.93% | A |
| 8 | Netherlands | 1 011 095.80 | 3.53% | 72.46% | A |
| 9 | Spain | 989 882.50 | 3.45% | 75.92% | A |
| 10 | Slovakia | 932 213.60 | 3.25% | 79.17% | A |
| 11 | Austria | 859 877.00 | 3.00% | 82.17% | B |
| 12 | Romania | 765 833.70 | 2.67% | 84.84% | B |
| 13 | Belgium | 753 705.60 | 2.63% | 87.47% | B |
| 14 | Sweden | 724 637.90 | 2.53% | 90.00% | B |
| 15 | Bulgaria | 542 297.90 | 1.89% | 91.89% | B |
| 16 | Greece | 495 622.70 | 1.73% | 93.62% | B |
| 17 | Finland | 306 066.40 | 1.07% | 94.69% | B |
| 18 | Denmark | 305 260.60 | 1.07% | 95.75% | C |
| 19 | Slovenia | 287 793.70 | 1.00% | 96.76% | C |
| 20 | Ireland | 231 456.20 | 0.81% | 97.57% | C |
| 21 | Latvia | 213 803.40 | 0.75% | 98.31% | C |
| 22 | Estonia | 156 880.00 | 0.55% | 98.86% | C |
| 23 | Malta | 113 055.50 | 0.39% | 99.25% | C |
| 24 | Portugal | 88 799.40 | 0.31% | 99.56% | C |
| 25 | Croatia | 66 679.30 | 0.23% | 99.80% | C |
| 26 | Cyprus | 38 039.10 | 0.13% | 99.93% | C |
| 27 | Luxembourg | 20 285.60 | 0.07% | 100.00% | C |
|  | EU 27 | 28 659 056.30 | 100.00% |  | - |

*Source: State Statistics Service of Ukraine (2022)*

Table 10 reveals that group A is comprised of 10 countries that are members of the European Union. These countries are as follows: Germany, Poland, Italy, France, Hungary, the Czech Republic, Lithuania, the Netherlands, Spain, and Slovakia. In the year 2021, Ukraine bought items from each of these countries with a total value ranging from 932.2 million to 6,384.4 million US dollars. It was found that these nations contributed anything from 3.25 to 22.2% of the total quantity of commodities that were imported from the European Union.

Consequently, group B pulled up seven countries from the European Union: Austria, Romania, Belgium, Sweden, Bulgaria, Greece, and Finland from the European Union. A range of USD 306.1 million to USD 860.1 million was seen in the amount of items that were purchased by Ukraine. When it came to the overall amount of products imported from the EU, their participation varied anywhere from 1.07% to 3.0%. There was a gap of USD 72.1 million from the lower import position within group A (USD 932.2 million) and the higher import place in the second group (USD 859.8 million).

The last ten EU countries make up Group C: Denmark, Slovenia, Ireland, Latvia, Estonia, Malta, Portugal, Croatia, Cyprus, and Luxembourg. Each one sent a little over USD 306 million worth of merchandise to Ukraine. It represented 0.07% to 1.07% of all the things they bought from the EU. There had been an USD 0.8 million gap between the lowest trade ranking in Group B (USD 306.1 million) and the highest place in the third group C (USD 305.2 million).

All things considered, the range of quantities that were imported was anything from USD 20.3 million to USD 6,284.4 million. Imports of commodities to Ukraine came from every single country in the European Union, which is something that should be recognized. The findings of the ABC-analysis of the nations that make up the European Union based on the value of commodities that are imported into Ukraine in 2021 are shown in Table 11.

*Table 11: Results of ABC analysis across EU countries and Ukrainian import of goods for 2021.*

| Group of countries | Number of countries | Share of countries. % | The cost of expend. thsd. USD. | Share of export. % |
|---|---|---|---|---|
| A | 10 | 37% | 22 688 962.30 $ | 79.17% |
| B | 7 | 26% | 4 448 041.20 $ | 15.52% |
| C | 10 | 37% | 1 552 052.80 $ | 5.31% |
| Total | 27 | 100% | 26 912 085.40 $ | 100% |

*Source: Own, based on the Table 10.*

### 4.3.3 Trade Summary

The EU is Ukraine's largest trading partner, accounting for 55.2% of its trade in goods in 2022. Ukraine is the EU's 17$^{th}$ biggest trading partner, accounting for around 1% of the EU's total trade in goods. Total trade in goods between the EU and Ukraine reached €57.8 billion in 2022, meaning that trade in goods has doubled since the entry into force of the DCFTA in 2016.

Ukraine's exports to the EU amounted to €27.6 billion in 2022, an increase of over 15% compared to the previous year, aided by Solidarity Lanes that help Ukraine export its products by road, rail and inland waterways following Russia's unprovoked and unjustified invasion of Ukraine and blockade of its seaports. Ukraine's main exports to the EU by value are cereals (16.5% of total exports), oil seeds (11.7%), animal or vegetable fats and oils (10.7%), iron and steel (9.3%), and ores, stag and ash (8.4%). In 2022, Ukraine overtook the US as the third-biggest source of EU agrifood imports.

The EU's exports to Ukraine amounted to €30.1 billion in 2022. EU exports to Ukraine have increased by 6.5% since 2021. The EU's main exports to Ukraine are mineral fuels and mineral oils (20% of all exports), motor vehicles (9.7%), electrical machinery (9.4%), machinery (8.4%), and plastics (4.4%).

The AA/DCFTA aims to boost trade in goods and services between the EU and Ukraine by gradually cutting tariffs and bringing Ukraine's rules in line with those of the EU in certain industrial sectors and agricultural products. To better integrate with the EU market, Ukraine is aligning its legislation to the EU's norms and standards for industrial and agri-food products (European Commission, 2023). Ukraine is also approximating its legislation to the EU's in trade-related areas such as:

- Competition
- Technical barriers to trade (TBT)
- Sanitary and phytosanitary (SPS)
- Customs and trade facilitation
- Protection of intellectual property rights

## 4.4 Ukraine Learned the Lesson for V-4

Following Maidan and as the war in Ukraine continued to develop in 2014, Kyiv placed a great deal of faith in Visegrad. During the 2000s, and particularly in 2004 and 2013–2014, the V4 has been seen as Ukraine's strong backer in the process of Euro-Atlantic integration. It has been supportive and encouraging of Ukraine's success relying on the Visegrad Group's own experience. When comparing to other actors, Visegrad can be hard to give values to because of its large size. Visegrad was one of the Western allies that the administration that took power after Yanukovych attempted to cultivate ties with. Unfortunatelly, postcommunist area already had a great number of regional groupings that overlap with one another. As a result, Ukraine develops with alternatives. In addition, certain postcommunist countries of the European Union and NATO have a more favorable attitude on Ukraine's security than others. Unlike the other V4 nations, Poland and the Baltic states have adopted a stance that is distinct from their actions.

In the years leading up to the year 2022, they saw Russia as unquestionably belligerent, and Ukraine as an unquestionable victim (Fawn & Drobys, 2022). Having this perspective, as well as the armed forces buildups that have taken place in those nations, both with their own resources and with additional NATO deployments, have demonstrated that they are trustworthy partners.

From the year 2020 forward, Ukraine has been conducting experiments with a variety of forms, including the Lublin process, in collaboration with Lithuania and Poland. An organization known as the Lithuanian–Polish–Ukrainian Brigade (LitPolUkrBrig) was founded in the same Polish city in 2014. According to the findings of Ukrainian military study, neither Lithuania nor Poland has the resources to adequately assist Ukraine in significant ways. In response to the situation, a large number of multilateral units have been organized in the surrounding region. Regardless of these attempts, Ukraine went back to Visegrad.

In order to facilitate ties with Kyiv, Visegrad has developed specialized format. Additionally, Ukrainian analyzes have advised changing the V4–EaP framework. Visegrad has not made any public statements on the suggested forms; nevertheless, they would give priority to the two or three EaP countries who have signed assurance agreements: According to Maksak (2018), Ukrainian sources are indicating that either V4 + 3 (Ukraine, Moldova, and Ukraine) or V4 + 2 (Ukraine and Georgia) is the correct answer. With this idea, Visegrad will continue to serve as a core partner, and regardless of the specific structure, Ukraine will continue to be a member of it with the V4.

There are larger lessons that may be learned from Ukraine's experience in Visegrad, lessons that may not have been created in Visegrad's many other connections, not the least of which is the fact that the relationship with Ukraine is long-standing and varied. It has been necessary for Ukraine to acquire the knowledge that Visegrad is not a single institution that remains constant. The goals of its yearly presidencies change, and the aggregate focus and activities of Visegrad are not consistent. Eventhough, the economic perspectives are truly advantageous for Ukraine as seen in the above analysis of ABC. Recent strikes of Polish farmers, however, demonstrated an alerting sign, by blocking roads and highways with agricultural products of Ukrainian export towards EU states. The French acted the same way, which isn't quite the V-4 format, but actually more than Ukraine wish for, accession to the EU.

The Visegrad presidency presents both opportunities and risks for action. For instance, following 2017, the Hungarian and Polish presidencies adopted differing approaches towards Ukraine. The Hungarian government raised significant concerns when Ukraine introduced a new education law mandating the use of only one language in state schools. Orban's administration threatened to impede Ukraine's integration into the EU and NATO further unless the law was revoked or amended. In response, Ukraine amended the law in 2023 to accommodate the official languages of the European Union, including Hungarian.

Additionally, Orban consistently leaned towards the Russian side due to Hungary's high dependency on fossil fuels, which constitute over 80% of the Hungarian economy.

The recent election of Prime Minister Robert Fico in Slovakia poses yet another challenge for Ukraine. Following the election, Fico made remarks that seemed to sympathize with Russia's invasion of Ukraine, suggesting that Russia's actions were driven by concerns about NATO expansion potentially leading to a third world war. Fico also issued threats to veto Ukraine's accession into both the EU and NATO.

Ukraine has already encountered such differences among Visegrad Group (V4) members. Moreover, the rotation of Visegrad presidencies each year allows for the establishment of new policies and political agendas by new V4 presidencies. Ukrainian authorities can only hope that future presidencies of Hungary and Slovakia will lead to smoother relations with Ukraine.

Visegrad proved to be an important way for Ukraine to connect with people in the West and meet its Euro-Atlantic foreign policy goals. It may become even more important once the European Council's decision to make Ukraine a candidate country takes effect. Ukrainians know that politics in each of the V4 countries change, which has an effect on the relationship between Kyiv and Visegrad. Inconsistencies have been caused by Visegrad, and some Ukrainian authorities have been disappointed with it. In a strange way, Visegrad could still be an important place for Ukraine to connect with people in the West and reach its Euro-Atlantic foreign policy goals.

While Ukraine receives incentives by EU members and non-EU members (United Kingdom, Japan, USA). Ukrainian government fears the fact that it won't last forever. The hurry of Ukraine joining the EU is an understandable action. Ukraine has gone through a lot, political turbulence, ongoing war from 2013, economic instability, high level of migration, mobilization and uncertainty for the future just to name a few. This time, Ukraine demonstrated that it actually fights for its integrity, independency and future overall.

## 5. Results and Discussion

The economic ties between the Visegrád Group (V4) nations – Hungary, Poland, Slovakia, and the Czech Republic – and Ukraine have evolved into a complex and substantial network, touching upon multiple facets such as trade, investment, energy collaboration, and diplomatic dialogue. However, various research papers have delved into different dimensions of this relationship, shedding light on various aspects. For instance, Totska (2021) examined Ukraine's dependency on trade with EU countries, employing a dependency theory framework. Highlighting the significance of these V4 countries, Totska noted that all four ranks among Ukraine's top seven trading partners. Through the use of dummy variables to gauge proximity to EU borders, Totska's findings underscored the considerable reliance of the Ukrainian economy on trade with Poland (ranking first), the Czech Republic (fourth), and Slovakia (sixth), as revealed in Table 7 and 10. Interestingly, while the European Commission countries exhibited a strong dependence on Ukraine as a key supplier of oil and gas, reinforcing the interdependence between the regions.

Another study by Gerasymchuk (2021) offered additional insights, proposing that temporarily suspending tariffs and trade protection measures on Ukrainian exports to the EU could bolster bilateral trade. Gerasymchuk's research also touched upon prior institutional reforms within Ukraine, including efforts to overhaul the civil service, bolster the judiciary, combat corruption, and foster growth in the media sector. Utilizing a predominantly quantitative approach, Gerasymchuk analyzed balance of payments (BOP) data and commodity structures to discern patterns and potential areas for improvement in trade relations. These studies collectively contribute to a deeper understanding of the economic dynamics between the V4 countries and Ukraine, highlighting opportunities for mutual benefit and avenues for further cooperation.

There is a consensus among scholars such as Áslund (2001), Dabrowski (2002), and Shiells et al. (2006) regarding the transition period of Ukraine following the collapse of the Soviet Union. They suggest that, compared to Georgia, Ukraine emerged from the stagnation period relatively faster. However, they argue that the process of privatization, which Ukraine pursued, was a significant misstep. Despite this, Ukraine felt compelled to assert full control over domestic assets, leaving few alternatives. Unfortunately, like many other former Soviet states, Ukraine struggled to mitigate the widening poverty gap exacerbated by privatization.

This disparity continues to persist, illustrating the enduring impact of Ukraine's privatization policies on its socioeconomic landscape.

It is evident that if Ukraine were to become a member of the EU, an economic upsurge could be anticipated, as Ukraine would gain access to markets across Europe. However, Ukraine's previous attempts to join the EU were unsuccessful due to its failure to meet the EU's membership criteria. Concerns were raised by some European countries, including Poland, Czech Republic, and Romania, regarding Ukraine's potential as a strong trade competitor. When formal negotiations began in 2011, the EU expressed concerns about quotas for grain exports, full access to the EU market, and the geographical names of Ukrainian products (Bilateral, 2011).

In addition to Ukraine, several other countries, such as Georgia, Moldova, Montenegro, Albania, and Turkey, also expressed a desire to join the EU. However, Ukraine faced a crucial decision: proceeding with EU membership negotiations would require withdrawing from the Commonwealth of Independent States (CIS).

Essentially, the situation regarding Ukraine's potential accession to the European Union (EU) is complex and multi-faceted. While the EU may be open to Ukraine's membership, certain challenges need to be addressed first. These challenges include:

1. **Democratic Values**: Ukraine needs to align itself more closely with EU democratic standards. Political stability and adherence to democratic principles are essential criteria for EU membership.
2. **Economic Stability**: Ukraine must demonstrate economic stability and the ability to integrate its economy with the EU's. Economic instability is a significant concern for EU member states.
3. **Legal Criteria**: Ukraine needs to fully accept and implement EU laws and regulations. This involves harmonizing its legal framework with EU standards.

Additionally, the EU has its own considerations and terms for accepting Ukraine:

- **Competitive Concerns**: The EU may have reservations about admitting Ukraine due to concerns about its potential as a strong economic competitor. Some member states may be wary of increased competition within the EU market.

- **Preference for Candidates**: With multiple countries expressing interest in joining the EU, there is competition among potential candidates. The EU may prioritize candidates who are better aligned with its criteria and objectives.

## 6. Conclusion

Ukraine has consistently shown support for the Visegrád Group (V-4) countries while simultaneously advocating its readiness to join the European Union (EU) as an independent state. However, due to political upheavals, Ukraine has faced challenges in gaining acceptance into the EU fold. In contrast, the V-4 block has remained cohesive for 33 consecutive years, successfully integrating into the EU. Economically, the V-4 countries have outperformed Ukraine on various fronts, demonstrating faster progress in shedding Soviet legacies and showcasing their values to Western partners to foster closer ties. Meanwhile, Ukraine has faced setbacks, primarily due to governance issues and ongoing pressure from Russia, rather than a lack of desire from its populace to join the EU.

| **Time Frame** | **V4 purpose and internal relations** | **V4 & EU** |
|---|---|---|
| Pre-accession (1991-2003) | Strengthening of neighborly ties<br>Promoting the process of Euro-Atlantic integration<br>Alternation between stagnant and intimate relationships | "Return to Europe" |
| Accession (2004) | The fulfillment of the organization's "raison d'être" | Successful accession to the EU |
| Early post-accession (2004-2008) | Additional domains of collaboration, such as aid extended to nations striving for accession to the European Union<br>Diverse levels of personal network development | Aspiration to establish their legitimate affiliation with the Western hemisphere<br>The pursuit of acknowledgment (such as the aspiration to establish agendas and formulate policies, as in the context of the ENP) |
| Post-accession (2009-2014) | Inauguratio Eastern Partnership<br>Implementation of routine pre-Council meeting consultations and adoption of the V4+ format | Dissatisfaction with the procedure of "catching up with the West" due to unfulfilled hopes<br>An increasing yearning for self-assertion |
| 2015-now | Internal divisions (V2+2) | The quest for emancipation<br>Diverse perspectives on European integration |

Nevertheless, owing to its strategic geopolitical location, Ukraine leveraged its status as an ideal intermediary between the European Union (EU) and the Commonwealth of Independent States (CIS) countries and Central Asia. Ukraine did not remain idle; rather, it continued to advance economically.

Drawing from this historical backdrop, it can be inferred that Ukraine's past involvement in advanced industries during the post-socialist period has left a profound impact on its economic character. The populace's familiarity with machinery, railway transportation, heavy industry, and military sectors stimulated economic growth and attracted foreign direct investment (FDI) into Ukraine, notably from Poland. This in turn spurred other Visegrád Group (V-4) countries to pursue similar paths. However, Ukraine might have benefitted from embracing the lessons of openness, as exemplified by the Czech Republic and Slovakia, which welcomed foreign capital even prior to EU accession. Such openness could have significantly bolstered Ukraine's modernization strategy.

Indeed, Ukraine has demonstrated competitive advantages in various sectors such as metallurgy, agriculture, and chemicals, which have contributed to its economic growth. Its geopolitical position has also played a significant role in its development. However, challenges remain, particularly regarding democratic values and external pressures, notably from Russia. Despite these challenges, Ukraine has taken steps towards aligning itself with EU standards and values.

Ukraine has made efforts to reduce the influence of oligarchs and strengthen democratic institutions. These reforms aim to enhance transparency, accountability, and the rule of law within the country.

Ukraine has been working to harmonize its policies and regulations with those of the EU. This includes adopting EU standards in various sectors, such as trade, environment, and consumer protection.

Ukraine has also strengthened its partnership with NATO, aiming to enhance its security and defense capabilities. This partnership signals Ukraine's commitment to Euro-Atlantic integration and aligns with EU security objectives.

However, challenges persist, particularly due to ongoing Russian aggression and interference in Ukraine's internal affairs. The conflict in Eastern Ukraine and the illegal annexation of Crimea by Russia has complicated Ukraine's path towards EU integration.

Despite these challenges, Ukraine's efforts to address democratic deficits and align with EU standards are crucial steps towards successful integration into the EU. Continued support from the EU and its member states, along with Ukraine's commitment to reforms and democratic principles, will be essential for realizing this goal.

While the EU may be open to Ukraine's accession, certain conditions must be met first. These conditions relate to democratic values, economic stability, and legal alignment. Moreover, competitive concerns and the preferences of EU member states also play a significant role in the accession process.

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# 8. List of Pictures, Tables, Graphs and Abbreviations

## 8.1 List of Tables



## 8.2 List of Graphs



## 8.3 List of Figures

## 8.4 List of Abbreviations

ABC analysis: Activity-Based Costing analysis

BoP: Balance of Payment

CEFTA: Central European Free Trade Agreement

CIS: Commonwealth of Independent States

COVID-19: Coronavirus Disease 2019

DCFTA: Deep and Comprehensive Free Trade Area

EaP countries: Eastern Partnership countries

EU: European Union

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

GUAM: Georgia, Ukraine, Azerbaijan, Moldova

HDI: Human Development Index

IMF: International Monetary Fund

MMC: Metal Manufacturing Company

NATO: North Atlantic Treaty Organization

NBU: National Bank of Ukraine

OSCE: Organization for Security and Co-operation in Europe

UN: United Nations

UNCTAD: United Nations Conference on Trade and Development

USA: United States of America

USSR: Union of Soviet Socialist Republics

V4: Visegrád Group (Czech Republic, Hungary, Poland, Slovakia)

WTO: World Trade Organization

# 9. Appendix

## 9.1 Dynamics of FDI (net inflows) in Ukraine 1992-2022, billion USD

| Year | Net inflows of FDI in Ukraine. USD –World Bank Open Data | Net inflows of FDI in Ukraine. USD-Ukraine Ministry of Finance | Portfolio Investment in Ukraine. billion USD | Net inflows of FDI % of GDP |
|---|---|---|---|---|
| 1992 | 0.2 | | | 0.3 |
| 1993 | 0. 2 | | | 0.3 |
| 1994 | 0.2 | | 0 | 0.3 |
| 1995 | 0.3 | | -0.004 | 0.6 |
| 1996 | 0.5 | | -0.2 | 1.2 |
| 1997 | 0.6 | | -1.6 | 1.2 |
| 1998 | 0.7 | | -0.047 | 1.8 |
| 1999 | 0.5 | | 0.86 | 1.6 |
| 2000 | 0.6 | | - | 1.8 |
| 2001 | 0.8 | | - | 2 |
| 2002 | 0.7 | 0. 7 | - | 1.6 |
| 2003 | 1.4 | 1.42 | -0.9 | 2.7 |
| 2004 | 1.72 | 1.71 | -2.07 | 2.6 |
| 2005 | 7.81 | 7.80 | -2.76 | 8.7 |
| 2006 | 5.6 | 5.60 | -3.58 | 5 |
| 2007 | 10.19 | 9.89 | -5.75 | 6.9 |
| 2008 | 10.7 | 10.9 | 1.28 | 5.7 |
| 2009 | 4.77 | 4.81 | 1.53 | 3.9 |
| 2010 | 6.45 | 6.45 | -4.34 | 4.6 |
| 2011 | 7.21 | 7.20 | -1.57 | 4.3 |
| 2012 | 8.18 | 8.40 | -4.69 | 4.5 |
| 2013 | 4.51 | 4.49 | -8.79 | 2.4 |
| 2014 | 0.8 | 0.4 | 2.7 | 0.6 |
| 2015 | -0.2 | -0.5 | -0.4 | -0.2 |
| 2016 | 4.13 | 3.81 | -0.3 | 4.4 |
| 2017 | 3.68 | 3.69 | -1.8 | 3.3 |
| 2018 | 4.97 | 4.45 | -2.08 | 3.8 |
| 2019 | 5.8 | 5.86 | -5.13 | 3.8 |
| 2020 | 0.3 | -0.9 | 0.8 | 0.2 |
| 2021 | 7.38 | 6.68 | -1.02 | 3.7 |
| 2022 | | 0.2 | - | |

*Source: World Bank (2022)*

| ***City*** | ***2014*** | ***2015*** | ***2016*** | ***2017*** | ***2018*** |
|---|---|---|---|---|---|
| Vinnytsia | 223.0 | 187.8 | 180.0 | 198.9 | 223.3 |
| Volyn | 271.2 | 247.1 | 246.1 | 251.3 | 259.6 |
| Dnipropetrovsk | 5.784.9 | 4.030.6 | 3.491.1 | 3.688.2 | 3.577.8 |
| Donetsk | 2.322.0 | 1.748.0 | 1.249.6 | 1.116.4 | 1.205.9 |
| Zhytomyr | 259.8 | 222.7 | 216.3 | 226.8 | 237.4 |
| Zakarpattia | 334.2 | 311.8 | 317.0 | 325.1 | 340.0 |
| Zaporizhzhia | 843.4 | 682.7 | 863.4 | 910.5 | 902.0 |
| Ivano-Frankivsk | 925.9 | 836.6 | 826.6 | 904.7 | 894.5 |
| Kyiv | 1.750.3 | 1.593.4 | 1.516.8 | 1.588.7 | 1.591.6 |
| Kirovohrad | 70.6 | 52.5 | 58.9 | 70.1 | 74.5 |
| Luhansk | 578.2 | 443.9 | 436.4 | 438.0 | 436.9 |
| Lviv | 1.097.6 | 1.032.9 | 833.5 | 930.0 | 922.2 |
| Mykolayiv | 228.9 | 212.8 | 213.5 | 206.1 | 227.4 |
| Odessa | 1.423.3 | 1.320.3 | 1.228.8 | 1.202.6 | 1.207.1 |
| Poltava | 1.039.4 | 1.000.1 | 1.003.0 | 1.008.8 | 1.027.0 |
| Rivne | 242.5 | 199.6 | 159.5 | 134.2 | 133.5 |
| Sumy | 263.3 | 199.1 | 190.0 | 181.5 | 182.9 |
| Ternopil | 55.8 | 49.2 | 48.2 | 45.0 | 55.8 |
| Kharkiv | 1.674.3 | 1.519.6 | 642.5 | 638.3 | 666.4 |
| Kherson | 208.2 | 211.0 | 201.3 | 218.5 | 204.2 |
| Khmelnytsk | 189.1 | 165.5 | 158.2 | 170.8 | 199.5 |
| Cherkasy | 512.9 | 348.0 | 334.4 | 335.7 | 334.3 |
| Chernivtsi | 68.6 | 59.1 | 57.1 | 42.6 | 44.0 |
| Chernihiv | 99.8 | 92.1 | 241.3 | 429.6 | 433.7 |
| Kyiv city | 17.889.6 | 15.356.3 | 16.516.8 | 16.343.9 | 16.910.2 |

*Soucre: State Statistics Service of Ukraine (2022)*

## 9.2 Declaration of the Defence and Security Committee of V-4

Their Defence Cooperation and the regularly updated Action Plan of the Visegrad Group Defence Cooperation.

The Chairpersons reached consensus that the V4 countries would focus on the next stand-by period of the V4 EU Battlegroup (BG) in the first half of 2023, reaching the full operational capability of the V4 Joint Logistics Support Group Headquarters (V4 JLSG HQ), improving joint education, training and exercises with the aim of producing capable, professional and highly interoperable Armed Forces and will continue seeking possibilities for further broadening and deepening of our cooperation in the area of defence.

The Chairpersons reiterated that the V4 countries will continue to increase their defence expenditure and look for synergies in defence planning and capability development with the aim of achieving ever-increasing interoperability of Allied Armed Forces.

The Chairpersons, in this vein, expressed that they stand for a collaborative approach within the V4 in the areas of capability development, joint procurement of military equipment and cooperation of defence industries, where a clear added value can be identified.

The Chairpersons committed to further cooperate and help shape the efforts aimed at strengthening the Eastern flank of NATO within the ongoing lines of work on the implementation of the Madrid summit decisions on deterrence and defence of the Alliance.

Furthermore, in perspective of the 2023 NATO Summit in Vilnius, the Chairpersons advocate for further steps to strengthen Allied deterrence and defence on the Eastern Flank against Russian threat, and taking into account Belarussian support for Russia's military actions.

The Chairpersons welcomed the invitation of Finland and Sweden to NATO. In this context their expressed satisfaction that the ratification procedures will soon be completed by all V4 countries. The Chairpersons stressed the importance of strengthening EU-NATO strategic partnership which is essential for European security.

The Chairpersons endorsed the efforts made within the EU to bolster European defence by improving the coherence and increasing the use of the EU's defence initiatives.

The Chairpersons confirmed the need to substantially enhance the military mobility, in particular by accelerating the implementation of military mobility infrastructure projects with appropriate EU funding assured.

The Chairpersons, in this context, appreciated the ambition to encourage further collaborative projects supporting the development and procurement of capabilities in order to address critical gaps while improving the interoperability of our Armed Forces.

The Chairpersons support the development of cooperation with important partners in the V4+ format, where a clear and united V4 message and benefit is identified. While most commonly working with partners such as the UK, France, Germany, the USA, Republic of Korea and the CEDC format, the V4 is open to cooperating with any partner who is aligned with its values.

*Source: https://www.visegradgroup.eu/documents/official-statements*