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Kharkov Trade and Economic Institute**of Kyiv National University of Trade and Economics, Ukraine;**e-mail: olgajarmak.09@gmail.com; ORCID ID: 0000-0001-5760-4786***AN ANALYSIS OF THE EUROPEAN INTEGRATION PROCESSES IN UKRAINE**

Abstract. The purpose of the article is to analyze the efficiency of cooperation between Ukraine and the European Union, in general and expediency of Ukraine's joining the Free Trade Area, in particular, as well as to prove the expediency of European integration processes, in general. The article deals with the history of the development of Ukraine's integration into the European Economic Community. The main expectations, risks and results of measures aimed at integrating the Ukrainian economy into the European one are considered. Two main viewpoints on the results of the European integration are revealed. The first one is that the European integration is a blessing in all respects, it has no obvious and significant risks and should bring economic and social prosperity to Ukraine, promote Ukraine's transition to the European social standards, due to economic growth caused by expanding target markets for Ukrainian products (giving access to the capacious European market), guarantee rapid growth of direct foreign investment in the Ukrainian economy, the improvement of the export-import balance, the creation of new jobs, the intensification of innovation processes and an increase in tax revenues to the budgets at all levels, the revamping of Ukrainian industry and the entire economy. The second viewpoint is quite opposite to the first one. It says that the European integration will cause deindustrialization, accompanied by a massive reduction of jobs; emigration of a significant and most capable part of the population; and as a consequence, acute shortage of labor resources, catastrophic increase in social tension and Ukraine's transformation into Europe's raw material appendage. Research carried out in the field of investment activity confirms the collapse of direct foreign investment in the Ukrainian economy during the period of the EU integration. Currently, foreign investors, at best, take a wait-and-see attitude, waiting to see the direction in which Ukraine's political, economic and social development will go. The state of the trade-economic balance with the EU has deteriorated noticeably, as well as the state of the labor market and innovation activity. The research carried out clearly confirms the validity of the second viewpoint. Further studies of integration processes should be aimed at a significant modification of the goals and directions of Ukraine's European integration, and should help Ukrainians to find a way out of the socio-economic crisis and rank high in the global division of labor.

Keywords: economic crisis, enterprise, European integration, export, import, industry, investment.

JEL Classification C13, A10

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АНАЛІЗ РОЗВИТКУ ЄВРОІНТЕГРАЦІЙНИХ ПРОЦЕСІВ В УКРАЇНІ

Анотація. Метою статті є дослідження ефективності співпраці України з Євросоюзом у цілому і доцільності входження нашої країни до Зони вільної торгівлі зокрема, а також обґрунтування доцільності реалізації євроінтеграційних процесів взагалі. Розглянуто історію розвитку інтеграційних процесів України до Європейського економічного співтовариства; основні очікування, ризики і результати заходів, спрямованих на інтеграцію української економіки в європейську. Виявлено дві основні позиції на результати євроінтеграції для України. Перша полягає в тому, що євроінтеграція для України є благом в усіх аспектах, без очевидних та істотних ризиків, і повинна принести Україні економічне і соціальне процвітання, сприяти переходу України на європейські соціальні стандарти, на підставі економічного зростання за рахунок розширення ринків збуту української продукції (вихід на ємний європейський ринок), стрімкого зростання обсягів прямих іноземних інвестицій в українську економіку, поліпшення стану експортно-імпортного сальдо, створення нових робочих місць, активізації інноваційної діяльності та збільшення податкових надходжень до бюджетів усіх рівнів, перехід промисловості України і всієї економіки в цілому на новітні технології. Друга — діаметрально протилежна. І полягає в тому, що євроінтеграція України призведе до того, що відбудеться деіндустріалізація України, супроводжувана масовим скороченням робочих місць, еміграцією значної і найбільш працездатної частини населення і як наслідок — найгостріший дефіцит трудових ресурсів, катастрофічне зростання соціальної напруженості і перетворення України на сировинний придаток Європи. Проведені дослідження в царині інвестиційної діяльності підтверджують обвальне падіння обсягів прямих іноземних інвестицій в економіку України за період інтеграції в ЄС. У даний час іноземні інвестори в кращому разі займають вичікувальну позицію, вивчаючи, в якому напрямі піде розвиток України в політичному, економічному та соціальному аспектах. Помітно погіршилися стан торговельно-економічного сальдо, причому саме з ЄС, стан ринку праці та інноваційної діяльності. Проведені дослідження підтверджують з усією очевидністю правоту другої позиції. Подальші дослідження інтеграційних процесів повинні бути спрямовані на істотне коригування цілей і напрямів євроінтеграції України і сприяти виходу із соціально-економічної кризи і гідного місця у світовому розподілі праці.

Ключові слова: євроінтеграція, інвестиції, експорт, імпорт, економічна криза, підприємство, промисловість.

Формул: 0; рис.: 1; табл.: 5; бібл.: 24.

Introduction. The issue of the intensification of Ukraine's integration processes into the European community has traditionally received much attention in the system of modern economic aspirations of the Ukrainian society. However, this topic became especially relevant in 2016, when Ukraine joined the Free Trade Area (FTA). Still, it should be noted that informal negotiations on designing and launching a corresponding cooperation mechanism for Ukraine and the European Union began as far back as in 2007, starting officially in 2008. The negotiations were completed and the final documents were ratified in 2012. The FTA agreement itself was to have entered into force in 2014, but due to some political events it only happened on January 1, 2016. Thus, for almost thirteen years in a row, Ukrainians have been arguing about the effectiveness of their state's integration into the European community.

At the same time, under the 2015 surveys of Ukrainian business conducted by the Institute for Economic Research and Policy Consulting, 54% of Ukrainian business executives believed that the FTA with the EU would give a favourable result in the first year of its implementation, 71% were confident they would benefit in the first five years of the FTA between Ukraine and the EU. And only 11% percent of Ukrainian enterprises expected losses from this event in foreign economy [1]. However, the results of the third quarter of 2020 have appeared to be much worse than it had been expected.

Literature review and the problem statement. The results of the study show that experts' views upon the issue differ dramatically. Some researchers support Ukraine's integration into the world community, others are strongly against it. In our opinion, it is worth mentioning that many scholars pay great attention to the economic aspects of Ukraine's European integration. For example, S. Zhukov, O. Dyuhovanets [2], E. Prushkivska, T. Kelder, I. Doroshenko [3], I. Yegorov, V. Hryha [4], have considered various aspects of Ukraine's economic compliance with the European requirements and discussed possible directions of the systemic changes, necessary to fulfill these requirements. S. Ishchuk [5], E. Malinowska [6], G. Shamborovsky [7], Ya. Zhalilo [8] have focused on the probability that Ukraine could realize its ambitions for the European integration. As for the foreign trade issues of Ukraine-EU relations, they have been analyzed by L. Oleynikova, K. Bobrysheva [9], O. Shnyrkov [10].

In the past, such studies could only serve as a forecast, while today we can actually assess the impact of strategic decisions to intensify Ukraine's European integration processes on the current state of its economy. So, taking into account the extreme topicality, on the one hand, and a high level of politicization of these processes, on the other, we can state that the solution of this problem lies primarily in the plane of their statistical and analytical assessment, and therefore, the assessment of the effectiveness of Ukraine's integration into the global world, including its entering the FTA, must be made with consideration to all the figures, and facts, and current circumstances.

In connection with the facts mentioned above, the purpose of this work is to study the effectiveness of Ukraine's cooperation with the European Union, in general, and the feasibility of its joining the Free Trade Area, in particular, as well as to substantiate the feasibility of European integration processes, as a whole.

Methodology and research methods. The purpose of the article has determined the following research methods: generalization, comparison, chronological and graphical methods, method of relative values and tabular analysis.

Articles in periodicals, scientific works, laws and regulations of Ukraine, reports and materials of institutions and organizations in Ukraine and the EU on European integration processes have provided the methodological and informational basis for the research.

Research results. Though the study in question deals mainly with the recent achievements of Ukrainian-European economic cooperation, it is also worth mentioning the expectations that preceded Ukraine's accession to the FTA and are still present in assessing the effectiveness of broadening Ukraine's cooperation with the EU.

Economists' views vary greatly, depending on their being citizens of a particular country. For example, Russian authors mostly demonize Ukraine's economic cooperation with Europe, while Ukrainian and European authors, on the contrary, mostly absolutize its effectiveness. For

instance, V. P. Kolesov explains Ukraine's inability to join the European community by the fact that a significant part of the Ukrainian economy lies in the shadows (experts believe its share to be about 45—50%) [11]. The Russian economist V. K. Senchagov, analyzing the bilateral relations between Ukraine and the EU in development, states the following: «A strong partner's integration into any community leads to the expansion of its sphere of influence. A weak partner's integration leads to the suppression of the will and interests of the stronger. If you decide to carry out integration while having unbalanced economic patterns, it means that you hand over your natural and human resources to others» [12].

S. Zhukov and O. Dyugovanets, unlike their Russian counterparts, see significant advantages in continuing European integration processes. According to their research, made on the basis of the information by the European Innovation Scoreboard (EIS), subject to welcome scientific, technological and innovative development («best case scenario»), Ukraine in 2020 should achieve a fairly high level of changes in the values of the relevant EIS indicators [2].

S. Ishchuk believes that «further implementation of about two hundred EU regulations and directives and other international treaties and standards in Ukraine, as well as enforcement of the ratified international agreements will definitely improve the business climate in Ukraine, and thus increase its investment attractiveness among foreign investors, and not only the European ones. As a result, it will contribute to the creation of new jobs and increase revenues to the state and local budgets» [5]. Besides, the author of the quotation notes that the advantages of the European integration vector of Ukraine's development over the pro-Russian one lies in the fact that the investment potential of the EU-15 member states is ten times as large as that of Russia, and the EU-27 member states has a potential which is six times as large as that of Russia [5]. So, S. Ishchuk emphasizes the propriety of even greater expectations as for increasing the number of jobs and taxpayers' contributive capacity due to increasing investment inflows into the Ukrainian economy.

An even sharper opinion exists: «We can conclude that, given the influence of integration factors on the political, economic and social spheres of the state, Ukraine's entry into the European Union remains much more promising. Seeking stable development, positive changes are expected in the development of the Ukrainian economy, which will take place as a result of European integration. The cooperation of Ukraine with the EU will help bring closer social conditions of Ukraine with high European standards, increase living standards and well-being of the population. Membership in the EU guarantees the strengthening of national security of Ukraine and its protection from aggression and territorial claims» [13].

However, numerical reflection of the effectiveness of the implementation of European integration initiatives is not widespread. Most authors prefer to speak on qualitative changes in the country's economy, and only a small number of Euro-optimists operate with specific figures proving the effect of such changes. These authors include G. Shamborovsky, who studied changes in Ukraine's economic prosperity due to the creation of a free trade area or a customs union with the European Union.

Still, there serious pessimistic sentiments and fears about Ukraine's entry into the European Economic Area exist, as well. For instance, Ya. Zhalilo believes that the asymmetry of the commodity structure and capital flows between Ukraine and the EU would lead to the outflow of a part of the potential added value from Ukraine [8]. Back in 2013, L. Oleynikova and K. Bobrysheva noted that Ukraine would not be able to meet the standards set by the EU for a long time, as its level of economic, political and social development was much lower than those required by the EU. At the same time, Ukraine should act carefully in the fields of customs regulation, refusal to subsidize certain industries, elimination of a large number of tax benefits. The abovementioned scientists name several reasons hindering the country's accession to the EU, e.g. the low standard of living in Ukraine (15% of the EU average), the small share Ukraine has in the EU foreign trade (only 0.4%), which show a huge difference between the economic levels of Ukraine and that of the EU [9]. Besides, S. Zhukov and O. Dyuhovanets noted that the EU is facing technological asymmetry, as, on the one hand, the interaction of countries in the field of innovation increases their competitive advantages, and on the other, it reduces free access to high technologies concentrated in the major

innovator states, thus deepening the gap in science and innovation between the EU member states [2]. Another problem area mentioned by E. Malinowska is migration processes, which cannot but affect the level of working population and the country's human potential [6]. E. Prushkivska, T. Kelder, I. Doroshenko are also quite careful in praising the influence of integration processes as for the achievements in overcoming poverty and increasing employment in Ukraine [3].

The majority of the European experts [14—16] and official institutions [17—19] welcome Ukraine's European integration processes, in general, but criticize Ukrainian institutions and officials for their carrying out reforms, recommended by the EU, in an unreasonably slow and inconsistent manner.

Thus, European integration hopes have been aimed both at an incomprehensible growth of the country's welfare, which still needs to be explained in a more detailed way, and at a specific increase in investment revenues, improvement of the export-import balance, job creation, innovation and tax revenues to the budgets at different levels, which in turn should favorably influence the level of investment potential and the economic rating of the country, as a whole. At the same time, skeptics have expressed fears (which were quite likely to become true) that the level of the working population could go down, as well as the level of innovation in the domestic economy, and the capital could start outflowing. These problems might be caused not only by current poverty, but also by a significant asymmetry in the economic and technological levels in the EU member states and Ukraine.

So let's try to dispel these myths and fears by providing cold hard statistical information.

In particular, one of the expected indicators is the dynamics of inflow / depositing direct foreign investments in the economy of Ukraine and from Ukraine (*Table 1*).

Table 1

**Dynamics of inflow / depositing direct foreign investments in the economy of Ukraine
and from Ukraine in 2002—2019**

Period of time	Direct foreign investments in Ukraine (US \$, mln)	Appreciation / depreciation per year, %	Direct foreign investments from Ukraine, (US \$, mln)	Appreciation / depreciation per year, %	Balance (US \$, mln)
2002	693	-	-5	-	+698
2003	1424	105,48	13	-360,00	+1411
2004	1715	20,44	4	-69,23	+1711
2005	7808	355,28	275	6775,00	+7533
2006	5604	-28,23	-133	-148,36	+5737
2007	9891	76,50	673	-606,02	+9218
2008	10913	10,33	1010	50,07	+9903
2009	4816	-55,87	162	-83,96	+4654
2010	6495	34,86	736	354,32	+5759
2011	7207	10,96	192	-73,91	+7015
2012	8401	16,57	1206	528,13	+7195
2013	4499	-46,45	420	-65,17	+4079
2014	410	-90,89	111	-73,57	+299
2015	2961	622,20	-51	-145,95	+3012
2016	3284	10,91	16	-131,37	+3268
2017	2202	-32,95	8	-50,00	+2194
2018	2355	6,95	-5	-162,50	+2360
2019	3070	30,36	648	-13060,00	+2422

Note: Data for the years 2014-2019 are given without taking into account the Autonomous Republic of the Crimea and the temporarily occupied territories of Donbass.

Source: the table is compiled and calculated on the basis of the official data [20].

Given the presented data, we can come to conclusion that the global economic crisis of 2007—2009 and the hybrid war against Ukraine, which began in 2014, have seriously reduced the volume of direct foreign investments in Ukraine.

In 2009 a significant reduction in the volume of borrowings (by -55.87%) took place. Since 2010, due to an increase in direct foreign investments, the situation has been gradually improving.

In 2013—2014, an unfavorable situation was caused by a sharp decline in the volume of external investments. At the end of 2017, depreciation stood at -32.95% as compared to 2016. In 2018, a positive trend appeared, when direct foreign investments grew by US \$ 668 million. Despite the rapid fluctuations in the volume of borrowings, in 2012 the amount of investment came closest to the previous maximum value. Over the past 12 years, the country has not achieved such a significant increase in foreign investment (2008). This downward trend in foreign investment is the result of an undefined number of reasons for investor distrust, including high levels of corruption in the country, distrust of the judiciary, instability of the national currency, market monopolization and, of course, the military conflict in the East of Ukraine.

The research results show that the volume of Western investments in the Ukrainian economy during the integration process has declined markedly: in 2008 it was US \$ 10,913 million, and in 2019 it was already US \$ 3,070 million.

At the same time, the directions of investment by product groups were quite clearly defined. They were mainly cereals, ferrous metals, fats and oils of animal or vegetable origin, wood and wood products, ferrous metals mainly at the level of procurement redistribution. All these groups of goods show a low level of processing, and thus, a low level of added value, and they belong to the commodity group of goods. At the same time, such sectors of Ukraine's economy as aviation, space, shipbuilding, electrical engineering and others that determine the level of the economy and the state as a whole have deteriorated. At present, we can speak about the deindustrialization of Ukraine, and Ukrainian science is deteriorating, as well. All this had made an extremely negative impact on the socio-economic development of Ukraine. Utility rates are so high that they put a significant part of Ukraine's population on the brink of survival. The current results of integration processes suggest that their main goal is to transform Ukraine into a supplier of raw material and resources, primarily labor resources, for advanced countries, and into a market for their products. De facto integration processes have allowed the elimination of Ukrainian producers of high-tech products (aviation, space, shipbuilding, engineering, etc.) from the European and world markets, using only minimal economic costs and non-economic methods, and thus creating favorable conditions for their competitors in the person of the European and world manufacturers.

The structure of investments by the geography of their receipt is also of great interest (*Table 2*).

Table 2

The geographical structure of direct foreign investments in Ukraine in 2016—2019

State	2016		2017		2018		2019	
	US \$, mln	%	US \$, mln	%	US \$, mln	%	US \$, mln	%
Cyprus	8 785.5	28.13	8 932.7	28.26	9 544.5	29.01	10 368.9	28.96
Germany	1 564.2	5.01	1 682.9	5.32	1 701.4	5.17	1 843.1	5.15
Netherlands	6 028.4	19.30	6 395.0	20.23	7 118.7	21.63	8 301.4	23.18
Russian Federation	813.6	2.61	797.2	2.52	597.8	1.82	783.3	2.19
Austria	1 099.9	3.52	1 038.8	3.29	1 150.0	3.49	1 249.4	3.49
United Kingdom	1 947.0	6.23	1 944.4	6.15	2 131.2	6.48	2 060.6	5.75
France	615.6	1.97	723.4	2.29	744.4	2.26	845.5	2.36
Switzerland	1 436.9	4.60	1 515.9	4.80	1 552.1	4.72	1 714.5	4.79
Italy	196.7	0.63	201.6	0.64	242.4	0.74	249.3	0.70
USA	585.2	1.87	517.4	1.64	542.5	1.65	637.8	1.78
Poland	509.1	1.63	571.3	1.81	631.7	1.92	693.7	1.94
Hungary	498.1	1.59	511.1	1.62	565.1	1.72	380.7	1.06
British Virgin Islands	1 682.30	5.39	1 358.40	4.30	1 040.20	3.16	1 062.10	2.97
Belize	604.2	1.93	532.3	1.68	437.6	1.33	448.2	1.25
Other states	4863.60	15.57	4884.00	15.45	4905.50	14.91	5171.10	14.44

Source: the table is compiled and calculated on the basis of the official data [20].

Cyprus, the United Kingdom and the Netherlands are among the three states which have made the largest investments in Ukraine over the past four years.

Thus, assessing the structure of direct foreign investment by the country of origin, one should first of all pay attention to the traditionally high level of investment «coming from offshore». It is also worth mentioning that investment from Cyprus is increasing both in absolute and relative terms, and new offshore territories such as Belize have appeared rather quickly, and the share of investments from Switzerland and the Netherlands is increasing as well. So, it is repatriation of funds, rather than foreign investment as it is.

We can agree with K. Markevych [21] in the point that the current geographical structure of foreign investment is not optimal for Ukraine and cannot ensure economic and social growth in the country. The Ukrainian economy needs investments from the advanced states of the world, which are technological leaders; it also needs the latest technologies that could ensure innovative economic development and the development of science and technology progress in priority sectors.

The articles analyzed show that investments from the Russian Federation have received great criticism, unlike those from the European Union. Given the competition of the European and Russian vectors of development in the domestic economy, the choice in favor of the former should reduce the share of the Russian investment in Ukraine, but the share of investments from Russia has remained at the level of 2% for the last three years, from 2016 to 2019 [20].

It is quite obvious that the investment «miracle» has occurred neither in absolute terms nor in terms of structural changes in the geography of raising the funds in question.

As for investments coming from Ukraine, the situation is even worse (see *Table 3*).

Table 3

The geographical structure of direct foreign investment from Ukraine

State	2016		2017		2018		2019	
	US \$, mln	%	US \$, mln	%	US \$, mln	%	US \$, mln	%
Cyprus	5 930.50	93.45	5 932.50	93.84	5 931.90	94.24	5 935.60	94.63
Russian Federation	144.1	2.27	150.3	2.38	117.7	1.87	118	1.88
Latvia	68.4	1.08	60.9	0.96	72.5	1.15	73	1.16
Poland	48.7	0.77	6.7	0.11	6.7	0.11	8.1	0.13
Netherlands	10.7	0.17	12.3	0.19	11.8	0.19	11.3	0.18
British Virgin Islands	57.6	0.91	61	0.96	59.9	0.95	33.7	0.54
Hungary	14.9	0.23	17.5	0.28	16.8	0.27	16.1	0.26
Other states		1.13		1.28		1.22		1.23

Source: the table is compiled and calculated based on the official data [20].

Investments from Ukraine almost entirely go to the offshore. It is worth mentioning that the share of Cyprus together with other representatives of the «offshore» in these so-called «investments» has only increased.

Thus, investment expectations from the European-oriented vector of developing the domestic economy are not being fulfilled, and the dynamics of the processes analyzed is mostly negative.

An increase in Ukraine's foreign trade turnover with the EU member states should have

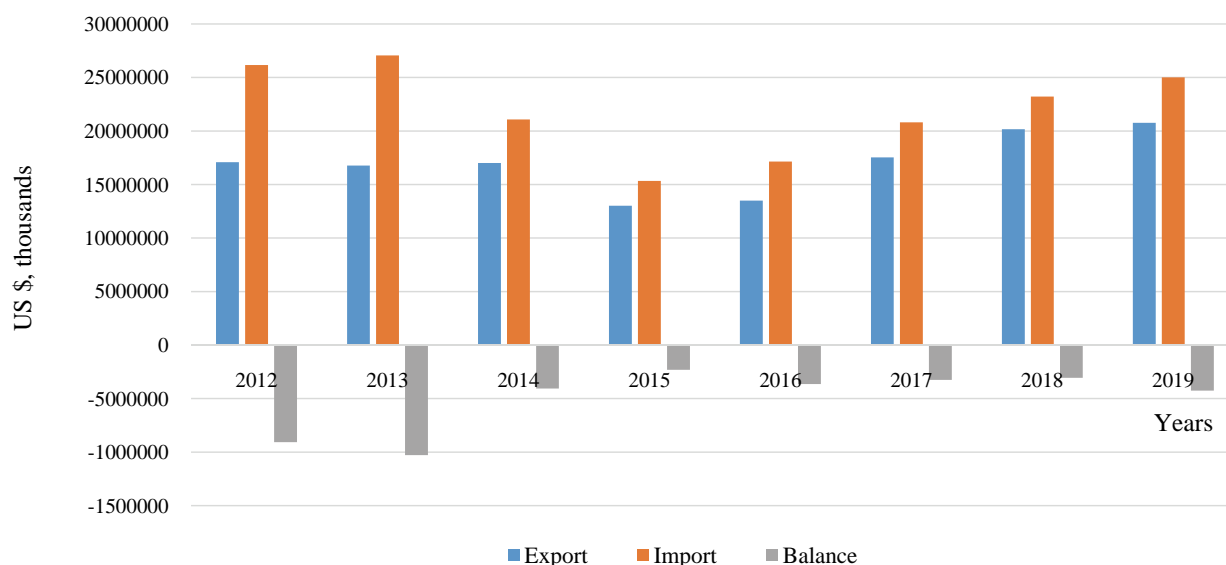


Fig. Ukraine's foreign commodity trade with the EU member states in 2012—2019, in US \$, counted by thousands

Source: the table is compiled on the basis of the official data [20].

However, as *Fig.* shows, the European vector of the domestic economy has so far led mainly to negative consequences. Thus, the exports volume to the EU member states has increased by 20% if compared to that of 2012, while imports volume has decreased by 5%.

A positive moment can only be seen in the slight reduction of the foreign trade balance in 2017 and 2018, but in 2019 a further increase happened, reaching 4261446.1 thousand US dollars, because it is traditionally passive and leads to the outflow of foreign currency from the country in question. However, the reasons for such dynamics of the corresponding balance do not give us the right to treat it as favourable, because imports reduction is most likely caused by the impoverishment of the population, rather than by import substitution.

Ukrainians have identified the priority sectors of economy for investment. They are the following: the agro-industrial complex; housing and utility complex; machine-building complex; transport infrastructure; resort and recreational sphere and tourism; processing industry [22]. From our point of view, when choosing areas and objects of investment at the state level of government and other levels, one should use economic and mathematical methods [23]. However, the structure of exports to the EU member states appears to be extremely unfavorable for Ukraine. According to the State Statistics Service of Ukraine, about 80% of exports from Ukraine to the EU in 2019 were covered by several groups of goods, namely, cereals, ferrous metals, fats and oils of animal or vegetable origin, wood and wood products [20]. The common features of these goods are minor figures of the added value and the fact that they are raw materials. Yet, just a few years ago, in 2012, the leading export goods also included «mineral fuels: oil and products of its refining», «seeds and fruits of oil plants» etc., which contained a much larger share of the newly created value.

Among significant expectations related to joining the EU one should mention the creation of new jobs (*Table 4*). The dynamics of the indicators listed in table 4 give grounds to speak of the collapse of hopes for at least improving, if not overcoming, the unemployment situation. Since 2012, the ratio of the unemployed population to the economically active population within the corresponding age group has been steadily growing, while the real average monthly wage has been declining until recently. However, in our opinion, the official statistics for wage dynamics in Ukraine is not correct. For example, given the significant peg of prices, especially for non-food products, to the US dollar, it is quite unlikely that real wages should have been increased by 8.2% in 2013, as at the end of that year the US dollar went up more than 3 times, and this could not but be reflected in the level of real wages, proportionally.

Table 4

The main indicators of the labor market of Ukraine

Period of time	Unemployed population (according to ILO methodology)				The average monthly salary		
	At the age of 15—70		Of the working age		Nominal		Real
	On average, thousands of people	In % to the economically active population of the corresponding age group	On average, thousands of people	In % to the economically active population of the corresponding age group	UAH	In % to the subsistence level for the working population	In % to the previous year
2012	1589.80	7.6	1589.20	8.2	3041	268.2	114.4
2013	1510.40	7.3	1510.30	7.8	3282	269.5	108.2
2014	1847.60	9.3	1847.10	9.7	3480	285.7	93.5
2015	1654.70	9.1	1654.00	9.5	4195	304.4	79.8
2016	1662.20	9.2	1661.30	9.6	4989	344.1	109.1
2017	1698.0	9.5	1697.3	9.9	7 104	403.2	119.1
2018	1578.6	8.8	1577.6	9.1	8 865	461.5	112.5

Source: [20].

So, we can state that another hope for more jobs has not come true. However, it is also worth mentioning that the effect of taking any measures always comes with a certain time lag, and it is possible that Ukraine has not passed this lag, yet.

Another important hope for the European integration was the increase in the innovative activity of the domestic economy and larger tax revenues to the budgets at various levels.

Some useful information regarding the activation of innovation processes is given in *Table 5*. Complete lack of information on this issue should be noted as for 2016, even intermediate values remain unknown.

Table 5

Implementation of innovations at industrial enterprises in 2012—2019

Year	The share of enterprises that implemented innovations, %	New technological processes introduced	Including low-waste, resource-saving processes	Production of innovative types of products introduced, item names	Including new types of equipment	The share of the innovative products sold as to the industrial products, in general, %
2012	13.6	2188	554	3403	942	3.3
2013	13.6	1576	502	3138	809	3.3
2014	12.1	1743	447	3661	1314	2.5
2015	15.2	1217	458	3136	966	1.4
2016	16.6	3489	748	4139	1305	– ¹
2017	14.3	1831	611	2387	751	0.7
2018	15.6	2002	926	3843	920	0.8
2019	13.8	2318	857	2148	760	1.3

Note: The calculation of the indicator has not been carried out.

Source: the table is compiled and calculated on the basis of official data [20].

And again, the expected innovative «explosion» cannot be traced. On the other hand, with the increase in the share of enterprises that implemented innovations (which may have happened due to the reduction of their overall number), the number of new technological processes implemented by enterprises, including low-waste and resource-saving ones, has been reducing, this being also true for the share of innovative products sold as to the industrial products, in general. These facts prove that the activity of domestic enterprises in this sphere has become lower than it used to be.

Conclusions. The scientific novelty of the research, as well as its theoretical and practical value, as we see them, lie in the fact that we have proven Ukraine's need for a radical change of approaches to and content of its integration processes with the EU in order to overcome unfavorable trends in its economy and to bring it to an innovation-based development.

The research has shown that rosy prognostications of the European integration supporters, promising economic, social and investment prosperity of Ukraine in the case of its integration with the EU have led to antipodal results.

European integration processes, in the form in which they took place, have led Ukraine to a social and economic crisis. The movement in this direction has caused the loss of many strategic enterprises and even entire industries, enhancing unemployment, which in its turn has accelerated labor migration, including skilled labor, from Ukraine to the EU member states. It is true for many sectors of the Ukrainian economy.

The crisis in the economy is intensified by the crisis of foreign investment. In 2012 direct foreign investment in Ukraine amounted to 8,401 million US dollars, in 2019 it dropped to 3,070 million US dollars, or 36.54% of the level of 2012. For all those years almost no growth in numbers could be noticed, which may indicate a steady trend. Besides, the investments structure allows us to claim it the repatriation of funds, rather than real foreign investment.

This trend has not been overcome in the integration process. In other words, one of the main goals of integration, i.e., to make Ukraine an investment-attractive country and bring innovation-based development to Ukraine's economy, has not been achieved, and moreover, the investment crisis has intensified.

Thus, evaluating the statistical values that characterize the achievements of the domestic economy on the path to the European integration, it is necessary to agree with some skeptics on the efficiency and swiftness of obtaining the effect of the implemented integration processes. At the same time, it is worth noting that almost all the fears of domestic and foreign experts have come true, while the vast majority of dreams of improving the situation in the country have not. Thus, in recent years, the volume of direct foreign investment or, speaking more correctly, the repatriation of capital, has been shrinking; the total volumes of Ukraine's foreign trade turnover, first of all with the EU countries, are decreasing, and its structure is deteriorating, unemployment is rising and innovation processes in the country are slowing down, which inevitably results in a decline of its investment rating and attractiveness. So, all these factors require additional research and analysis to effectively correct integration processes.

The conducted research and the history of the development of integration processes allow us to conclude that one of the main reasons for the unfavorable development of these processes is the incompetent activities of authorities and individual officials responsible for this area of public administration.

In the current situation, to our opinion, it is necessary to make an inventory of all the state assets (economic, intellectual, labor assets etc.) in order to determine the state of Ukraine's economy. On the basis of statistical and analytical data and taking into account the experience of integration we should determine the priority areas of Ukraine's economic development and to focus the main integration efforts on these areas to enter the European and world markets. The right step in this direction would be for the Cabinet of Ministers of Ukraine to adopt the resolution «Some issues of the implementation of a pilot project on increasing the local content of machinery made in Ukraine» [24], which could identify new effective areas of integration taking into account our national interests.

Further research should be aimed at studying future integration processes aimed at overcoming the crisis in the Ukrainian economy and forming its innovation-based development.

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