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BUDAPEST BUSINESS SCHOOL

FACULTY OF INTERNATIONAL MANAGEMENT AND BUSINESS

INTERNATIONAL ECONOMY AND BUSINESS MA TRAINING PROGRAMME

UKRAINE'S ECONOMY IN A HISTORICAL PERSPECTIVE AND ITS PARTICIPATION IN GLOBAL VALUE CHAINS

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ABSTRACT

Ukraine continues to be one of the significant economies in the world and especially in Europe. Its broad range of opportunities and challenges make Ukraine a point of interest for researchers. Being a WTO member and developing itself for the EU are the most important achievements, but the struggle for territorial integrity and freedom from Russia is a major threat.

In our research, the historical perspective of Ukraine’s economy and its role in the Global Value Chains have been investigated. Initially, the command economy's theoretical background, Soviet economies, and transition period, Global Value Chains have been provided. Using various methods, we analyze Ukraine’s economy and its different periods; macroeconomic and global value chains analysis have been performed.

Through the research, we try to answer questions such as Ukraine's achievements, economic and political reasons for underdevelopment, the impact of the Soviet ideology on Ukraine’s development lag.

Generally, the paper tries to theoretically analyze Ukraine's readiness on the journey to integration into Global Value Chains and potential possibilities towards European Union accession. Results revealed that Ukraine had made a great effort to move towards a market economy and integrate into new value chains. The results also indicated that Ukraine still needs to pay attention to unimplemented reforms and make decisions paying attention to long and short-term consequences.

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1. INTRODUCTION

Global Value Chains and their role in the global economy have been crucial in the last two decades. They not only connect countries but also contribute to the development of the nations globally and regionally.

In this context, Ukraine's achievements and its integration into the global value chains have been one of the research questions for an economist. After independence, Ukraine has tried to participate actively but failed many times to be an active member of international trade. However, there are not sufficient investigations to reveal how this process has evolved and its nature. That is why research aims to contribute to the existing literature with a different approach and determine Ukraine's position in the global value chains, and assume future directions based on the relevant knowledge we have gathered.

The geographic, economic, and political importance of Ukraine made me interested in this topic, and Ukraine has been a rising star of the region recently. Especially after the last presidential elections, all eyes were on Ukraine for the reforms and solution of the piled-up challenges.

Research possesses importance in understanding Ukraine's role globally and tries to show that being the most prominent country next to the EU, its power cannot be underestimated. Academic society, investors, and policymakers should be knowledgeable about Ukraine as its business climate is becoming better and better by offering new opportunities, and this paper will help them be aware of these developments and set their expectations.

In general, the research tries to answer four primary questions:

- What steps have been taken by Ukrainian policymakers to integrate global value chains and build better trade partnerships fully?
- Were there any political and economic factors creating bottlenecks in this process?
- How Ukraine's geographic location affects its accession and partnership opportunities?
- Can we somehow analyze the effect of the Soviet economic and political legacy on Ukraine's status?

Our central hypothesis has been formulated around these questions, and research proposes that Ukraine can integrate global value chains and even join the EU by fulfilling requirements demanded by international organizations. As it is known, Ukraine has been struggling to be an active member of the international organizations, which could make it a high-value creator country. However, economic and political conditions have not been fruitful until 2019, and we believe that current reforms implemented and partnerships built will result in a better performing Ukraine.

As mentioned above, during the research, we hold some assumptions to be true. They include the reliability of the State Statistics Service of Ukraine's data, and Ukraine will keep the pace of reforms as it was for 2019-2020. It must be noted that the recent drop in the popularity of Zelensky has been excluded as well.

To better understand this thesis's topic, we will go through the background, considering Global Value Chains, command economy to realize the roots of the soviets. Then we will look at the economic challenges and reforms Ukraine experienced, taking into consideration significant events in the history such as the "Orange revolution" or "Maidan crisis." During our analysis, we pay special attention to the economic reforms its consequences, trade deals with regional and global partners, and finally, their outcomes. We must mention that the analysis will consist of two parts; first, having a textual analysis of Ukrainian economic successes, and in the second part, we use descriptive statistics to have a holistic view of Ukraine's economy and trade relations. In general order of the chapters will be as follows: "Shadow days of Ukraine," "Kuchma era," "Maidan crisis," "Chocholate kingdom," and "Servant of the People," followed by other including parts.

2. RESEARCH AIM, OBJECTIVES, AND QUESTIONS

This thesis aims to analyze Ukraine's role in the Global Value Chains and major trends during and after the transition period. Ukraine cannot fully integrate and participate in Global Value chains because of economic and political factors. To identify and answer our research question thesis aims to use various data sources.

The objectives of the thesis are as follows:

- Conduct a theoretical background about Global value chains and its evolution in the last decade, including significant players

- Investigate the Soviet economic model and post-Soviet countries during the transition and significant challenges

- Analyze the role of Ukraine in the Global Value Chains, achievements, opportunities, and prospects

- To summarize the findings supporting the central hypothesis, which is to prove that Ukraine can integrate global value chains and join the EU following advised recipes

The research questions of the thesis are structured as follows:

- What has been done in Ukraine so far to be an active participant in Global Value Chains?

- What are the economic and political factors causing lag in the process?

- Is the geographic location of Ukraine beneficial for its integration compared to its peers?

- Why the Soviet economic system was so unique that still affecting member countries?

3. METHODOLOGY AND DATA

This chapter will include descriptions of the methodology used in the thesis. Moreover, research methods, research approaches, how data will be collected, which type of data will be analyzed, and the overall ethical side of the research mentioning the limitations will be discussed.

Literature review revealed much research on the topic, so our work has already been investigated in different manners, and much research already exists. Here, the research's role will be inducting new ideas based on previous investigations and drawing new conceptions regarding thesis questions.

This thesis will try to answer specific, formulated questions under the scope of the main topic. Our topic is about the role of post-soviet countries in global value chains with a particular focus on Ukraine, and it has a reason for this. Ukraine has a different history leading to globalization, and still, it cannot fully integrate and participate in the global economy. From here, we broaden our research horizon towards helping sub-questions such as "What has been done in Ukraine to be an active participant of global value chains?", "What kind of economic and political factors affecting its successful integration?" "Is its geographic location can be beneficial for its integration to European markets and then towards the global economy?", "What was specific about the Soviet system that its legacy still affecting member states after decades?".

To answer questions and reach objectives, I will be using mainly qualitative approaches. Still, to support the analysis, quantitative methods will be employed and drawen reliable conclusions because the problem has two directions. Depending on the situation, I might need to evaluate the issue either quantitatively or qualitatively. As a result, both methods will be used interchangeably.

Qualitative data will be collected from existing and reliable sources such as books, articles, and journals. Reports will be accessed from Elsevier, Google Scholar, ScienceDirect, and other academic paper portals, choosing the relevance and scope of the research, year, and considering other factors. Quantitative data will be retrieved from secondary data sources such as statistical databases that deliver various information about world countries. To analyze the role of post-soviet countries in the global economy, I will group them, and my list will consist of 15 variables, states. They can be a research population. Quantitative data will be accessed using World Bank, IMF, Eurostat statistical resources, free to access and get the required data, and the date range will depend on the question I want to answer. Still, generally, 1991- 2020 will be the investigation focus range. Our analyzed variables will be GDP, trade indicators, openness index, and other economic ratios, which we can use to describe the full image.

Based on this data pool, I will use quantitative and qualitative analysis. Qualitative analysis will include mainly content analysis to make different comparisons, and case studies will be applied to evaluate Ukraine's status in various situations. This type of approach allows us to divide data gathered into subcategories and analyze smoothly. Because in this case, collected information can produce precise results when quantitative methods are applied in the next phase. In terms of quantitative analysis, after validating the data, descriptive statistical analysis methods will be applied to see trends, similarities, and other interesting points, which can help answer our question. During analysis, tables and graphs will be prepared using Tableau Desktop software, and in case needed, data will be cleaned and reshaped.

Of course, to analyze and answer above mentioned questions, more in-depth analysis can be done, and models can be applied. However, my research will bring a mixture of analytical approaches together to deduct the final solution. We cannot answer these questions just by building mathematical models as it requires more logical reasoning and sharp intuitions sometimes. Finally, throughout the research, the data and analysis's trustworthiness will be provided, and we will try to use data that is up to date and matching our requirements and context. Especially considering Ukraine's political situation, a neutral standpoint will be preserved not to draw decisive conclusions about the topic. That is why all the sources will be analyzed carefully to ensure that the information collected is valid and presentable in an academic environment and does not have a speculative nature.

As it happens in every study, mine will have some characteristic limitations such as non-existing data for Soviet impact in post-soviet countries and data showing the participation of post-soviet countries in the global value chains and the role of USSR in the worldwide trade when we want to make some comparisons. On the other hand, as these countries were not part of the European Union and OECD, less data is available to elaborate advanced analysis, and existing ones are not reliable most of the time.

4. LITERATURE REVIEW

This review targets to check research done around the role of post-soviet countries in the global trade and how Ukraine positioned itself in the last decades of transition in the global value chains in the research's chronological order. It is necessary to have intelligence about previous works to have proper word on Ukraine's current situation as there are different views on the issue. The review includes research findings and their relation to others without going more in-depth, such as providing results and methodology they had used.

After the USSR’s collapse, independent countries had to choose different directions, and there are different views on this historical moment presented below: regional and global integration supporters. After the collapse of the Soviets for the post-soviet countries, the initial phase was to lean towards regional integration and then a global one. Baltic countries chose to collaborate with the European Union and, remaining built the Commonwealth of Independent States, and in further steps, countries have been motivated by China and Russia (Azizian, Bainazarova, 2012). Among these countries, The Baltic republics have advanced their economies while the EU borderlands, the Caucasus, Central Asia, and Russia lacking behind them in economic and political terms in the last 20 years (Rice-Oxley, Sedghi, et al., 2011). It was targeted at Russia sponsored the "Eurasian-EU" idea at the same time (Furman, Libman,2017).

The role of post-soviet countries in the global economy had been investigated in terms of personal remittances, and results showed that the recent trend is increasing, being Ukraine as a leader (Atanelishvili,2017). Another research takes a specific look at the subregion of USSR, South Caucasus taking into consideration GDP, rate of economic growth, per capita GDP, purchasing capacity adjusted to GDP, GDP per capita considering Purchasing Power Parity, Foreign Direct investments, income level, economic development, and unemployment for a transition period (1990-2017) and result was not heartwarming. However, countries made significant changes in their economies (Silagadze). In another work, we find that during the last 15 years in most of the post-Soviet countries, the successful transition of farming was possible due to help to come from post-Soviet regions and government support, rather than integration to European Union, and it is a fascinating and radical approach (Wengle, 2019).

The next idea is also supporting regional integration of post-soviet countries rather than participating in global value chains. As a result, a high level of connectedness and synchrony has been observed while comparing economic structure and unique GDP development patterns. However, countries should solve their regional problems to reach this goal. (Smutka and Benesova, 2016). While investigating macroeconomic changes and agri-food product trade of former soviet countries for 2014-2015, it was revealed that Ukraine, Belarus, and Georgia exports most of the volume. At the same time, they import mainly from the European Union. Three factors affect this relationship: depreciation of national currencies, macroeconomic shocks, and trade is very sensitive to global price shocks (Kobuta, Krivonos, Tripoli, 2017). Looking at the data from 2000 to 2015 indicates that Russia's regional power among post-soviet countries is decreasing, and business partners are changing as well. However, raw material dependence hinders them from full integration in foreign trade (Benesova, Smutka, Laputkova, 2019). Their work tested that economic convergence (catching-up with prosperous economies) for post-soviet countries is not a topic taken individually. As a group, these countries show economic convergence in the regional and global economy (2017). Challenging the idea of regional integration of soviet countries considering the structure of GDP, another research found that only economic similarities cannot be considered valid unless legal action is taken. However, most of them have negatively contributed to exports in their GDP formulation, showing their low participation in the global economy (Benesova, Smutka, et al., 2016). A breakup from each other was harmful to these countries (Esipova, Ray, 2013). The collapse of the Soviet Union had long term effects on the region's foreign trade and motivating different trajectories among post-soviet countries (Norwich University Online, 2017). Those who were open to global trade and investments had attracted higher FDI flows thanks to trade liberalization (Havrylyshyn, Meng, 2016). However, not all countries benefited from the same integration level with the global world (Bal, Algan, et al., 2015). Integration towards international organizations, especially the European Union in post-soviet countries, highly depends on political reforms implemented to increase the quality of governance (Canikalp, Unlukaplan, 2016). However, we cannot claim it only depends on political behaviors; the state they entered the transition period should be considered. In this sense, some of them have joined the Organization of the Black Sea Economic Cooperation, the MERCOSUR prototype, or NAFTA in the region (Dogruels, 2012). Going back to regionalization, one of the researches identifies subtle intention behind it; countries such as Ukraine, Moldova, and South Caucasus use it as a tool for global integration, while others such as Russia, Belarus, and the Central Asia region utilize it against globalization (Erdem, Mammadov, 2013). While reviewing the research, we found answers to our question about post-soviet countries' role in the last decades in global value chains. Many views were supporting that those countries will be favoring regional integration, not opening to the world. To conclude this, they have used various statistical methods in their works.

In the next section, the investigations on Ukraine's role in global value chains will be reviewed. Ukraine was one of the critical members of the Soviet Union, and during the transition period, its history has been different in terms of politics and economic activities. Ukraine should optimize trade, develop the economy in the context of GVCs, promote participation in GVCs by implementing innovative technology (Igor, 2015). Extensive promotion of the automobile industry towards the global economy has resulted in noticeable GVC transformation in the local car manufacturers (Baranova, 2018). Overcoming, being a raw material producer should be the main task, as Ukraine exports almost all agricultural products without processing (Geiko, 2018).

Additionally, the garment industry has attracted foreign investments, and Ukraine has easy access to European value chains (Kukharuk, 2018). To achieve these results, Ukraine needs judiciary reforms towards corruption and protection of intellectual property rights, which is very important for an advanced investment environment (Palyanychko, 2018). In the meat processing industry, the main problems still are adjusting local legislation with European and International standards as the market is growing, and the world market is promising (Hladii, Sychesvskyi, 2018). Ukraine's role in the global economy can be considered in the offshore technology country as well, and the recent increase in participation has caused higher employment (Hardy, 2010). Despite these developments, the Grubel-Lloyd index showed that Ukraine's involvement in European value chains was lower than expected (Berenda, Zelzer, 2016). Again we should state that if Ukraine wants to get further in Global Value Chains, it should start with a specific focus on value chain creation and revolutionize institutions to meet the demands of modern economic space (Mazaraki, Duginets, 2017).

On the other hand, Ukraine is actively increasing its share in the floriculture industry, but "know-how" needs to be developed (Martsynovska, 2011). Ukraine can build a joint initiative to collaborate with Russia and the EU to move forward in the global economy (Hoekman et al., 2013). As stated above, it is inevitable without promoting Ukrainian producers to join international production networks (Kushnirenko, Zarudna, 2018). Interestingly, the European Energy strategy motivates Ukraine's niche market of biofuels, and it is significant for integration in the future (Zulauf et al., 2018). While supporting local producers is important, it should not be done without specific analysis as it can cause stress on the production process itself (Zvarich, 2015). Ukraine needs to follow a balanced economic policy with the East and West to successfully participate in global value chains (Sardak et al., 2019). Finally, the recent pandemic situation creates opportunities for Ukraine in e-commerce, tourism, agriculture, and openness to the global world (Pehlivan, 2020)

Overall, most of the Ukrainian economic aspects have been investigated in the latest decades from different perspectives. What the review has found missing was that not many papers tried to understand the difference between Ukraine and other Soviet countries and why Ukraine is specific in the participation in global value chains. From a personal perspective, this gap is essential for businesses interested in undiscovered post-soviet countries and academicians willing to go deeper into this topic.

In this review, we went through what post-soviet countries have achieved so far in the global economy with a specific focus on Ukraine; and I am glad to see that much research has been done, and it is also an indicator of how Ukraine is a potential player for the world economy.

5. THEORETICAL BACKGROUND

5.1. Soviet economic system

Economist position was one of the favorites in the early stages of the USSR, and they initiated various economic reforms between socialism and capitalism for the nation. Their main task was to justify the economic policies of the party, which we will discuss shortly.

Of course, the Soviet economy, built upon Lenin's and Stalin's collectivization and industrialization ideas, faced many problems, but political pressure was high. As the state was at the center of every process, such as the distribution of agricultural products, it failed many times because the overall development of the roads, storage sites, and lack of modern equipment made it impossible. We can classify Soviet Economic history as below:

Lenin inspired economy

These times are characterized as the importance of communist ideas by Karl Marx and Friedrich Engels, nationalization of lands, industries, banking sector and foreign trade by Bolsheviks, and control over aristocrat lands by peasants. However, a new war (Civil War) situation against communist enemies had made the economy underperform, and production stalled, foreign trade almost stopped

Stalinist economy

After Lenin's death, Stalin came to leadership, and a new era started: planned industrialization. First Five-Year Plan was not successful in reaching the goals that targeted the collectivization of agriculture and heavy industry development. In opposite, production had declined and caused famine, and only heavy industry developed.

The second Five-Year Plan had the same principles (developing technology, transportation, and agriculture) as the first one and the same consequences. Especially Ukraine at that time, had suffered from the death of millions.

The war against Nazi Germany accompanied the third Five Year Plan, and the focus was military and heavy industry. This period had a special touch on Ukraine's chemical and machinery industries, but the overall importance of Ukrainian SSR declined.

Fourth Five Year Plan had an emphasis on the massive and military reconstruction and recovery.

Khrushchev's new direction: de-Stalinization (1953-1964)

This period can be considered significant for Ukrainians and Ukraine's economy after Stalin's harsh dictatorship. This era can be characterized by less government control and favorable foreign policy. Khrushchev's economic policies were failing or not understood clearly in different parts of the country. He had an intensive focus on agriculture and tried to implement the Virgin Lands campaign.

The Brezhnev: messenger of stagnation (1964-1982)

The planned economy was still actively continuing. It was remarkable with Liberman's liberalization attempts, but later again new Five-Year Plan was implemented with a particular focus on the state's planning ability. Despite the unsuccessful plan, the new Five-Year Plan was redrafted, and it targeted agriculture, industry, and defense. The final year of Brezhnev's latest Five-Year Plan was adopted to fight against food problems in the USSR.

The Gorbachev era: building Soviets again (1985-1991)

The lagging Soviet economy was behind even emerging economies of the world, and economic activity was declining. Gorbachev's economic policy was called "perestroika" or "reconstruction," and he believed that previous economic policies are valid, and with minor changes, USSR can catch up with the Western world. His confusing economic and political moves resulted in the semi-free market as well as a semi-mixed economy. Overall, problems in the economic policies put an end to the final decade of the Soviet Union, and 70 years of economic and political dictatorship ceased.

To sum up, we saw that the Soviet Economic system had always planning motives, the importance of state decrees over the nation, and intuitive decision making. These and many more have been passed to its successors, which we will analyze in the next chapters.

We can look at the theories about the command economy and its main features after the historical background. Command economy is the type of state where the government plans all the activities to increase the population's welfare. It is also called a planned economy, and the state controls everything, including people's incomes. Investment is not motivated, and the government owns land and properties; thus, competition does not exist. This system offers free education, subsidies, and other benefits, open to corruption and mismanagement. It can be summarized as a cycle as below:

- The government creates a central plan;
- Resources are allocated according to the program;
- All the priorities and targets are indicated in the program;
- Government is the owner of this monopoly;
- Finally, the government can create laws to enforce this plan to be implemented.

Regarding the advantages, we can state that:

- Large scale mobilization of resources;
- Society can be transformed easily to match the government's plans.

On the other hand, many disadvantages exist:

- unsuccessful policies can easily create a black market or shadow economy;
- demand and supply not always matching with each other;
- innovation is not regarded as the best trait, and obedience is welcomed instead.

Another interesting phenomenon in this system was called "soft budget constraint" (Kornai, 1986). The firms do not worry about expenditures and earnings because they will be compensated with the government's help using tax-exemptions, subsidies, or soft credits. As a result, the economy becomes price-insensitive, and efficiency declines. It is experienced in the case of Ukraine for the whole transition period.

Soviet interaction with international trade was based on self-sufficiency. Exports were aimed to get foreign reserves, which could finance imports consisting of machinery. On the other hand, exports were raw materials and food.

In the next chapters, we will witness real cases of the command economy still existed in Ukraine after the independence and how it created bottlenecks for the state to integrate into the global economy. Soviet political and economic legacy had become a nightmare for the nations who found their existence in independence and transformation of their economies into the market economy while building fundamental systems. As we saw, the command economy had many loopholes that were easy to benefit, and those who were competent enough to do so became rulers and decision-makers of their countries. It should not be hard to imagine the debt the nations had to pay until becoming welfare states meeting decent living standards.

5.2. The transition period in the post-soviet countries

After the dissolution of the Soviet Union (August 1991), member countries declared independence after each other, and the reason for choosing the first decade is reasonable. Because any country had enough time to decide the new trajectory for the 21st century, in this part, we will briefly debate the major issues of the transformation period as it will help us realize the nature of the problem we are facing. On the other hand, the Soviet Union's legacy should be well investigated as some countries still suffer. That moment till transition can be viewed in four phases: freedom in political democracy, the collapse of the Union, the disintegration of the economic bloc, the start of the transition. We should not forget that each country followed different economic policies independently.

Azerbaijan

Starting (October 18, 1991) very promising, Azerbaijan had very high growth rates, but a low level of trust in the economic policies has been the main problem, requiring infrastructure changes. Signing "Contract of the Century" in 1994 supported a dramatic increase in oil production in 1997, according to the Product Sharing Agreement (PSA). It resulted in faster integration to regional and global economies and making Azerbaijan an oil-rich country. It faced disrupted economic ties with former members of the Union, lack of resources, the Karabakh war and its casualties, unemployment, which caused significant issues for the country. In 1996, conditions were adequate to develop, but the Russian crisis in 1998 slowed it down. In general, we can say that Azerbaijan could manage the transition period successfully in economic terms.

Armenia

After the referendum on September 21, 1991, Armenia declared independence and moved forward freedom, the market economy, and other global opportunities. In the first place, price liberalization motivated saving. Furthermore, this liberalization activity overall allowed equal access to the goods and services in the market. When we take an in-depth look at the transition period, we can see three major obstacles Armenia had to come over: all plants and economic entities could not survive due to centralized nature of them, increase of energy supply as it was in the blockade, and finally, attempting war with Azerbaijan in Nagorno Karabakh drained all national reserves during that time and after all. During 1995-1999 Armenia could stabilize its currency, but the Russian crisis of 1998 had hit Armenia.

Estonia

The Swift and successful transition from a totalitarian regime to a free-market economy was a remarkable moment for Estonia. Being a role model, Estonia had followed positive growth numbers from 1995 till 2007. Since 1992 it was practicing liberal trade policies; thus, the privatization rate was 85 in early 1998. Despite having many economic problems from the Soviet era, rapid measurements resulted in what we call the "Estonian miracle." (*Mart Laar, 2008*)

Latvia

In August 1991, the Latvian people had their dream come true and got rid of the Soviet Union, but remnants would take years to clear out. Significantly to move towards a market economy, they had to build a democratic society. The GDP of Latvia had fallen about 49% from 1990 to 1993. Inside the Baltic states' revival, Latvia chose to liberalize price and trade, stabilize macroeconomic activities, and support privatization. The next move was joining the International Monetary Fund (IMF) in 1992. For the success of these macroeconomic policies, we owe to Einars Repse, who led the Bank of Latvia from 1991 through 2001.

Lithuania

March 11, 1991, Lithuania declared independence and escaped from the Soviet system. In 2004 joined the EU and the North Atlantic Treaty Organization, which is an amazing result for 13 years of struggle towards a market economy. A timely approach to the transition period and faster privatization had resulted in being an EU member.

Belarus

Unlike other countries, Belarus has kept its non-market economic structure since the collapse of the Soviet Union. Starting from 1996, Belarus recorded impressive growth rates for GDP, and the investment rate has been steadily growing during the last decade (in 2000 rate was 27.088% of GDP) (*bruegel.org, 2016*). Because of its conservative approach to Soviet values, Belarus is considered "Europe's Last Soviet Economy." In political terms environment tuned to the authoritarian path rather than westernization.

Moldova

After independence in 1991, Moldova was always in trouble with a corrupt political class, economic hardships, which slowed down economic development in the region. Having better hopes for the future, Moldovans did not know that those inadequate policies will not result. Shocked by the crumble of the Soviet Union, the later 1998 Russian crisis Moldova could not resist anymore. Being disintegrated from the Soviet and world economy brought unprecedented problems for the country and lost all trade links. Entering a vicious circle, Moldova GDP shrank 8.6% in 1998 and 4.4% in 1999 (*Nina Orlova, 2000*).

Georgia

After the USSR's disintegration, Georgia faced economic and social challenges to overcome and move towards a market economy and finally integrate the European Union. Two significant problems for Georgia were national conflicts and a dominating state of corruption and poverty. In general, being in the Black Sea region was a great opportunity, but economic disruption would not allow utilizing this condition.

Kazakhstan

The russification of Kazakhstan had created a chance to build new industries and trade networks. Kazakhstan, during the transition, was a bit strange because there was not too much change. Nazarbayev had taken total control and the ruling country as it was during the Soviet Union. In the first years, the decline in production level and hyperinflation were significant problems. Undoubtedly, the Russian financial crisis had hit Kazakhstan as well, but surviving from it and investing in the oil field explorations would make the 21st century different for the Kazakh nation.

Uzbekistan

Uzbekistan is considered the Soviet Union's economic success, and no other nation had managed to achieve this. Before the collapse of the Soviet Union, Islam Kerimov was elected as a leader; after that, he reclaimed power and became president of Uzbekistan. However, his isolationist policies disintegrated Uzbekistan from the globalizing world gradually.

Turkmenistan

Being a conservative member of the Soviet Union, Turkmens voted for the regime's continuation when a military coup happened in Moscow against Gorbachev. Niyazov never brought liberalist ideas to the country, changed the party's name, and continued implementing communist ideas. After economic development during the transition, in 1999, Royal Dutch/Shell, GE Capital, and PSG, supported by the USA government, decided to work on a new project to deliver Turkmen oil to Turkey. Still, discoveries in Azerbaijan stopped it, as well as in Russia (*refworld.org, 1999*). Turkmenistan was one of the gas suppliers of Ukraine with Azerbaijan.

Kyrgyzstan

Kyrgyzstan became independent on 31 August 1991. The people here were specialized in farming and agriculture. Major trade partners are Russia, China, and Kazakhstan and exporting to countries such as Switzerland and Kazakhstan.

Tajikistan

Tajikistan became independent in 1991, and its economy focuses on agriculture and service sectors. However, civil war had damaged all areas. A decade ago, major trade partners were China, Turkey, and Russia. Tajikistan mainly exports metal ores and cotton. It is a member of the Eurasian Economic Union.

Russia

The Soviet Union collapsed, and the legacy was left for the new country so-called the Russian Federation. Russia was the biggest country on earth, and it was targeting to move forward democracy and market economy without any idea.

Ukraine

Ukraine was an integral part of the whole Soviet Economy (since 1920). It is a sad economic fact that Ukraine was only getting 16% of investment funds. However, providing 17% of industrial and 21% of total agricultural output was an important fact (*britannica.com, 2020*).

Revenues from operations in Ukraine were channeled to Russia and Kazakhstan instead of reinvesting for the nation. Its industrialization had started in the 1930s. Sick policies of the Soviet management had caused the death of millions of Ukrainians, which would be remembered as the 1933 famine in history. Ukraine also experienced forced industrialization as we saw for other countries.

As Ukraine is our focus of the study, we will investigate its transformation and westernization, struggle in the last decades more thoroughly.

Ukraine's transition roots go back to perestroika when idealists were thinking of either keeping the command economy and modernizing it or ultimately building a new economy. The first period of transition covering 1991-1994 was full of mistakes, mismanagement, and presidential elections. We can consider the second phase more successful because Ukraine could get donor help from the World Bank and the IMF and implemented economic and monetary policies, including the introduction of "hryvnia" as the national currency. In general, these measurements were not successful enough to show an increase in economic indicators.

5.3. Evolution of the Global Value Chains

Global Value Chains can be considered as a phenomenon where production is shared and broken into smaller activities. It is one of the two ways to analyze the world economy: connected net of countries or individual economies. Those activities will occur in different countries accordingly. The "Made in the World" brand takes over the "Made in Country X." This approach to the Global Value Chains reminds Adam Smith's division of labor, where each party has its role in the overall process. In Global Value Chains, production is allocated in various locations, and it makes the process more complex than the division of labor examples, even though they are the same.

Before starting defining characteristics of the Global Value Chains, it is good to review key fundamental concepts:

-value chain – the line of activities from the idea to the ready product. For example, design, marketing, and sales. It should be differentiated from the supply chain as the supply chain deals with primary production and distribution-related activities, while value chains encompass beyond that.

-Global Value Chains – is the value chains scattered in various regions over the globe. Not all the GVCs are the same and usually differentiated in their product's characteristics and capabilities.

The expression Global Value Chains has evolved since the 2000s. It has been designed to bring together different concepts such as industrial districts, clusters, and networks to understand complex geographic relationships among global companies. It can even be tracked down to the 1970s, where "commodity chains" were used (Bair, 2005). Later, when the term "global value chains" appeared, they wanted to measure how much a given organization adds value to the global economy. Recent researches propose to use "network" rather than "chains" as the global economy and its pillars getting more complicated (Coe and Hess,2007). There is also a GVC research approach used to learn the dynamics of international industries and its flow. In general, it involves mapping the relationships geographically and the following value chain analysis. GVCs should be the focal point of the global firms and policymakers to understand the working mechanism and how they change in various circumstances.

Deregulations in international trade, developments in information and communication technologies, and how multinational enterprises work have played a significant role in evolving global value chains (Journal of International Business Studies, 2020., *Global value chains: A review of the multi-disciplinary literature*).

Liberalized trade, cheaper transportation costs, development of technology and communication, and logistics discoveries have made it possible to have business overseas and fulfill the global value chains' requirements. On the other hand, we owe to the transnational companies for their international activities, as it is also fostering the fundamentals of GVCs. They are always searching for low cost, and it motivates them to offshore their activities (design, production, marketing) abroad, especially in developing countries.

Another trait of Global Value Chains is that outsourcing activities are common as well. Keeping core activities with them, other redundant tasks are shared with the third parties, which do not have direct ownership in the company. Participation trends in the global value chains highly depend on high technology; it has been exposed.

The participation of the countries in the global value chains can be grouped as backward and forward.

Backward linkages – when country X imports goods directly or indirectly from country Y to produce new goods for the local market. It can be considered an ability to source required goods for internal production in an advantageous way and develop a trade network.

Forward linkage is an almost opposite idea; country X produces goods to be used as final or intermediate goods in the country "Y." Those exports can be re-exported from country Y to the third country markets. Participation in the forward linkage is significant for the states as they develop a new skill anchored to be a vital part of the world trade.

Another critical point is the state of goods while crossing borders until the production is finalized. For the Global Value Chains, it is considered a proxy measure, and since 1995, it has always accounted for around 50% of exports and imports.

Considering the expected benefits of the global value chains for the economies, it has some drawbacks as well to be mentioned: the collapse of the social cohesion, loss of the labor force, and environmental effects. We can list those consequences as below:

-the widened economic gap in the labor market

-not able to fight against external shocks

-getting stuck in low value-added operations

Besides having some disadvantages, we can list pros for the countries which want to industrialize as below:

-no need to diversify and build all production lines in one country

-faster achievement to economies of scale

-development opportunities for export countries

-positive externalities such as knowledge transfer

-it has an enormous impact on income per capita, but research shows that it is more significant for upper and high-income countries and high-tech industries mainly.

-increasing competitiveness in the markets and leads to sustainable development (*IMF*, 2019., *Global Value Chains: What are the Benefits and Why Do Countries Participate?*)

Countries attempt to be part of the global value chains by attracting Foreign Direct Investments (FDI). Another reason is the globalization attracting countries to join different global value chains. However, the whole process needs to be arranged carefully to have a successful integration. This integration process can be divided into three main phases:

- countries should find relevant GVCs to be part of it, and according to the industry, as we mentioned above, FDIs can be attracted as well.

- once integration started, local capacity building should be followed to improve and adapt businesses to new value chains.

- final step would be keeping up an integrated system and thinking of its sustainability in terms of environmental and other aspects.

For the successful adaptation, various sources of information can be found by international organizations, such as the OECD. OECD has three types of policy implications:

- trade in value-added

- trade policy and GVCs

- initiative on GVSs, production transformation, and development (unido.org, 2019., *What are global value chains, and why do they matter?*).

However, globally different economic systems make it hard to track the origin of the product; that is why different policies and tools have been developed by trade organizations such as the World Trade Organization (wto.org, *Global Value Chains*).

In the Global Value Chains concept, the paper "The governance of global value chains" by Humphrey and Sturgeon has contributed to the idea of global value chain governance as well. We can summarize outcomes as below:

- Markets are the central part of the Global Value Chains where buyers and sellers meet and agree on a specific price level.

- modular value chain – here, the supplier takes all the responsibility to make the products, and cost-wise it is advantageous.

- relational value chains – reputation plays a vital role in economic relations such as "industrial districts." Still, it takes a longer time than others to build such value chains as "trust" is also a significant factor.

- captive value chains – in this model, small companies are dependent or "captive" from larger companies and mainly under their control.

-hierarchy - participants are vertically dependent on each other inside one firm (globalvaluechains.org, *What is a Global Value Chain?).*

Global Value Chains can be split up into two parts based on the nature of the industries participating (Gereffi, 1994):

-buyer-driven - usually, retailers are prominent members; they can be easily outsourced and do not need colossal capital and knowledge set - for example, the apparel commodity chain.

-producer-driven – mainly high-tech industries which heavily rely on technology and R&D. Here, crucial chains are located in the leading country, and supporting departments are distributed around the globe (oecd-ilibrary.org, *Mapping Global Value Chains*).

Participation in the global value chains affects labor markets as well in many ways depending on the type of the economy (developing and developed), and kind of the industry, strategies of the HQ company, and overall environment in the market:

Advantages: in the developing countries, the situation is mixed, and might be losers and winners at the same time. It does affect not only jobs but also skill levels, inclusion. Women become the central part of the labor market, but they do not develop their skillset. The importance of value-added trade, rather than gross trade, is that while making statistics, it gives a clear understanding, and we can see a better effect on the labor market.

Disadvantages: In developed countries, the rich get richer, and the poor get downgraded. If the state already had a labor surplus and lower wages, integration into GVCs will create more jobs making the situation worse. As wages increase, net employment decreases, and being more skillful brings them more money (wol.iza.org, *Do global value chains create jobs?).*

The last two decades have not been an easy time for global trade, and it has faced various types of costly trade wars in the global value chains, which we will discuss shortly:

1. Global Value Chains has a positive effect on tariffs and as a result of the final price. Every time a product crosses the border, a new tariff is added to its gross value. That is why the final product becomes more expensive than a typical scenario. It might affect strategies firms choose while building their value chains.
2. Countries that pass protectionist policies should consider the overall consequences. The host factor is very crucial regarding market power, trade volumes, bargaining power of the country. If it is not considered wisely, trade costs would be borne by the imposing state.
3. Findings support that Global Value Chains are a vital part of the global economy, and it is also determined and controlled by market forces. If a particular country imposes a tariff, multinational companies will look for alternatives immediately. The lesson learned

is that companies may not behave as expected to the countries' economic policies (voxeu.org, *Trade wars in the global value chain era*).

Considering the chronology of global value chains, there was a slowdown during the Global Financial crisis (2008) but was followed by a quick recovery during 2010-2011. In terms of intra-regional trade, North America has given its place to Asia in China's representation, and linkages between European countries and China have increased between 2000 and 2017. However, we can see new initiatives by the US to recover the so-called "North Factory." In general, the US (North America) and Germany (Europe). In terms of bilateral relations, for Asia, China is always the destination for the products coming from Japan, Taipei, and the Republic of Korea. Other inputs for information and communication are coming from Europe and North America and then exported worldwide. It is worth noting that ICT products account for around half of the Chinese exports (wita.org, *Global Value Chain Development Report 2019*).

Industry 4.0 has been proposed by the German government and refers to applying high-technology strategies and the Internet of things. The impact of digitalization has also been investigated, and it can either shorten the length of the chains or decrease the cost of finding buyer and seller matches while paving away SMEs more opportunities to integrate. It is assumed that Industry 4.0 can bring automation, optimization, and full integration to the previously isolated global value chains. Industry 4.0 can impact current processes in significant four ways:

-The Internet of things – products with censors will transfer data among each other and people, it will decrease international production costs. However, cybersecurity concerns can be considered as a drawback for the applications of IoT.

-Big data and analytics – emerging popularity of the Internet and stored data from nontraditional sources have given companies more profound knowledge about the trends in the international markets. Significant problems in BDA applications in the global value chains would be privacy and quality of data.

-Robotics – technological advancements since 1960 have opened doors to possible areas where robots can be used. In general, decreasing the cost of hardware and software packages, industrial robots have become capable of doing more than humans and more intelligent. Getting less expensive allows small companies to utilize them.

-Additive manufacturing – usage of computer-aided design now everyone can be "manufacturer," and it brings some benefits alongside, such as CAD technologies can be used anywhere by anyone, consumers can customize the final product based on their needs, some intricate production lines getting easier.

Overall, Industry 4.0 will revolutionize global value chains, soon considering the above-stated expectation and unprecedented future.

However, considering all these outcomes, negative externalities exist as well, and to overcome this disruption among regions and individual players, adjusting policies should be drafted and implemented.

Talking about Global Value Chains, it is inevitable to speak of the world economy's current status: fighting against the COVID-19 pandemic. Global Value Chains have been damaged hard by the current crisis, and multinational companies have stopped production lines in many countries. However, these changes cannot be assigned to COVID-19 because major industrial revolutions (Supply Chain 4) had already prepared an appropriate environment for rapid changes (voxeu.org, *Global value chain transformation to 2030: Overall direction and policy implications*).

COVID-19 pandemic so far has caused disruptions in many global value chains. For example, the Japanese company in Mexico used to import inputs from China. However, the outbreak made them shift the input sources to South Kore, which caused delays in the exports. In general, it has been found that COVID-19:

- Has not had a significant effect on the demand of the importing countries
- Machinery production in Asia has not declined significantly as the workers were allowed to continue due to its importance. Nevertheless, exporting countries had suffered a lot.

The arrival of such a global pandemic has re-ignited old questions about Global Value Chains, which is worth to review in short:

-The first problem was the "necessity of Global Value Chains" because some countries avoided GVCs despite their importance. The dilemma between "nationalism" and GVCs does not have a clear answer but worth investigating.

-Are the Global Value Chains resilient to natural disasters such as pandemics, earthquakes, or floods. For example, in Japan, the Tōhoku earthquake where inputs were specific and hard to substitute, or Chao Phraya floods in Malaysia, 46% of the hard disk drive channels were concentrated. However, considering COVID-19, research shows that it is different from natural disasters, and mainly supply chains were actively working. It has been stated that global value chains can be a solution to the supply chain disruptions, rather than creating bottlenecks.

Companies can try to build better global value chains by paying attention to the risk identification techniques and risk management strategies simultaneously to increase resilience. Transparency, the agility of the GVCs should be the number one priority for the companies.

Finally, governments can take action considering the three phases crisis, recovery, and new normal. In the first stage, essential Global Value Chains should be supported, such as medical or we saw in Asian example as they continued to produce machinery. In the second stage, production time could be reduced to reach the previous performance levels. In the last round, governments should use their power to adapt to new conditions and prepare for the next cycle because the new normal does not mean that virus is over (oecd.org, *COVID-19 and global value chains: Policy options to build more resilient production networks*).

UNICTAD's World Investment Report indicates that current processes will have a long term impact on international trade for the next decade of 2021-2030. The Year 2030 is essential because it is the target for implementing Sustainable Development Goals as well.

Starting from 2010 world economy and GVC share of trade (%) had gradually declined but steadily increased. The new industrial revolution, combined with a pandemic, is now strengthening the processes until 2030 when international production will be transformed into a unique shape. We can define megatrends of global production, such as implementing robotics and artificial intelligence, supply chain digitalization, new applications of 3D printing from technology, and NIR standpoint. On the other hand, protectionist measures in trade, interventionist national policies, preference to regional and bilateral cooperations rather than global initiatives in terms of economic governance. Finally, as we mentioned above, sustainability policies, market players' impact on products, and existing processes can be considered sustainability issues.

It is interesting for all where we are heading from this burdensome situation. Luckily, we have policy recommendations and forecasts by international organizations. WIR20 report has classified three main clusters to consider:

-how much value chains have been fragmented, and how long they are (short-long)

-where these chains have been spread geographically (concentrated-distributed)

-governance policies of the multinational companies (arm's length trade-Foreign Direct Investment)

Based on this, we can follow four main directions as described below:
-*reshoring* - shorter value chains, more divestment, and less need for FDI search.
-*diversification* – economic activities will be distributed in many locations but mainly for new market players.
-*regionalization* – length of the value chains will be shortened, but geographically it will be more diverse.
-*replication* – shorter and combined value chains will be focusing on geographic distributions.

Previously mentioned Global Value Chains as a factor of economic development, and it is important to revisit this theory in developing countries. To know the structure of the global value chain is more critical than the injection of various products. The incorrect entry can be a failure for new entrants. The way a developing country was participating in the past was to design and export all by itself. Now it is changing and can only be designed and exported by another party as well. As UNIDO says, upgrading their activities in a disciplined way will enhance the developing countries' internal development more comprehensive policies and help to be part of broader trade networks. It can be viewed from UNIODO's Competetive Industrial Performance ranking that countries that fully integrated into global value chains have occupied higher ranks as well.

We must stress the cruciality of joining global value chains on time, not to be considered as a "latecomer firm." Because "latecomer firm" faces two significant problems, which is hard to compensate in the short run. The substantial first technological barriers as located in a developing country; they will not have access to major technology hubs. Secondly, "latecomer" will struggle to access international and advanced markets and needs to perform in the local and underdeveloped markets.

Now we will review the different participants of the global value chains globally and on a regional scale. As of 2004, members of emerging Asia, China, and Indonesia Vietnam were more integrated into global value chains than the European Union or the United States. Checking the OECD-backed Trade in Value Added (TiVA) Database, we can see how the global image has changed: Korea was leading with 41.7% keeping it stable from 2008 till 2011 alongside Singapore and Malaysia. India has also seen a significant increase compared to 1995, and in 2011 it was 24.1%. Major economies today, China and the USA, had 32.06% and 15.03% accordingly, which shows how much the Chinese economy is integrated. If we would rank countries considering the countries' participation rate and continents of backward and forward linkage, we see that China, the United States, Germany occupies first ranks accordingly. For China, the backward linkage has around 62%, while the United States has 25% and Germany approximately 47%. It means how much foreign value-added imports occupies in the gross exports of the abovementioned countries.

Considering the ranks of the countries, it is evident that developed countries are mainly on the top. Then what about developing countries, and why are they always on the bottom? We can answer this question in two possible ways:

-intrinsic reason – lack of knowledge, capital, skill, technology, and lack of supporting ecosystem.

- extrinsic reason – bargaining power of chain members and asymmetric information along the chain is causing dependency from the lead firm (Abhijit Dasan, Zaki Hussain, 2017., *Global Value Chains: Asymmetries, Realities, and Risks*).

As a result, developing country firms are outcast from the global value chains to the bottom of the ranking until they have the proper skill set to recover.

It is also necessary to talk about supply hubs created by global chain activities, as they are the supply chains' hearts. As we mentioned in the early 2000s, there were three main supply hubs: Germany, Japan, and the USA, with their linkages around neighboring countries. For example, Germany with Great Britain, France, and Italy, Japan with China and India, the USA with Canada and Mexico.

In 2017, supply hub topology had not changed too much, but China replaced Japan with a tremendous difference. Germany still had Great Britain, France, and Italy as a significant partner in terms of networks. The USA kept Canada and Mexico while becoming a destination for Chinese goods and services. China built ties with Germany, the USA, and Japan, including other major economies such as Russia, Brazil, and India.

In terms of outflows (simple global value chain trade networks), we face an exciting trend. In the year 2000, the USA was exporting primary, intermediate goods for the two other hubs, Germany and Japan, directly affecting China and Russia. In 2017 the scene changed; we can see a more structured Global marked with fewer linkages. Three major hubs almost did not have connections. The only USA had linkage with Europe via the Netherlands. We notice a decrease in the USA's importance as a supply hub and move to Asia, most importantly, China. However, Germany kept its position in Europe second to China.

Finally, considering complex global value chain trade networks, the significant change is the regionalization around supply hubs and loss of direct linkages (worldbank.org, *GLOBAL VALUE CHAIN DEVELOPMENT REPORT 2019*).

To sum up, it would be necessary to revise what we had mentioned so far about global value chains. Global value chains are breaking supply chains among countries, and it has two significant parts: drivers and outcomes. In the initial stage, policies covering openness, connectivity, and cooperation should be followed, considering geography, market size, economic endowments, and institutions. On the outcomes side, companies should implement social and environmental protection policies. Furthermore, as a result, it will be covering economic conditions such as growth and jobs, inequality, poverty reduction, and finally, the environment. Bringing those pieces together, we will have global value chains, which is the mechanism of hyperspecialization and firm-to-firm relationships (worldbank.org, *World Development Report 2020*).

As we mentioned above, unexpected COVID-19 shock on the global value chains should be taken seriously and handled by public and private sector partnerships. Moreover, learning from other countries' experiences must play an essential role in policymaking. However, a pandemic is not a curse to the global economy but an opportunity. Because SMEs can utilize new technologies to innovate and automate current processes, which will be beneficial for them when the world will go back to normal. After COVID-19, digitalization has been a trend in most companies, and they have started using innovative technologies such as a 3D printer. On the other hand, it will help reconfigure the global value chains and eliminate the clutter (worldbank.org, *How is COVID-19 transforming global value chains? Lessons from Ethiopia and Vietnam*).

In the next chapters, we will examine Ukraine's global value chains and their relations with the rest of the world.

6. ANALYSIS

The analysis will be separated into two parts. Firstly, Ukraine's intentions to integrate into the global economy will be analyzed during and after transition based on the textual materials such as books and articles. They will be divided into parts according to the presidency years. The second part will include a descriptive analysis of Ukraine regarding trade performance and overall role in the global value chains covering the whole timeframe since Ukraine was independent.

6.1. A brief introduction to Ukraine

Located in Eastern Europe on the crossroads with Europe and Asia, Ukraine is the second biggest country on the European continent after northern neighbor Russia. The capital is Kyiv city, and it is on the Dnieper River. Ukraine has borders with Belarus, Russia, Moldova, Romania, Hungary, Slovakia, Poland, the Sea of Azov, and the Black Sea. Touchpoint with Russia is through Kerch straight, and it is access to the Black Sea from the Sea of Azov.

Ukraine is a semi-presidential republic with 24 provinces, which makes 603550 sq. km, and Russia occupied about 7.1% (Crimea) in 2014. Ukraine is covered with steppes and plateaus, mountains can be found on the west part only, and the Crimea peninsula on the south. About 71.2% of those are agricultural lands, and 16.8% is the forest, with the remaining used for other purposes. Its primary natural resources are iron ore, manganese, natural gas, and oil (Britannica).

The current population of Ukraine is 44.3 million, 69.6% living in the cities, and densely populated areas are on the east (Donbas) and the west, especially Kyiv, Kharkiv, Donetsk, Dnipropetrovs'k, and Odesa. Out of these ethnically, 77.8% is Ukrainian, 17.3% is Russian, and 0.6% is Belorussian. The official language is Ukrainian, and Russian is the regional language; additionally, other languages are spoken. The vast majority of people follow Orthodox, Ukrainian Greek Catholic, and Roman Catholic branches of Christianity. Most of the population is aged between 25-54 years. Life expectancy at birth is 71.6 years (2018), and School enrollment, the primary is 99.0 % (*CIA World Factbook*).

Ukraine is actively participating in the international economy and politics, especially after the unrecognized annexation of Crimea and Sevastopol. It is a CIS member, GUAM, WTO, UN, UNCTAD, and other infamous organizations.

Its agriculture products include grain, sugar beets, sunflower seeds, and industries covering coal, electric power, and metals. Gross Domestic Products is composed of services, industry, and agriculture; accordingly, the labor force has been distributed proportionally among sectors. Products are exported to Russia, Poland, and Turkey; in return, Ukraine imports energy, machinery and equipment, and chemicals. The current GDP is 139.1 $ billion (2019) and GDP per capita 3140.80 (2019) (*CIA World Factbook*).

Its ports (Feodosiya (Theodosia), Illichivsk, Mariupol', Mykolayiv, Odesa, Yuzhnyy) allow Ukraine to gain international visibility.

In the next chapters, we will analyze Ukraine's economy in depth from the time it gained independence from the Soviet Union until the current day, where "Servant of the People" revolutionized Ukraine's economy and politics. The analysis will be based on significant timeframes where presidents took power, and it will be split as follow: 1991-1994, 1994-2005, 2005-2010, 2010-2014, 2014-2019, 2019 present.

6.2. Shadow days of Ukraine

In this section, Ukraine's birth and its first steps towards a free and market economy will be reviewed for the scope of 1991-1994, which matches the time when Leonid Kravchuk was in power. He was the last speaker of the Soviet Ukraine Parliament and on 28th August 1994 led MPs to declare independence. In its early days, Ukraine joined the Commonwealth of Independent States, and it was an official end to the Soviets in those lands. His promise was "promotion of the institutions" and "economic prosperity." However, they ended up with a malfunctioning economy, and the transition from communism to a free-market economy promoted the expansion of the shadow economy and isolation.

Ukrainian economy melted down from the bad (ranked on the bottom of the 15 countries) to the worst position with GDP per capita of $1307. In this slowdown, Kravchuk played a significant role, and his incompetent economic and political policies caused 40% economic shrinkage. The introduction of new currency had caused 10155% inflation, leading to hyperinflation, followed by tax evasions and other illegal activities (*EBRD Transition report 1991*).

Another unsuccessful economic policy was to change price controls, the new system for getting business licenses, and export rules, which fostered barter trade, rent-seeking, and the rise of oligarchs in the country. On the other hand, privatization started in 1992, and due to insider agents, it was not fair and competitive; thus, it supported the shadow economy and loss of economic activities. Import prices were higher than export prices.

According to the New York Times, Ukraine's economy was on the edge of something special; the economy was still planned, subsidized, and there was no market economy-related activity. Nevertheless, we can consider Kravchuk's de-nuclearization policy significant as it saved Ukraine from the biggest threat to the nation and the world. Other reforms had been designed to be "abandoned." During his time, comprehensive reforms had never been implemented, and all control was in the authorities' hands.

The private sector accounted for 30% of the Gross Domestic Product when considered informal economic activities, despite the Law on Privatization of Assets of State-Owned Enterprises in 1992. The Law on Bankruptcy was passed in 1992 alongside subsidies and credits to foster economic growth and support companies' budget constraints (*EBRD Transition report 1992*).

It is also valuable to mention that Ukraine was a transition country in this time frame and could not set up a market economy. To deeply understand the reasons for these reforms' failure, we cannot exclude the country's political instability. Because all the are dependent on the will of the particular political interest groups and mainly parliament, which always intervened and blocked implementation of the reforms.

On these days, Gross domestic product and overall production level had declined sharply, and we can see it in numbers clearly:

Table 1. Annual Percentage change in GDP (1991-1994)

Year	Real GDP
1991	-12 %
1992	-17 %
1993	-17 %
1994	-23 %

Source: *ebrd.com*

On the other hand, the production level had fallen dramatically close to 1994 due to the fall of aggregate demand in terms of consumption.

Table 2. Annual percentage change in industrial production (1991-1994)

Year	Industrial production
1991	-5 %
1992	-6.4 %
1993	-8.5 %
1994	-30 %

Source: *ebrd.com*

Next to industrial production, agricultural production had fallen around 20%, and the share of the private sector increased from 30.3 % to 46.6 % because of privatization activities. To determine possible factors affecting the decrease in GDP and industrial production, we can mention four main reasons:

- The loss of trade partners existed during the Soviet Union, and they were out of reach due to trade barriers.

- Loss of coordination mechanisms due to the collapse of the Soviet Union
- Lack of interest in Ukrainian goods
- The decreasing consumption level due to the fact of decreasing income levels offset by a high inflation rate. The inflation rate itself was the reason for the fall of production level according to the World Bank.
- Energy import price adjustments had a severe effect on the energy-intensive industry areas as well (*EBRD Transition report*)

Overall, in these four years, liberalization of the exchange rate and trade, less state intervention, and decreasing subsidies, various reform packages would positively affect the next period, which will be reviewed in the next chapter.

From the unemployment standpoint, Ukraine faces the opposite of the expectations because command economies usually have full employment rates as it is almost forbidden to be unemployed. However, in Ukraine, privatization caused the loss of jobs, and companies could not provide adequate job placements.

As we mentioned, the inflation rate was one reason for the decrease in industrial production, and it was considered a "plague" for the Ukrainian economy. The pricing system had been freed as well to move towards a free-market economy, which created a shock effect in the early years and caused hyperinflation:

Table 3. Inflation rates (1991-1994)

Year	Inflation rate
1991	194.4 %
1992	2600 %
1993	8600 %
1994	891 %

Source: *ebrd.com*

From the trend, we can notice that from 1993 Ukraine's economy started normalizing in terms of inflation and recorded better results. The main reason for these volatile results was positively linked to the fact that people did not have clear expectations from the economy. If it is the case, then such situations occur frequently, and unbalanced income distribution happens. On the other hand, a classic case of inflation was happening; the budget deficit that could be compensated by issuing treasury bonds was very high. Only later, it was done, and it even fastened the inflation process.

As mentioned above, the government budget is an essential factor to pay attention to, and it should be controlled carefully and aligned with the International Monetary Fund's advice. The budget deficit was high in the early years, later decreased; 1991- 14.1% of GDP, 1992 – 30% of GDP, 1993 – 11.6% of GDP, and 1994 – 8.6% of GDP. The IMF target (7.3%) was not met, and it was mainly due to wage payment and energy imports from Russia and Turkmenistan (*EBRD Transition report 1994*).

Another major problem was tax collection failures in those years; Ukrainian tax mechanisms were not well designed to build a fiscal government. For example, in 1994, 75% of enterprises failed to pay taxes. It was partially due to privatization as privately-owned companies tried to avoid taxes, which would not be possible during the Soviet Union. On the other hand, budget expenditures were decreasing as well, while fictitious expenses were cut away; 1992 – 71.9% of GDP, 1993 – 54.3% of GDP, 1994 – 52.9% of GDP (*EBRD Transition report 1995*).

At the beginning of this period, the Ukrainian National Bank was established but did not perform basic monetary and central banking tasks. Ukraine was still in the Ruble zone and only left 1992, and later currency (hryvnia) was introduced.

Considering all the factors mentioned above, such as GDP, industrial production, inflation, and others, Ukraine's foreign trade participation will be reviewed.

Starting from 1992, Ukraine had a negative balance of trade, and it continued till 1995. Our time frame was always deficit the only end of 1994 total exports increased by 19%, causing a trade surplus (*EBRD Transition report 1995*).

Table 4. Ukraine Trade balance (1992-1994)

Year	Trade balance (Millions of USD)
1992	-621
1993	-1828
1994	-281

Source: *ebrd.com*

In general, post-Soviet countries remaining major trading partners with Ukraine. For example, in 1992, Russia had contributed 27% of exports and 31% of imports in Ukrainian trade. (*EBRD Transition report 1992*) In the second place, we can locate European Countries as Ukraine moved towards a free-market economy competitive market conditions in the world trade gave it opportunities to export and trade with EU countries. Foreign trade with Soviet countries can be closely examined; negative balance is due to energy imports from Russia and Turkmenistan:

Table 5. Trade balance with USSR countries (1992-1994, million USD)

Year	Trade balance (in million USD)
1992	-1122
1993	-2670
1994	-2050

Source: *ebrd.com*

Ukraine was unique in terms of foreign debt as it had not inherited any from the USSR, but in 1992 it owed 3.5 billion USD. It was again the result of energy imports from Russia and Turkmenistan. However, close to 1994, Ukraine shifted routes and imported oil from Iran, and the event started extractions on its area. We must note that Ukraine was one of the energy-intensive countries in the world, with 14% in 1990 (*EBRD Transition report 1992*).

Between 1991-1994 various reform acts had been proposed or partially implemented, and they will be reviewed for a better understanding. Starting from PM Fokin, even privatization law was late approved, and then Leonid Kuchma tried to implement reforms without the parliament's approval. Named Plan of Action contained strict financial policies, the free market economy's importance, control of prices, foreign trade, and state enterprises by government. It was justified as a prerequisite for the next liberal era. All of them were denied, and close to 1994, the Ukrainian economy was partially liberal. During this time, loss of control caused rugged corruption cases and illegal economic growth, ending with Kuchma's resignation. It can be said that the reason for the economic collapse in 1991-1994 was not improper legislation, but no one could implement it. In general, economic decrees approved on this time frame were as below:

- Hard currency market formation
- Promotion of competition
- Privatization
- Foreign investments (especially in new technologies)

In addition to that, USSR had taken all the experience with its collapse, when Ukraine left alone could not handle economic and political problems inside (parliament and government could not synchronize) and outside of the country. The introduction of hryvnia caused challenges in exchange rate determination (later unification policy accepted by Kuchma in 1994) and created international trade barriers. Moreover, Ukraine was always a producer of intermediate goods, and with the introduction of new trade rules and opportunities, demand for these medium products declined sharply. The monopolistic environment made entry hard for SMEs, and only companies close to the government could operate normally.

As mentioned previously, Ukraine had serious FDI problems and trust issues with foreign investors due to legal instabilities, unfair licensing conditions, underdeveloped banking systems, and corruption, and in 1994 State Program had reviewed the Decrees on Foreign Investments passed in 1993.

While analyzing the EBRD transition report for 1994, under the trade and foreign exchange systems, Ukraine has been classified as 1; it means widespread import controls still existed, and accessing foreign exchange was burdensome. On the other fields (privatization, markets, and trade, banking reforms), Ukraine had fallen into either 1st or 2nd class, which meant control, the command economy's domination (EBRD Transition report 1994).

Ukraine had GATT observer status in 1992 and was working on the accession process. In 1994 signed EU Partnership and Cooperation Agreement and some OECD countries had granted MFN (Most Favored Nation) and GSP (Generalized Scheme of Preferences) status. Later signed Free Trade Agreement with Armenia to facilitate trade. For the time frame, it is not part of the Economic Union for CIS countries. Still, it already has a bilateral trade agreement with them, including Free Trade Agreements with Belarus and Moldova. Additionally, in 1992 there was a trade agreement between the USA and Ukraine, which gave the latter Most Favored Nation status. In 1994 Ukraine joined WTO TRIPS (Trade-Related Aspects of Intellectual Property Rights) to secure intellectual property rights.

This time frame has been revised and can be concluded as below:

- Ukraine was struggling to protect its independence while transforming into a market economy
- Ukrainian leadership was not capable of implementing reforms, and the Soviet legacy was still in power
- Ukraine tried to attract investments and attraction through various strategies
- Relations with the EU were still challenging as Ukraine was failing in human right issues
- Declining GDP should be recovered and market mechanisms to be assured

In general, this four-year independence had been very productive for Ukraine, and it learned much experience and built good partnerships. Kravchuk could not save his position, and Kuchma took nine years of the future realm. In the next chapter, his policies and contributions to the Ukrainian economy will be discussed in detail.

6.3. "KUCHMA ERA."

In the previous chapter, Ukraine's first steps towards the market, the economy had been discussed. As a continuation, Kuchma's presidency period (July 1994 - January 2005) will be reviewed in Ukraine's accession to the new markets, organizations, and global value chains because the Global Value Chains concept became famous during his second term.

In October 1994, most of the price controls were eliminated, such as profit margin ceilings and monopoly-produced goods. For 1995 and 1996, Ukraine had set significant price liberalization and foreign trade developments according to EBRD reports, and three laws had passed to support foreign investments. However, rail and road network densities were below the EU average, which can be a significant barrier to international trade. In 1995 FDI per capita decreased while total FDI inflows increased, but only 0.4% of the GDP. Alongside small-scale privatization, large-scale operations had been prolonged. Lobbyists in the parliament prevented them, but the new constitution's adoption can be considered a positive sign for the future. Financial support of $4 billion from G-7 countries had played an important role. IMF's Systematic Transformation Facility Program was aimed to normalize and abolishing import subsidies on oil and gas from Russia (*EBRD Transition report 1994*).

Bringing energy prices to the world level was also significant for future participants of the export market. The private sector accounted for 40% of GDP (1996), and the State Property fund had already planned to privatize 8000 enterprises under the mass privatization program (MPP) (*EBRD Transition report 1996*).

Moreover, in terms of trade liberalization, state trading and barter trade had been stopped, and export quotas and licenses were initialized. End of 1995 and early 1996, trade regimes were liberal even more, and export quotas were applied to export restrained goods voluntarily. Following the international trade rules, some included a "special export regime" such as coal, metals, and alcoholic spirits.

In 1995 exports to FSU countries (7.9 billion USD) were higher than non-FSU (5.7 billion USD), and imports from FSU (10.8 billion USD) were higher than non-FSU (5.2 billion USD) countries. Generally, compared with previous years, exports were normalizing. The issue was that trade with Former Soviet Union countries was still occupying a significant place. Most of the exports were chemicals and intermediates (63.1%), while machinery and equipment (31.7%) for imports. Kuchma's fears were blocking Ukraine's export capabilities, and later, he had agreed to liberalize grain exports and follow the IMF's advice. In 1995 Kuchma's economic policies were reversed, and again due to political incompetency, economic policies were blocked. We can state three main reasons: he never supported free trade, corruption, and political pressure from parliament. Moreover, USAID and the World Bank's role were also critical until the beginning of the 21st century due to Ukraine's geopolitical importance. The free trade area between Georgia, Uzbekistan, and Ukraine had been established and started to function in 1996 (EBRD Transition report 1996).

Later, in 1996, based on the Interim Trade Agreement, Ukraine stepped into accession to the Partnership and Cooperation Agreement would give it the Most Favored Nation status while eliminating all quantitative trade restrictions. Following this, Ukraine had applied to join the World Trade Organization. Foreign direct investments did not require government approval anymore to attract investments, and no obstacles for foreigners' ownership in Ukraine. However, the public image of the regulations was not satisfactory. The private sector accounted for 58%, according to Ukraine statistics. Azerbaijan joined free trade agreement discussions as well and signed a protocol with Ukraine.

In 1997 as well, price liberalization and foreign trade had been supported substantially. The private sector accounted for 50% of GDP (EBRD). Legislation regarding monopoly changed, and now the company holding 35% of the industry was considered a monopoly. In the first half of the year, FDIs were US$ 336 million. However, there was no significant relation between FDI inflows and transition scores in the case of Ukraine. The report also shows that Ukraine was making most of its trade with transition economies instead of the European Union despite predictions. Major trade partners were Belarus, Moldova, Turkmenistan, Uzbekistan, and other CIS countries, with a total amount of $2.5 billion (*EBRD Transition report 1997*).

In 1998, price liberalization and foreign trade were developed by phasing out essential steps of transition. According to Ukraine's EBRD transition score of about 2.5, it was in the same cluster as Russia and Belarus. Still, railways were only utilized by the public sector, and private companies did not involve. Russian crisis had hit hard Ukraine's economy. The financial discipline was very weak and causing significant problems, and FDIs were still lower. Russia and Ukraine agreed and formalized previous trade agreements and signed Interstate Economic Treaty, which removed VAT and trade barriers. It would cause trade expansion, especially agricultural products, about 15% (*EBRD Transition report 1998*). Skeptic EU had signed the Partnership and Cooperation Agreement to open the trade and capital movement (Kataryna Wolczuk, 2004).

In 1999 Ukraine had good transition scores regarding price liberalization and foreign trade, and comparing them, there was a positive change between 1989-1999. The main barriers to investments were related to law, such as the judiciary systems' functioning and corruption. However, micro and macro conditions were satisfactory, especially taxes and inflation. Compared to 1998 Q1, in 1999, Q1 Ukraine's foreign trade balance with non-CIS countries had grown 853 million USD. EBRD indicates that, as the transition score gets well, the share of exports to the EU for Ukraine has been positively changing.

In general, we can summarize privatization activities so far as below:

- Spontaneous (1990-1991) – Gorbachev era
- Employee leasing (1992-1993) – Kravchuk era
- Parliament suspension (1994) – Kravchuk era
- Mass privatization (1994-1997) – Kuchma era
- Direct (1998-1999) – Kuchma era

As was mentioned above, Ukraine's economic development cannot is imagined without political factors, and the State Intervention index to the economy for 1999 was about 29%, the highest among peers. The role of SMEs in the expansion globally is also crucial, but for that moment, Ukraine had nine national principal taxes, with 20% VAT and an income tax of 30%. The profit tax would be reduced by 75% in the first year and 50% for the second year's new investments. Reviewing revealed comparative advantage reveals impressive advancement in Ukraine exports, agriculture strong RCA and positive trend, resources RCD and negative trend, capital RCA and negative direction, labor RCD and negative movement, skills strong RCD. In addition to that, mainly exported products were iron, steel, and metalliferous ore (*EBRD Transition report 1999*).

After the Russian crisis (1998), trade restrictions were scaled back, but the national currency was suffering against USD. Still, Ukraine's trade balance was negative, which shows the lack of participation in the global trade and import dependency from abroad. The share of exports to the Commonwealth of Independent States was 57.5 %.

In 2000 Ukraine had passed a long history of transition. Still, its infrastructure transition in terms of telecommunications, electric power, railways, road, water, and the wastewater was around 2, which cannot be considered satisfactory after about ten years of transition. Overall, high tariff rates and non-tariff trade barriers were the obstacles for international trade, and accession to WTO was behind expectations. Most importantly, the floating exchange rate had been confirmed, and it would make it easier to trade. Kuchma's important program, "Ukraine Toward the Twenty-first Century," was also targeted to combat Ukraine's economic and political problems.

In 2001 Ukraine had better transition scores, and it was mainly due to institutional developments. On the exports of oil from Russia to South Europe, Ukraine played a critical role because of the Odesa port. It was utilized by 107%, and in 2000 throughput was 10.7 million tons (*EBRD Transition report 2001*). This year was also remarkable for accession talks to WTO and making a better investment climate in Ukraine and the start of the new millennia. Moreover, the Free Trade Agreement between Ukraine, Tajikistan, and the Republic of Macedonia were signed to remove industrial and agricultural products' trade restrictions to create a competitive environment.

In 2002 some obstacles in taxes and quality of the judiciary remained, and the quality of infrastructure increased relative to previous years. Serious steps towards a better business climate, transparency, and simplified tax structure helped local and foreign market players to enter markets. Ukraine was close to WTO accession, but some of the requirements were incomplete. It is seen that trade outside sub-region for Ukraine increased from 1995 till 2002, rather than trade within the sub-region. Bringing together the IMF index of trade restrictiveness and World Bank average governance score, we can see that Ukraine still has problems with corruption and other issues, and trade policy is restricted.

European Choice strategy had been launched with main targets of sustainable economic growth, integration into the world economic systems, harmonization of human development, decreasing regional imbalances until 2011.

Another program financially supported by Canada for 2002-2006 was targeting integration into the global market economy successfully. Moreover, GUAM was created among Azerbaijan, Georgia, Moldova, and Ukraine in terms of goods and services, but services were never implemented (*WTO*).

In 2003 WTO accession talks advanced, and Ukraine agreed to form Common Economic Area (CEA). Ukraine was interested in CEA for free trade zone mainly.

Finally, in 2004, significant challenges were the institutional environment and legal framework, which needed improvement. Despite having 25 protocols signed with WTO and other developments, the EU Commission concluded that Ukraine is not ready to be classified as a market economy. Gradually, trade with CIS countries declined and totaled to $1.6 billion. Furthermore, energy imports were the central part of the imports, such as oil and related products (32.2%).

Nevertheless, the creation of special economic zones and the reduction of VAT should be well noted. As the real exchange rate appreciated and metal demand increased externally, it was a boost for Ukraine exports. These can be considered the Orange revolution results, but accession to WTO and EU membership requires more care and market diversification. Overall, 1999-2004 was the most productive in terms of the judiciary and economic conditions. Kuchma's policy to fight inflation was putting quotas on exports, which caused a decline in the industrial production levels.

Overall, this time frame can be described in words as "Kuchma implemented reforms when he was willing to." Moreover, that expression in numbers looks like this; between 1994-1999, GDP declined 88.4% cumulatively. Industrial output was down by 37.7%, and capital investment about 53.3%. However, in his second term (1999-2000) situation changed for the better as GDP grew about 8.3% in a year, industrial output 12.36%, and capital investment 14.59%. On the other hand, they accepted the "Ukraine 2010" program, which targeted a shift to the market economy. Another "1000 days Program" was offered by promising new Prime

Minister Yushchenko, but it would damage import-export activities despite having good points fighting corruption and other problems in the country.

In the previous chapter, we also discussed that Ukraine had an unlucky fate regarding foreign trade because the collapse of the Soviets and then the Council of Mutual Economic Assistance damaged the overall Ukrainian economy. Between 1991-1997 Ukraine always partnered with Russia (33%) and other CIS countries. It was estimated that 67% of Ukraine's final products were used as an input in the Russian economy, which is an indicator of high dependence (1993). However, we can see that Ukraine tried to decrease its energy dependency from Russia and move towards Azerbaijan and Turkmenistan.

At this point, it would be necessary to mention about factors preventing Ukraine to be a member of the EU for about a decade:

- Orange revolution was not timed correctly, and the 2004 EU enlargement had already entitled ten countries. And the EU was not planning for more countries, especially CIS members;
- Question of who can join the EU and problem of being periphery to EU;
- Russian factor, as west oriented countries, are not welcomed by Russia;
- Reforms that were never fulfilled, especially during Kuchma EU values, were out of the plan.

Above we saw during this period, critical decisions had been taken, but communism traces were still existing not only in the political decisions but also in the economic policies.

Ukraine's global penetration ratio had increased from 0.3% in 1995 to 0.35% in 2005, which can be considered significant. In terms of Ukraine's export destinations, in 1995, Russia was still the leader, followed by the EU in general and then EU 15. In 2000 the EU, in general, held more space than Russia and then EU 15 and in 2005 we can see more decline in exports to Russia. Imports were mainly coming from Russia (above 30%), and the EU's share was increasing gradually. It can be explained by more trade liberalization and growing trade activities.

IMF report gives a better understanding of the first five years of the new millennium (2000-2005):

- Export growth has slowed down and highly dependent on metals. As the exchange rate has appreciated and global demand has declined for metals, Ukraine was facing severe problems.
- Favorable trade conditions, which faded away in 2005. Increasing metal prices in 2003 had brought benefits for the economy.

In general, Ukraine was exporting metals, as we mentioned, and after that, equipment and machinery, chemicals, and agricultural products. In addition to that, the Ukrainian government had made substantial progress towards WTO accession, and many tariffs had been eliminated. The export tax on sunflower seeds would be lowered from 17% to 1%, primarily upon accession. Share of shadow economy had decreased significantly compared to 1996-1997 peak years, which was more than 50%, but in 2004 it became about 30%.

Considering all, the primary reason was government effectiveness in these reforms; for 2001, it was -0.9, and composite governance ratings were among the lowest in the region (0.6).

To summarize, this time frame covered the second and third phases of Ukraine's transition and is remarkable for new initiatives and developments. Unfortunately, Ukraine could not implement all its plans and gain global visibility but laid the foundations for it. The next periods will be even more challenging and full of reforms. In the next chapter, economic reforms and attempts will be reviewed for 2005-2010 when Yushchenko was in power.

6.4. Shades of orange

It had been previously mentioned about the Orange Revolution in Ukraine, and the result was the gradual election of Yushchenko as a new president. Orange was the color of his election campaign, and his poisoning led him to be the next president of Ukraine. He always mentioned "feeling European," and the Orange revolution made the European Union involve Ukraine unilateral trade and support its economy, but membership was out of scope. Again, we will consider the main direction of his time frame and review economic activities towards the global economy.

Finally, in 2005 the private sector was 65% of the GDP, and the transition score for Ukraine was satisfactory in the fields of price liberalization and foreign trade. The score moved from 3 to 3+, considering WTO accession acceleration and abolishing the mandatory sale of 50%

from sales proceeds. As mentioned above, Ukraine needed judiciary and other institutional changes to participate in the global value chains actively, but alterations were negative in all these fields. According to a survey by EBRD business regulations, macroeconomic environment and property rights had been better than in 2002. Unfortunately, compliance with international standards was deficient in Ukraine. Overall challenges included upgrading the business environment, bringing new investments, excessive pressure from the government, and higher taxes. EU-Ukraine summit was held, and the EU was ready to give Ukraine market economy status, which would boost Ukrainian exports to the EU without any antidumping measures (everycrsreport.com, *Ukraine: Current Issues and U.S. Policy*).

In 2006 Ukraine had six upgrades in the economy, and price liberalization and foreign trade scores were higher than in previous periods. Compliance with international law had improved, and Ukraine was in the medium compliance category. The economy was growing faster than the last year despite rising energy prices and higher demand for metals. This year export growth slowed down, and imports increased in terms of price, causing the imbalance. Still, challenges included privatization in the energy sector and transparency for this year. Ukraine's energy security still depended on Central Asia and Russia, but Russia's share increased yearly. Moreover, very close US-Ukraine economic and political relations had resulted in granting the latter Normal Trade Relations Status.

In 2007, the average transition score was 3.0, and Ukraine did not significantly change in terms of foreign trade and price liberalization scores. The government signed 11 contracts to finalize accession to WTO. It would let Ukraine export EU steel as currently, quotas do not allow to do so. GDP also continued at high speed of 7.5% to grow. Despite the developments, the trade balance was negative (*EBRD Transition report 2007*). Strangely, overall non-tariff barriers had increased in 2002-2007, and exporters faced an increasing number of obstacles. Ukraine started working with European Investment Bank to modernize its economy for integration into the global economy, and since the EIB has helped a lot, especially in terms of transportation (eib.org, *Ukraine and the EIB*). Ukraine agreed to ITA (Information Technology Agreement) by eliminating tariffs on IT products.

In 2008, Ukraine recorded better performance regarding price liberalization and foreign trade improvements and became a WTO member in May. Amount of businesses had increased compared with 2002, showing better economic conditions. Export sophistication had risen as well between 1992-2008. So far, sixteen technology parks had been put into use to foster industrial policies. WTO membership would bring more reforms behind, allowing Ukraine to integrate better the world economy, which is a very significant moment. The next step was FTA with the EU; while the economy was not strong enough, industrial production declined due to the global financial crisis; additionally, gas prices had increased while metal prices decreased, causing external shocks. Between 2000-2008 contribution of foreign trade to the GDP growth had been negative for Ukraine.

Moreover, average tariff changes (-0.3%) had helped to foster trade between 2002-2008. To access EU memberships, Ukraine had made customs procedures more comfortable from 1999 till 2008, and they had decreased significantly (*EBRD Transition report 2010*). Ukraine undersigned a Trade and Investment Cooperation Agreement (TICA) with the USA, covering trade and investment topics in terms of the market economy.

While signing and accepted to WTO, the working group had these promises in the agenda: privatization, policy-making and enforcement framework, quantitative import restrictions, export restrictions, Technical Barriers to Trade, TRIMs, Free zones, TRIPS, Regional trade agreements, and many other topics. Giving member countries immediate information about import licensing procedures had been praised by the committee.

As it had been discussed, the role of MNCs in internationalization is very crucial. Regarding this, an excellent example took place in Ukraine. Asset management company SimCorp from Denmark had started a small pilot project in 2005, and as it could become large-scale, they increased human capital 100. It could be considered an essential gain for Ukraine's economy and its fight for GVC integration (europa.eu., *Global Value Chains and Economic Globalization*).

In 2009, Ukraine was fighting with the financial crisis results, and the overall transition score was sufficient, and new foreign exchange rate controls had been implemented to fight against external shocks. Export volumes had decreased in huge amounts, and the effects of the crisis had spread fastly. Due to shocks of crisis, Ukraine needed to have strict measures, but still, talks are ongoing for EU FTA, and being a member of WTO had helped a lot during the crisis. As a result of the financial crisis, decreasing metal and chemicals prices caused damage to the terms of trade, but the IMF gave a $16,5 billion loan (*EBRD Transition report 2010*). An essential point for exporters in the modern world is the ability to innovate, and Ukrainian firms spent about 10% on R&D between 2005-2009. Research by EBRD had found important points affecting exports in Ukraine; major ones were the rule of law, corruption, and customs processes. If we take major obstacles to Ukraine's businesses, they were again corruption, skills, and tax administration (*EBRD Transition report 2010*). Ukraine's economic and regional significance had been proven while natural gas supply cut-off for two weeks in Europe. Of course, Russia was guilty of it, but Ukraine's role and importance for Europe became clear one more time. Unfortunately, Ukraine's economy shrank 20% in the first quarter following the previous years' shocks (france24.com, *Ukraine's GDP dropped 20% in the first quarter, says, president*).

Following the same transition trend in 2010, Ukraine was looking for remedies to recover from the crisis's damages with positive GDP growth in hand. Industrial output grew 11% and GDP 5.5%. Major problems still were competition, bankruptcy laws, land ownership. An alliance between the European Union and Ukraine to modernize gas systems would be an excellent opportunity to join the EU energy community (*EBRD Transition report 2010*). EFTA-Ukraine free trade agreement covering goods and services signed among Iceland, Liechtenstein, Norway, Switzerland, and Ukraine to fasten economic integration into the EFTA region.

During EU double standards had significantly affected the development of Ukraine, and one of the solutions to stop Ukrainians to ask about EU membership was European Neighborhood Policy (ENP), which targeted bringing together some countries and create a single market. However, Ukraine policymakers did not support it and approached suspiciously.

After the Orange revolution, international companies had an interest in Ukraine as they had started buying real estates and opening affiliates, which caused an increase in FDI significantly. However, during the recession, Ukraine's trade partners had been walloped, and it put the economy equal to the 1990s performance. As it was a movement towards the West, gas pipelines coming from Russia and feeding Europe had been cut, which decreased Ukraine's significance in the international supply routes and hit its economy harder. For 2010 there were expectations that if world demand could increase for Ukrainian exports, then the economy would grow 1%. Overall, again the Orange revolution was not different from any other reforms and did not take Ukraine to the promised future and affect its existence in the global trade. The good news was that devaluation of national currency and recovering demand for Ukrainian exports would revive the economy in 2010.

Russia was the biggest trade partner, and it was using it against the Ukrainian population. When there was a dilemma between the EU or Russia from the moment our time frame started, Russia imposed "classic model" sanctions on liquified natural gas prices. In two cases, it caused shortages and put Ukraine under stress. It shows well the negative role of Russia in the Ukrainian economy and how it was preventing it from integration into the global economy.

In conclusion, we cannot say that the Orange revolution was successful, and organizers reached their goals by moving the Ukrainian economy forward. Still, it was remarkable by WTO membership, the Global Financial crisis, and significant FTA deals. All this progress secured Ukraine's future development, but significant challenges were still existing and needed to be solved immediately, significantly, to decrease the effects of the financial crisis.

6.5. Maidan crisis

So far, Ukraine has not seen proper economic and political management, and I think it should be called the Curse of Ukraine. In this section, Ukraine's financial situation and struggle to be part of the global world will be discussed. The time frame is 2010-2014. It falls into the presidency of Viktor Yanukovych and the short term of acting president Oleksandr Turchynov who replaced Yanukovych after he fled the country due to the Maidan crisis.

In 2011, Ukraine was close to the market economy in terms of transition scores. Despite an increase in the public and private demand and investments, net exports had decreased. Ukraine was implementing austerity measures on the revenue side due to economic challenges by increasing excise tax, which would affect trade. In terms of Ukraine's exposure to the Eurozone, we find exciting numbers; exports 5%, external debt 25%, and FDI made only 8% of GDP. It shows that after two decades, Ukraine still had not built good trade networks with eurozone countries. The business environment was also behind the western average, about two times lower, meaning that people who started business usually failed. They made a low percentage of the population. In July, the anti-corruption law had been accepted, and it would develop a more transparent environment and foster economic growth. Within the WTO framework, Ukraine had opened disputes against Moldova regarding the sale of spirits there, and WTO started investigations.

Moreover, Ukraine had started to work on the problems regarding its gas transit country status. Despite recovery from the financial crisis, trade partner growth was slower, alongside foreign investor confidence. Share of the steel and chemicals still occupied a high proportion of the exports, while being less energy-dependent. However, the significant development in the gas transit systems with the support of the EBRD and other financial institutions (*EBRD Transition report 2011*).

In 2012, Ukraine had satisfactory transition scores in foreign trade and price liberalization, but still, problems with privatization existed. Under the Eurozone debt crisis, Ukraine was affected highly; a 1% decrease in Eurozone output would negatively affect 3.7% of Ukraine's economy. On the other hand, exports were declining in the EEC region and especially Ukraine. As mentioned above, exposure to Eurozone determined overall export performance as well. In the case of Ukraine, it was deficient, and that is why export growth was also smaller than expected. If it would be segmented, we could list in order of external debt, FDI, and lastly, exports. It is an unfortunate indicator for the country located next to Europe but cannot integrate in two decades. In general, EBRD found out that the role of the Eurozone in Ukraine's economy is positive. We had seen it through the chapters, but BVAR analysis had revealed that Ukraine was one of the countries in the region highly vulnerable to Russia and the Eurozone.

To sum up, this year's speed of recovery decreased, and the business environment deteriorated. Challenges for the next year included working on the business climate and fixing the gas sector. Trade-related developments could be new customs code to make easier imports with a single-window concept; Olesska and Yuzivska shale blocs were opened to Shell and Chevron, which would be an opportunity for Ukraine to be the primary source of LNG for Western Europe (*EBRD Transition report 2012*).

In 2013, respective to 1995, transition scores had developed. Negative economic turbulences in Ukraine had affected the overall region as well. After Belarus, Ukraine was the second country with the highest share of exports to Russia; in this situation, Russia's negative influence would be inevitable. The economy shrank about 0.3% (bbc.com, *Ukraine economy: How bad is the mess and can it be fixed?).*

2014 would be a remarkable year in terms of economy and politics. To integrate global trade, companies should have involved in innovation. Still, research by EBRD and BEEP found out that expenditure on R&D was deficient in Ukraine, and the share of companies doing in-house R&D was meager. While checking the number of science and technology parks in Ukraine, numbers were not satisfactory, including the innovation center. It is proof that for about a decade, Ukraine could not integrate global value chains, as they bring innovation to the country. Unfortunately, export growth was so small that it did not contribute to economic recovery significantly, and it was about 0.2%. In addition to that, Ukraine was among the countries heavily dependent on Russian gas imports, timely economic policies could help it to avoid, but about three decades of Russian domination was one of the barriers to integration. Overall, Ukraine had kept its transition scores steady, and despite political incompetency and failure of government economy continued to grow gradually (*EBRD Transition report 2014*).

Overall, Yanukovych leadership had promising plans to move Ukraine into the international arenas, even they completed the Association Agreement with the EU and implemented some tax reforms. However, high-level politicians and oligarchs were not interested in the reforms. His economic reform program called "Ukraine is for the people" and included:

- becoming an advanced economy;
- being one of ten in the Ease of Doing Business Index;
- the population will be 50 million;
- tax holidays;
- rural recovery programs and more.

Typical to Ukrainian economic reforms, after a year new reform package was prepared by the consultancy of McKinsey & Company and called "Prosperous Society, Competitive Economy, Effective Government." Its main targets were:

- sustainable economic development
- improvement of the living standards
- business climate improvement and investment attraction
- infrastructure modernization

It was also remarkable to adopt an anti-corruption strategy covering 2011-2015, at least on the paper, because corruption had blocked many opportunities for years in Ukraine. The most critical step could be signing the tax code in 2011 because till that time, Ukraine did not have a proper one, and SMEs were suffering from economic conditions, and paperwork was unbelievable. Businesses could easily do offshore activities based on the Soviet agreement between Cyprus and Ukraine, but still allowing this rule to stay was an indicator of Ukraine's severe economic disqualification. In general, promises were again not backed by the system, and Ukraine even lost positions in the economic rankings rather than climbing. It must also be restated that the political environment in Ukraine was the main obstacle, unfortunately.

In 2014, Ukraine was at the stage of a possible 10% shrinkage of the economy without international organizations' assistance. That is why the IMF was planning $17.1 billion, and then World Bank, EU, Canada, and Japan started helping, but the economy shrank about 3%. Investors were taking capital out of the country, and the national currency was depreciating.

Surprisingly, Ukraine's economy was smaller than in 1992, and the heavy metal industry in the Donetsk region was suffering. Because it was energy-dependent, and the Russian gas crisis had hit it hard. Moreover, we can see Ukraine's agricultural importance in grain and sunflower oil and wheat. Because of the current situation in Ukraine, wheat prices had risen 20%. Russian made instability in the region had a chance of decreasing economic growth by about 1%, and the sad fact was that wine made in Crimea would be labeled as Made in Russia, rather than Made in Ukraine.

Since the beginning of his term, an agreement on trade with the EU was discussed, and the Association Agreement was still not signed. Most probably, it gave Russia a chance to intervene and put pressure on Ukraine, offering a $15 billion rescue package that included the purchase of Ukrainian government bonds. Later, the decreasing cost of Russian gas supply from $400 to 268.50 per 1000 cubic meters, meaning that Ukraine would pay less. EU advised that Russia and Ukraine should not be afraid of trade and openness with the EU because Ukraine is an important transit country for them as well. However, the government did not care about protests supporting European integration and continued talks. Instead, the Ukrainian government asked for $27.5 billion, and after that, they could agree to sign a contract on European integration, which was incredible for the EU. During this crisis, another "strategic plan" of Russia was to include Ukraine in the Customs Union, which would take it away from the west.

The reason for Russia to prevent Ukraine from signing the Association Agreement with the EU is very clear from numbers. It was an excellent chance for Ukraine to gain new trade partners; free trade agreements, a European market for the Ukrainian exporters, an approximately $16 trillion economy annually, and more than 500 million customer bases. Unfortunately, Yanukovych chose Russia one more time and fled the country instead of being famous for "bringing Europe into Ukraine." (brookings.edu, *Viktor Yanukovych: Losing Europe…and Losing the Ukrainian Public?*)

Previously mentioned, all these gaps in the system, excluding Russian pressure, comes from the historical roots of corruption in the country, and till 2014 it was not eliminated. As this corruption allowed oligarchs to have an impact on all the aspects of the political and economic life of Ukraine, not any reform could be implemented, and Ukraine was on top of the corruption rankings. At first sight, corruption might seem no effect on the economy and international trade. However, fraud in the subsidies and tax collection had caused a budget deficit. On the other hand, the National Bank of Ukraine had financed many illegal activities of various banks, and in the end, it caused inflation. Lack of control over property rights had drained investments in Ukraine. Interestingly, the situation is such critical that even reformers cannot survive in a corrupt environment. For the overall situation of Ukraine, corruption is accounted for 90% of the reasons (hbr.org, *Why Is Ukraine's Economy Such a Mess?)*.

During this period, "Donbas" and "Azov" free trade zones had been created to support the economy, and special attention was paid to the coal industry. Sadly, the primary motivation was to support oligarchs there, not the economy itself. Ukrainians saw a solution in not making the same mistake again, punishing the people who violated the rules and motivating active civil intervention in Ukraine's modernization and recovery.

In 2012 under the Accession Agreement discussions, the Deep and Comprehensive Trade Area (DCFTA) was implemented, and it was considered a significant step towards EU integration. Still, the overall process did not end as it was planned.

Rejecting the Accession Agreement in 2013 and closing Ukraine's trade doors to Europe, he had made reasoning that they are restoring trade with Russia and former Soviet countries. However, the president proved that he no longer wants any integration into the world economy and only follows Putin's orders. In general, it can be claimed that Ukraine had participated in the Global Value Chains partially because they built the majority of the trade relations with Russia. Due to political reasons, there has not been a development, but they should have started working on new solutions. At that time and overall, what could be done to save the economy experiencing the same lags as Ukraine experienced:

- Trade and investment barriers to be eliminated;
- The role of services and infrastructure in the GVC integration should not be underestimated;
- GVC participation should not be limited to "raw materials level," but developed higher;
- SMEs are an integral part of the GVCs; they should be taken care of;
- Trade facilitation within the WTO framework;
- Support public-private partnerships as they develop GVCs;
- Most importantly, cooperation with international organizations such as WTO.

Following these steps, Ukraine could transform its economy to a better version, but they chose a closed economy backed by Russia.

Formulation of the Eurasian Economic Union (EEU) could be a boost for the member countries to develop their value chains and then integrate the global world. EEU was a considerable market having many opportunities for Ukraine. Its role could be the exporter of military equipment for the members, and Ukraine was one of the trading partners with an export share of 11.3%, having close ties with Belarus in 2013. As mentioned above, possible value chains to be created were the nuclear power industry, automotive industry, space activities, and military equipment.

Ultimately, trying to recover from the financial crisis difficulties and not implementing reforms were notable for Ukraine. Yanukovich's failed presidency resulted in the Maidan protest, one of the historical moments in Ukraine history. Protesters were supporting EU integration and globalization initiatives for Ukraine. Russia's increased pressure on Ukraine had caused significant problems; that is why new economic and political challenges were created for the new government to solve and build a better Ukraine image.

6.6. The Chocolate Kingdom

In this chapter, we will discuss Poroshenko's period according to our structure and economic activities in this time frame (2015-2019). He was the owner of the "Roshen" chocolate plant and officially a billionaire (*The Forbes*).

In 2015-2016, terms of trade had slightly changed (about 4%) in favor of Ukraine's economy as oil prices declined, but still, extremism and political tensions existed in the region. Problems with Russia had affected the Ukrainian economy, and inflation was very high but signing the Minsk agreement had helped its existence in the global trade. Despite these problems, the unemployment rate was below 10%. To develop agricultural ties with Serbia, a new regional crops receipt system had been developed based on agricultural innovations. However, after this recession, Ukraine's growth was expected (*EBRD Transition report 2015-2016*). The economy contracted about 10%. Extended Arrangement with the IMF would impact Ukraine's development and accession to global markets. Four Ds plan was launched to boost economic growth and efficiency, including deregulation, de-bureaucratization, de-oligarchization, and decentralization. Finally, the Business Ombudsman Council had been established with the support of EBRD, and it was one of the positive decisions by the government to support a legitimate business climate.

In the 2015 WTO Trade policy review, Ukraine was praised due to its performance and recommended to fight against corruption and to build an efficient judiciary system.

For the 2016-2017 period, the economy was expected to recover due to structural changes, but investors are still not confident. Based on the World Bank Povcal database share of people whose income was below 1989 levels covered most of the population. It proves again that, all these years, Ukraine not only developed but also became worse than Soviet times. On the other hand, as oligarchs were absorbing all the nation's wealth, Ukraine was among the countries with the highest billionaire wealth-to-GDP ratio in the world. The volatile global environment in Russia, Eurozone, China, and the United Kingdom is expected to affect the Ukraine economy; a 1% decline of growth in the abovementioned regions would affect about -

0.7%. In general, to boost transport and trade, Ukraine was modernizing railway systems at the same time (*EBRD Transition report 2016-2017*). Ukraine worked on the gas supply reliability and made sure that it fulfills EU regulations, and Electricity Market Law has targeted harmonization with EU standards. Electronic tender system Prozorro was also a great innovative approach towards modernization.

In 2016 Ukraine joined the WTO Agreement on Government Procurement, which would allow it to participate in public procurement activities with more than 45 member countries. Canada Ukraine Free Trade Agreement (CUFTA) was signed to give Ukraine the most favored nation status. It continued with the implementation of DCFTA with the EU. Research had found that, despite integration potential for Ukraine, according to the Grubel-Lloyd index, integration of Ukrainian companies into the European value chains remained very insufficient and low.

Being part of the DCFTA agreements is very important for countries like Ukraine to have better transitions and new market opportunities. Compare to 2014, in 2016, the share of Ukraine's imports and exports share of EU-28 had increased, and mainly Russia had decreased. DCFTA benefits can be classified as for businesses, government, and consumers:

- *Business*: access to broader markets, investment confidence, more financing opportunities, modernization, more exporters were competing for Ukraine markets, opportunities to join global value chains.
- *Consumers*: imports will be cheaper, and the variety of goods will increase.
- *Government*: harmonization with EU legislation, assistance from EU institutions, tax revenues will increase

Considering all benefits, Ukraine governments could motivate integration into the global world and various global value chains. Unfortunately, the conscious distance was always kept from the west and leaned on the Russian side.

In 2016, intermediate goods occupied 44% of Ukraine's export, and exports had increased to EU countries while decreasing to Russia. Indeed, industrial companies should be motivated to align their processes with global networks. It will be achieved via strategic cooperation, innovative use of trade instruments, and export diversification (Kushnirenko, 2018).

For the 2017-2018-time frame, it appeared that Ukraine does not have a good transportation network to link its main economic centers. We could notice development or better compliance with international standards and best practices, and it was around 70%. Inflation was about 10%, and it was mirroring the depreciating national currency. The transition to market economy score was about 5 out of 10, but it was not satisfactory, and privatization activities had stalled (*EBRD Transition report 2017-2018*). In the Doing Business 2018 report, Ukraine had 79th place, which was the major development for it, but still, there were many problems to overcome.

In 2017, Ukraine became the 47th country to join the OECD Declaration on International Investment and Multinational Enterprises, which would attract more businesses and increase transparency in the region.

For 2018-2019 EBRD reports that the number of robots per 1000 manufacturing workers was almost close to zero, while in Sweden, it was 18. In terms of transition and integration scores, Ukraine had good results due to improvements in the legal and regulatory fields and logistics and infrastructure. This year as well Ukraine scored better on Doing Business 2018. It changed the Extended Fund Facility with a short-term Stand-by Agreement, which was still suitable for its economic integration.

Following all the progress and opportunities Ukraine had, either geographical or economic, the World Bank had stated that it was losing the potential to add high-value products into its exports. Because Ukraine still was exporting the same basket of the products. It would be a signpost for the policymakers.

Overall, in 2019 Ukraine had signed 19 FTAs with EU, EFTA, CIS, GUAM, Canada, Georgia, Montenegro, Macedonia, Israel, and it gave access to 46 countries 810 million customers. Being a highly open economy (99.12 in 2018), Ukraine focused on its exports as an economic growth driver (*globaleconomy.com*). However, three main problems existed to fix:

- high trade deficit
- decline in exports
- low tech exports

60% of Ukraine's exports were raw materials, still consisting of agricultural products and steel. The Roadmap for Strategic Development of Trade (2017-2021) had been approved to solve the third problem.

In 2018, Ukraine had managed to increase its exports and diversity of exports into the EU with the possible chances. Especially share of chemicals industry products, wood, and precious metals had increased compared to 2017. To have better results, Ukraine had to follow more efficient customs procedures such as :

- *Customs legislation harmonization* - mainly following the EU Customs Code
- *Mutually recognizing Authorized Economic Operators* - more straightforward customs procedures for the selected agents across the EU
- *European Customs Information System* - simpler and better electronic environment
- paperless customs processes
- *Agreed on forms of customs control*

Despite those reforms and huge potential, according to the World Bank's Special Focus Note regarding international trade, only 5.7% of exports had been integrated with global value chains. For Ukraine, increasing export was a priority, but increasing the share of them in the GVCs would lead to faster EU accession. Moreover, during 2000-2017 Ukraine had been one of the fastest-growing export countries advancing from $21 million to $1.2 billion. On the other hand, Ukraine would not get satisfied with those talks with the EU and continued to look for new opportunities (Sergii Sardak, 2019).

One of the problems was not a clear differentiation between exports and participation in the global value chains. Because global value chain participation brings positive externalities such as network, technology, and knowledge, however, in the last decade, Ukraine could create a competitive advantage in transport, ICT, and telecommunications service and having billions of dollars exports while looking for new ways to integrate into global trade.

According to the World Bank, Ukraine had to attract FDIs as they are the main economic growth factors, which helps GVC integration. Nevertheless, compared with its peers Ukraine lagged with $2.6 billion in 2017, and on the Rule of Law index, it was placed on the 87th. As mentioned many times, structural changes in property rights and judicial systems and financial and fiscal sectors were necessary for Ukraine to move upwards (*The World Bank, 2018*).

On the other hand, despite some reforms, Ukraine's transport costs and inefficiencies were blocking it from smooth integration into the global economic networks. In the Logistics Performance Index, Ukraine's overall score was 2.83, while for the top performer Germany it was 4.20 (*worldbank.org*). To get better scores, Ukraine could focus on five key areas:

- optimizing management
- river transport (Dnieper, Dniester)
- rail transport
- store management
- decreasing the use of road transport

While considering them, Ukraine could focus on the various elements of the LPI, such as quality of the trade and transport-related infrastructure (2.22), the efficiency of the clearance process (2.49), ease of arranging competitively priced shipments (2.83), competence and quality of the services (2.84), ability to track and trace consignments (3.11) and timeliness of shipments (3.42) (*worldbank.org*).

6.7. Servant of The People

This period covers the presidency of Zelensky, and significant steps taken towards globalization, economic relations with the EU, and finally, integration in the global value chains.

In 2019-2020, Ukraine, including other region countries, had positive integration scores due to measures taken towards decreasing cross-border trade barriers and boost air connectivity. Another major step was aligning Ukraine's energy sector with EU regulations fully; it included electricity, gas, oil, nuclear energy, and renewable energy. The economy was growing at a speed of 4.6% faster than in previous years, but it could be short term. Due to stability in the world and Ukraine, investors are interested very much (*EBRD Transition report 2019*).

Signing and looking for new partnerships with North America had its challenges, and they had to be reviewed by the government. Being vulnerable to global changes, Ukraine had to prepare relevant economic and political policies to play with the USA and Canada.

Technological threats and instability might be one of the risks. In general, we can summarize major threats in two categories, external and internal:

Table 6. Major threats to Ukraine's participation in the GVCs

Internal	External
Military and political instability	Protective trade policies
Low competition	Cyberattacks
Slow privatization	Structural changes in the global trade
Insecure property rights, not effective customs procedures,	"Made in the USA" initiatives

Source: *researchgate.net*

Overall, geopolitical and economic risks alongside weakening economic growth posed larger threats for Ukraine's economy. Unfortunately, those risks could not be anticipated and prevented by Ukraine as mostly being global and external.

In 2019, European Investment Bank (EIB) and Ukraine had agreed on 400 million euros for an Agri-food loan. It was targeted to increase SMEs' productivity and profitability in cereals, oilseeds, and fisheries global value chains. These sectors had been classified as a high-risk category by Ukrainian banks and mostly not financed. Still, EIB APEX Loan was essential to harmonize with EU technical and sanitary standards and develop transportation, storage infrastructure. Despite financing opportunities, the effectiveness of it was questioned due to the instability and inefficiency of the government, but it was expected that the Zelensky government would cure those problems. The loan would be distributed with local banks' help, and beneficiaries would be farmers, logistics operators, suppliers, research institutions, and other parties that could contribute to selected value chains. The overall goal was removing significant bottlenecks on the way to the EU accession and aligning with the required tasks and standards (niras.com, *NIRAS-led consortium oversees €400 million loan to strengthen Ukraine's agri-food sector*).

Finally, we have arrived at the present moment, 2020-2021, where the COVID-19 pandemic has changed all economic conditions and made governments decide about policy responses. Unfortunately, some reforms in Ukraine were delayed, and it was affecting mostly in those times more than expected. In 2020, average transition scores, especially trade integration, for Ukraine were still around 5 out of 10, meaning that there are many gaps to improve. In addition to that, new law adopted the rivers' regulation, which would allow foreign vessels to enter Ukrainian waters easier than before with simplified registration. Following that, the new agreement with foreign investors for the reconstruction of Kherson and Olvia Black Sea ports has important strategic locations for the trade (*EBRD Transition report 2020-2021*).

Considering all the progress and break-even point for Ukraine can be regarded as the day when Zelensky was elected. We could see the reforms and confidence formed in the investors as well. However, in this process, we must mention Saakashvili, who built Georgia again by sweeping away corruption. Having a Ukrainian passport, he was deported and then returned to Ukraine and became one of the closest persons to the president. Zelensky has appointed him as the head of the Executive Committee for Reforms in Kyiv, under his supervisory. Having all commitment and experienced leaders next to him will result in a better Ukraine, and the Ukrainian nation will live "Second Rose Revolution" one day (*Financial times*).

First-quarter of 2020 before COVID-19, Ukraine's economy was already suffering, but it declined 11.4% in the second quarter. The new IMF program will help $5 billion for 18 months. Considering expected recovery in the future, the government is still expected to implement a range of reforms (*EBRD Transition report 2020-2021*). Regarding the government credit ratings, Fitch had assessed B (stable) and Moody's as B3 (stable), which can be considered as a vital measure during such depression (*tradingeconomic.com*).

Political, Free Trade, and Strategic Partnership Agreement had been signed with the UK to strengthen ties between two countries, which will help EU accession. Following this, people were expecting free trade deal with Turkey as well, which is one of the biggest trade partners of Ukraine; Turkey was the biggest foreign investor during March-August 2020. Two more regional trade agreements are planned with Serbia and Singapore.

Recent Audit of the economy will be the basis for the new 2030 outlook or "economic constitution of Ukraine" and define "where and how to go." (*ukrinform.net*)

Latest negotiations are expected to result in the common aviation area and the EU, according to Prime Minister Shmyhal, and positive outcomes are expected for the upcoming years.

Lastly, and chiefly, Ukraine has entered a new phase of economic development, which will directly have an impact on the integration into new global value chains and development of the existing ones. The current government's ambition and a wide range of reforms allow us to predict better performance for Ukraine in the new future. Of course, the current pandemic situation has damaged the world economy, including Ukraine. They try to use various stimulus packages to stabilize economic activities in tax measures, economic stimulus measures, and customs measures.

7. DATA ANALYSIS

To have better answers to our research questions, the analysis of the present data covering pre and post-transition periods is crucial. In the previous chapters, we had analyzed the performance of Ukraine using academic papers and articles. In this section, data will be our primary tool coming from reliable and available sources. Data visualization techniques will help us detect economic patterns we were not able to notice during the verbal analysis. The analysis will consist of *Ukraine in the Global Value Chains* and *Macroeconomic indicators* over the years.

7.1. Ukraine in the Global Value Chains

In this section, we will try to analyze in a broader sense Ukraine's trade relation. Unfortunately, WTO and OECD have not provided comprehensive analysis and tools to deep dive, and WIOD does not have information about Ukraine. The primary data source for the Global Value Chains Trade in value-added (TiVA) does not have Ukraine's trade indicators. That is why it has been hard to collect and analyze the present data. However, there were still a vast set of data, which the research assumes will benefit the investigations.

Ukraine had 202 import and 193 export partners while importing 4293 products and exporting 3706 in 2018. The index of export market penetration is 8.34, meaning that the number of countries Ukraine exports divided by the number of imported products. In addition to that, the HH Market Concentration Index (distribution of trade value across trade partners) for Ukraine is 0.03, which is good as it is close to 0. It is also a good sign that share of ICT services in Ukraine's exports had increased from 13.72% in 2014 to 19.48 in 2018 (*worldbank.org*). Exporter rank was 50 out of 152, while importer rank was 47/152, having trade balance rank 125 out of 152. Indeed, the current economic and political situation might affect the numbers (*globaledge.msu.edu*).

It is worth revisioning terminology that might be helpful for us; international trade is the process of exchanging goods and services across borders, commodity markets include any virtual or physical platforms where raw or primary goods are traded, hard commodities include natural resources, and soft commodities are mainly agricultural products.

The number of non-tariff measures in Ukraine was three, and they affected 23 products overall in 2013. Overall Trade Restrictiveness Index in 2009 was 0.20 and with applied tariff 0.19, meaning better climate. Recent Trading Across Borders Rank has gone up 2.5 promising better results for Ukraine (*doingbusiness.org*).

For the Kuchma period, the clothing industry and its role in the Global Value Chains have been investigated. This sector had developed in the Transcarpathia region, which is closer to the EU. Till 2003 share of clothing industry in the exports had become 94.9%. This trend is not spotted in the eastern part of Ukraine, and in general, we can say that some upgrades have resulted in such outcomes. However, from the structural hole concept, there exists a competence-difficulty gap, and the seller had to take all responsibility and become an agent to fill the gaps (Kalantaridis, 2008).

Ukraine was actively integrating to furniture global value chains. Initially, it was at the end of the chain, where manufacturing firms were building their Ukraine subsidiaries due to low cost. For example, the German company Steinhoff had opened its plant in Ukraine. In terms of the product upgrades matrix, Ukraine was in the successful product upgrades quadrant, which could be a positive indicator.

Since 2004, outsourcing and offshoring activities in the global economy had accelerated, and it is not a coincidence that global value chains also started becoming widespread. Ukraine had become a new destination for software development companies, and its result was positive for the major cities regarding employment and the creation of a skilled labor force. However, it could not become territorially and temporally embedded. It must be noted that soviet research institutions and science culture enabled Ukraine to be the point of interest. The reason not to be a regional and global hub was lower FDI and integration levels into software development value chains.

It is worth mentioning the floriculture business and Ukraine's position in the value chains. Firstly, floriculture is a billion-dollar business mainly centralized around the Netherlands, but Ukraine had tremendous potential to join it. In 2010 non-EU plant exports to Ukraine were 4.9%, very close to the US share of 5%. In general, total exports of such products to Ukraine had increased. Of course, the increase in demands was due to the landscaping industry's growth and the increase in personal incomes. Total demand for the planting materials was 243 million euros in 2008. In 2008 Ukraine imported live plants mainly from Netherlands, Ecuador, Poland, Turkey, and Columbia, but it had its production capabilities. As we know from the overall picture, institutional (political, social, and economic) barriers were blocking trade efficiency, but Ukraine continued to move forwards. Planting materials could be classified as cut flowers, potted plants, and outdoor plants, which Ukraine actively imported. In 2009 Ukraine could fulfill 20% of the potted plants and 50% of the cut flowers demand, but the quality was behind global standards, and customers preferred foreign products. Growing flower market, developing capacity building, increasing business doing scores, and better economic climate were signaling for the better floriculture value chains according to SWOT. Nevertheless, reforms are necessary to overcome weaknesses and threats (Olha Martsynovska, 2011).

In the GVC Development 2014 report, Ukraine had 79th place but had full potential to integrate. The barriers, as mentioned earlier, were not allowing its economy to move forwards. Here, the main factor in joining GVCs is the transaction costs revealed in the World Economic Forum's trade promotion index. In 2014 Ukraine was in 83rd place among 138 countries, and if we check sub-scores:

- access to the international markets, 22
- access to foreign markets, 61
- custom procedures, 100
- transport infrastructure, 55
- transport services, 61
- information technology in trade, 70
- property rights, 103

It shows how resources were wasted and not used for about two decades instead of the development of integration processes (*Guzhva Igor, 2015*).

Moreover, Ukraine's reasons not to participate in the Global Value Chains originated from a different approach to the GVCs. Ukraine would be better off if focused on getting a relevant share in the GVCs and paying attention to the fundamental reforms we had mentioned a few times during the thesis. They might include health, security, ecology, tax codes, law, and innovative approaches to the economy. It is again worth stating that Ukraine had the potential but not an appropriate environment for GVCs creation.

Ukraine was interested in another global value chain as an essentially agricultural country - biofuels. It has set a target until 2035 Ukraine's energy supply should be 11.5% from biofuels. Total biofuels production in 2010-2016 had decreased by 21.4%. However, the biofuels industry's SWOT analysis revealed internal strengths as follows: 42.7 million hectares of land, high-quality human capital, plants close to the transport. Problems are lack of innovation and biofuel infrastructure, required inputs were scarce and expensive as well, and finally, intensive cultivation had caused degradation of the lands. Regarding threats, we could count insufficient government support, end-users were not interested, monopoly, instability, and corruption. Furthermore, finally, opportunities included faster integration into the EU (as EU has a 27% renewable energy target by 2030), and it would secure energy sectors as an importer country (Ukraine imports 80% of liquid oil fuels) (*Carl Zulauf*, *2018*).

Ukraine's role in the global meat industry had been justified as well, proving that Ukraine plays an important role. In 2016 it made 13.2% of the food sales in the country. Ukraine's share in the global meat processing industry was 0.72%, and the World Bank predicted that it could increase. Ukraine was implementing various meat processing standards (GOST, HACCP) to harmonize with the world and move towards global markets (*Sychevskyi and Hladii, 2018*).

Another essential research has revealed an important point regarding the compliance of Ukraine's trade policies for the GVC integration in terms of the average duration of import-export operations. Lead time to import and export were 29 and 28 days accordingly, which was behind Poland (17,14) or Turkey (13,14) in 2014. Towards 2016 import lead time had increased significantly and became more than 70 days (*tradingeconomics.com*). Correlation between trade barriers and corruption perceptions index was also apparent, and for Ukraine, in 2019, it was 30 out of 100 (*transparency.org*). It might seem an ordinary index, but in 2013 only 50% of the customs fee had been paid to the government, and the rest had disappeared (*Igor Guzhva, 2019*).

Ukraine's present trade policies strategic role of the Black Sea and Black Sea Economic Cooperation is essential. BSEC had been formed in 1992, but current political and economic conditions have brought two big players in the region, despite Russian intervention in the Black Sea. BSEC has targeted cooperation in trade and development, transport, customs matters, and agriculture. As we mentioned, Turkey is one of the most prominent investors in Ukraine, and current trade deals prove it one more time. We must note that Turkey had initiated BSEC to bring together 12 countries. Moreover, Turkey with Ukraine could change the balance in the Black sea. A recent arms deal signed this year in October contained an agreement of joint production of the drones. Considering this, Turkey is ready to invest in Ukraine for research and development after delivering a 48 ″Bayraktar TB2 ″drone fleet. Another example of the value chain can be considered remarkable as well; new long-range "Akinci" drone's engines will be supplied by Ukraine. On the other hand, the joint production of the drones will decrease procurement costs by 35%. According to our estimations, this military deal can reduce the influence of Russia on Ukraine and implicitly help to integrate the EU by the provision of stability in the country (*site36.net., New arms deal: Ukraine wants armed drone fleet from Turkey*).

Weighted outdegree and indegree for Ukraine were about 0.002 in the global trade flow in 2016. The top 5 export markets were Russia, Egypt, Poland, Turkey, and Italy. The top import countries were again Russia, China, Germany, Poland, and Belarus. It shows they built trade relations with Poland and indirectly with Germany (*worldbank.org*).

Now we can analyze Ukraine's export and import relations with the world in terms of different product categories. Ukraine is exporting a wide range of products to China, Mexico, Indonesia, and many more. We can categorize as below based on commodities (2018):

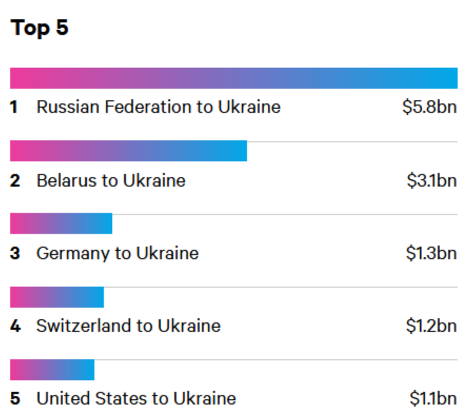
- *Agricultural products* ($18.6 billion) – India ($1.9 billion), Netherlands ($1.2 billion), Spain ($1.1 billion)
- *Fertilizers* ($101million) – Turkey ($27.1 million), Serbia ($15.5 million) and China (11.6 million)

- *Forestry* ($1.4 billion) – Poland ($211 million), Turkey ($211 million) and Romania ($125 million)
- *Fossil fuels* ($910 million) – Russia ($234 million), Hungary ($234 million), Czech Republic ($63.1 million)
- *Metals and minerals* ($17.3 billion) – Italy ($1.8 billion), Egypt ($1.5 billion), Russia ($1.3 billion)
- *Pearls and gemstones* ($4.5 million) – United States ($3.4 million), Ireland ($860 thousand), Russia ($35.6 thousand)

Here, Ukraine still was focusing on agriculture and metals, and the leading trade partners were outside the EU. Nevertheless, overall trade performance has been better (*resourcetrade.earth*).

For Ukraine imports top five performers are as below:

Figure 1. Ukraine Top 5 import partners



Source: *resourcetrade.earth*

Checking the trade data for 2017, we can reveal an exciting point; out of 180 trade partners, only it has a deficit with 67 countries: the most significant economies such as Russia, USA, or Canada. Nevertheless, with 113 countries having a trade surplus does not make sense as they are the world's minor economies (*International trade in goods and services based on UN Comtrade data*).

If we would classify import and export product groups for Ukraine, we can list them as below. Unfortunately, it is constructed of raw and intermediate products, and imports are mainly consumer goods (2018):

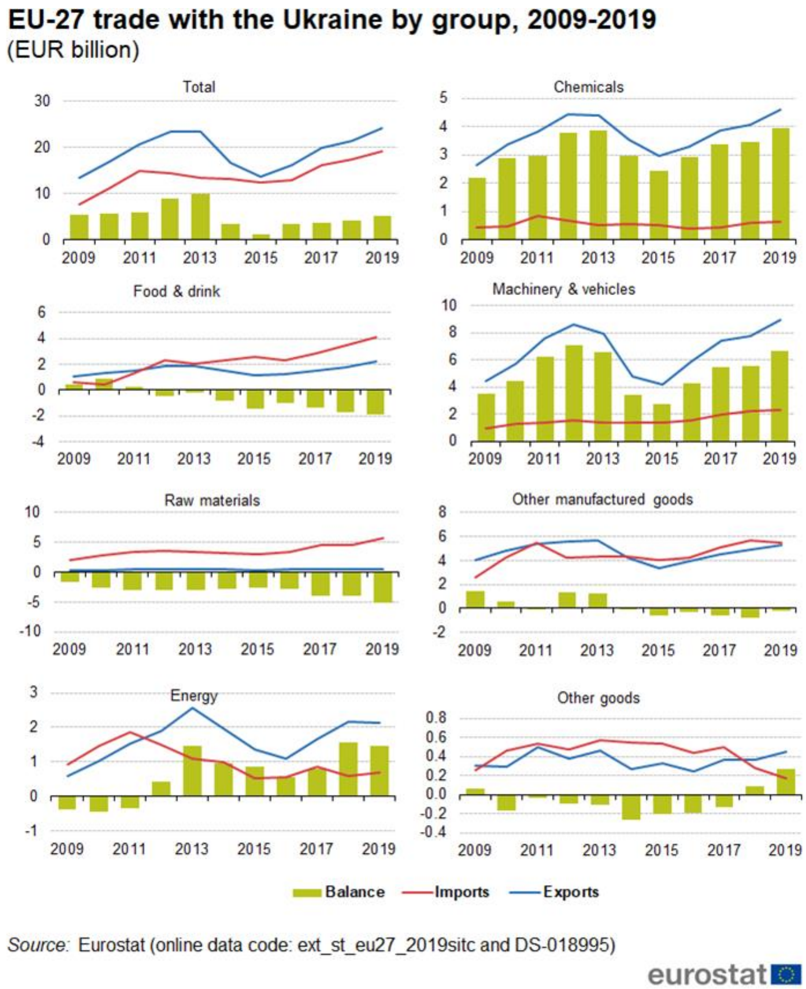
Table 7. Ukraine import and export groups

Product group	Share in Export	Share in Import
Intermediate products	44.68%	21.51%
Raw materials	30.67%	11.93%
Consumer goods	17.23%	42.11%
Capital goods	7.08%	23.51%

Source: *worldbank.org*

Trade in Service with EU-27 was developing in 2009-2019 as indicated below, and Poland was noticeable for being the biggest importer and exporter for Ukraine, which can be considered an amazing trade partner:

Figure 2. EU-27 trade with Ukraine by group, 2009-2019

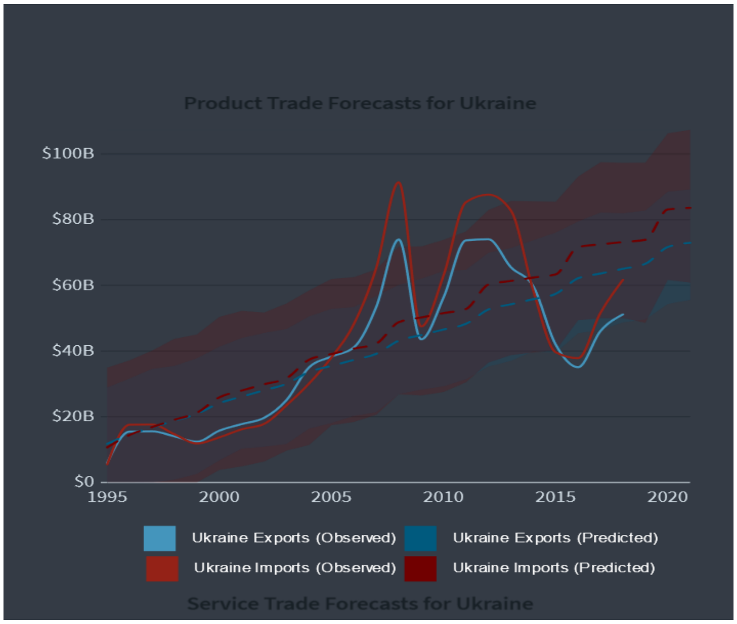


Source: *europa.eu*

Poland was the fastest-growing export market for Ukraine, followed by Germany and the United States. Import markets are China, Russia, and Poland again (*oec.world*).

Let us review the trade forecast for Ukraine by MIT researchers:

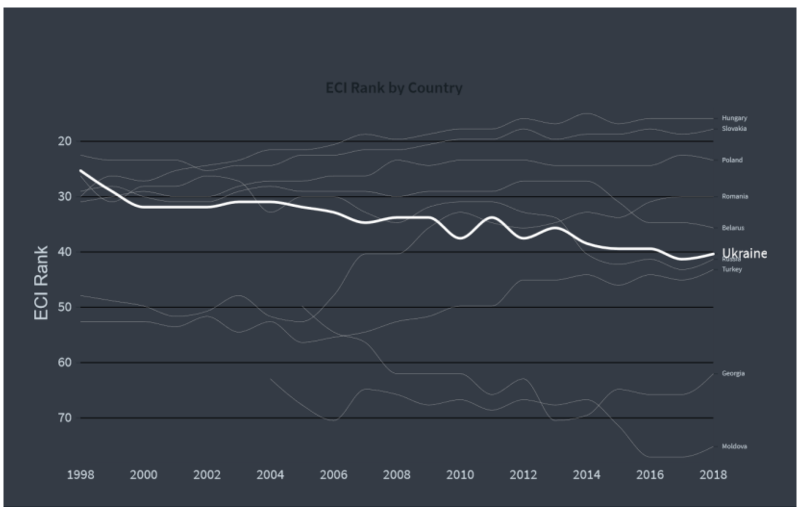
Figure 3. Ukraine Product Trade forecast



Source: *oec.world*

Ukraine's economy has become less complex on the Economic Complexity Index, moving from 24 to 40 in the last two decades (*oec.world*).

Figure 4. Ukraine Economic Complexity Index (1998-2018)



Source: *oec.world*

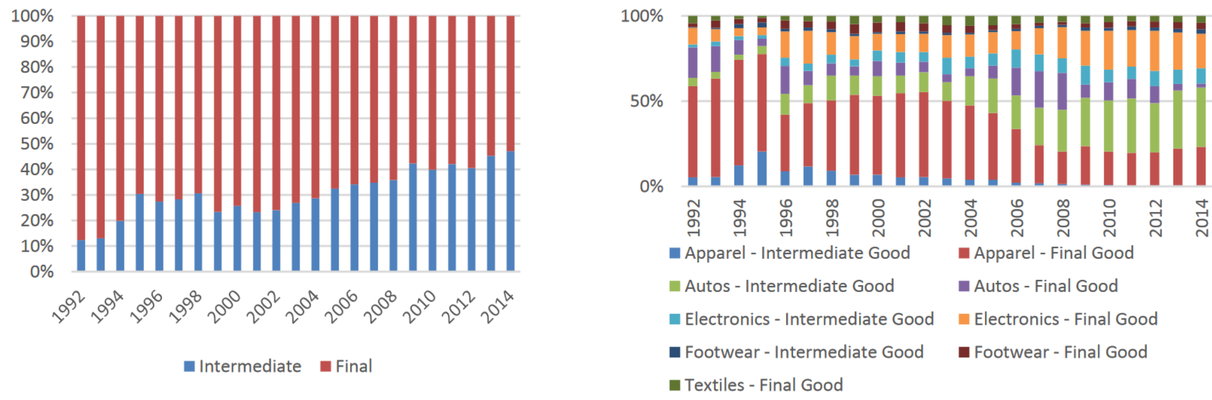
According to the Revealed Comparative Advantage Index, Ukraine has specialized in Seed Oils (139), Pig Iron (79.7), and vegetables. From the Product Complexity Index perspective, Metal pickling prep is the most complex product with a 1.73 score. Export opportunities for Ukraine include Uranium and Thorium Ore, Crude petroleum, Rough Wood, Asbestos, and Raw Cotton, according to Relatedness Index (*oec.world*).

Now we will review Ukraine trade performance based on WTO Trade Profile:

- Merchandise trade – annual percentage change in exports and imports had decreased, and they occupied 0.26% and 0.31% of the world trade accordingly. In both of them, Manufactures holds a significant share, and trade took place mainly with the EU (Exports – 41.4, Import 39%)
- Agricultural products – annual percentage change for agricultural products exports decreased while annual imports change increased. Top export products were Sunflower-seed, or cotton oil, Maize, and Mesline, while top imported products were Unmanufactured tobacco, Sunflower seeds, and Other food preparations.
- Non-agricultural products – in 2018, annual percentage change has been in favor of imports with an annual change of 15% and top exported products were Iron's semi-finished products, Iron ores and concentrates, Hot-rolled products of Iron +600 while imported products were Petroleum oils, other than crude, Petroleum gases, Coal; briquettes, ovoids.
- Trade in commercial services – annual percentage change for commercial services had increased in 2019, while decreased for imports. Inside commercial services, export Transport had a significant share and on imports Travel (58.1%) had the primary share.
- Transport – exports had increased since 2010, but below the world level, they took place mainly by air (Exports 22.8%, Imports 34.7%)
- Travel – after the sharp decrease in 2013, the travel exports index increased gradually.
- Other commercial service and Goods related services – in this category, we consider ICTs (59.1%), Other business services (35.3), Financial services (1.8%), and Other (3.8%).
- Industrial property – patent applications (3968), trademark applications (38004), industrial design applications (3604) (*wto.org*)

On the below, you can notice the low participation level of Ukraine in the global value chains and focus mainly on final or intermediary goods having Poland and Germany major partners:

Figure 5. Share of Intermediate and Final Goods in Overall Ukraine's GVC Exports and by group (1992-2014)



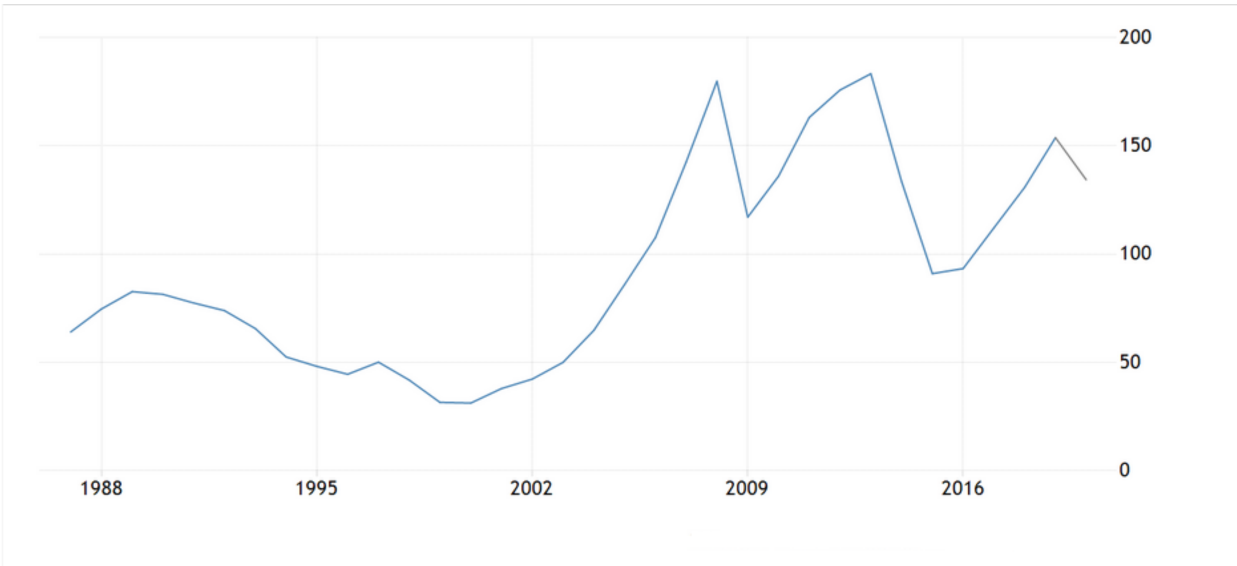
Source: *worldbank.org*

To conclude, Ukraine is showing potential in all these indices or trends, which is very promising. Unfortunately, we cannot rely on only numbers. When we merge what we have analyzed in the first part and what we possess here, the overall image becomes more explicit. It gives us proof to assume that Ukraine will overcome obstacles on its way and build better trade relations. It requires commitment, smart decision-making, gradual fight against Russia's corruption and pressure while changing the direction of the economy from raw material exporting country to a value-generating entity.

7.2. Macroeconomic analysis

To have better answers to our research questions, the analysis of the present data covering pre and post-transition periods is crucial. In the previous chapters, we had analyzed the performance of Ukraine using academic papers and articles. In this section, data will be our primary tool coming from reliable and available sources. Data visualization techniques will help us detect economic patterns that could not be noticed during the verbal analysis.

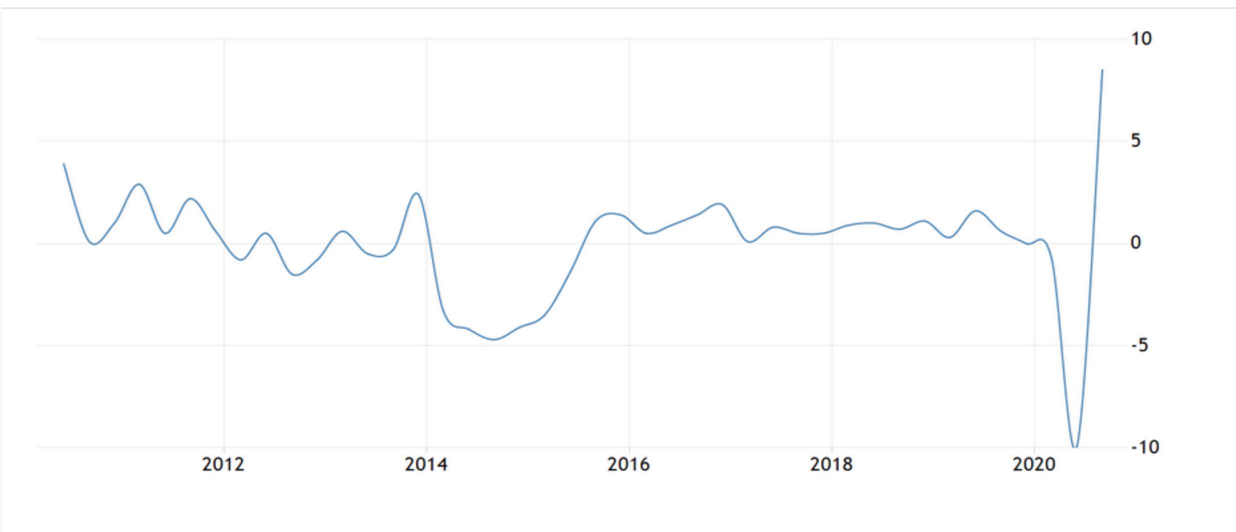
Figure 6. Ukraine GDP (1987-2019)



Source: *tradingeconomics.com*

In 2019, Ukraine's GDP was $153.78 billion, and it is clear to see from which levels it has come and developed into a significant force. However, current turbulences have been inevitable for the economy.

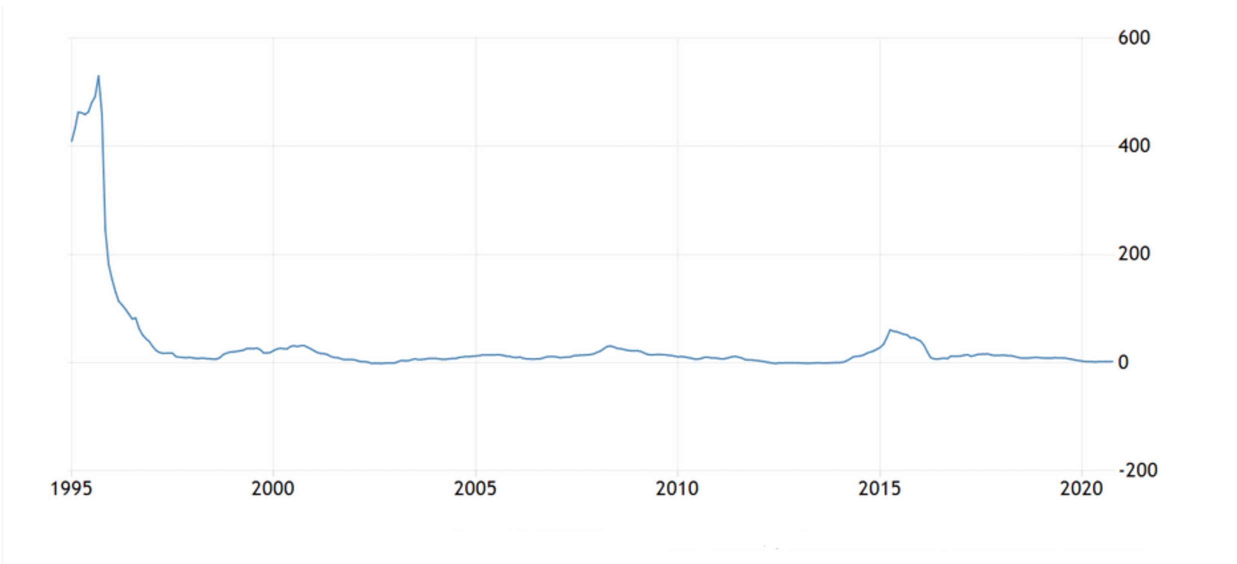
Figure 7. Ukraine GDP Growth rate



Source: *tradingeconomics.com*

Third-quarter of 2020, GDP had an 8.5% growth rate. The effects of the major economic challenges, especially the aftermath of 2014, is visible. The lowest (-9.90%) and highest (8.5%) rates have been observed in 2020.

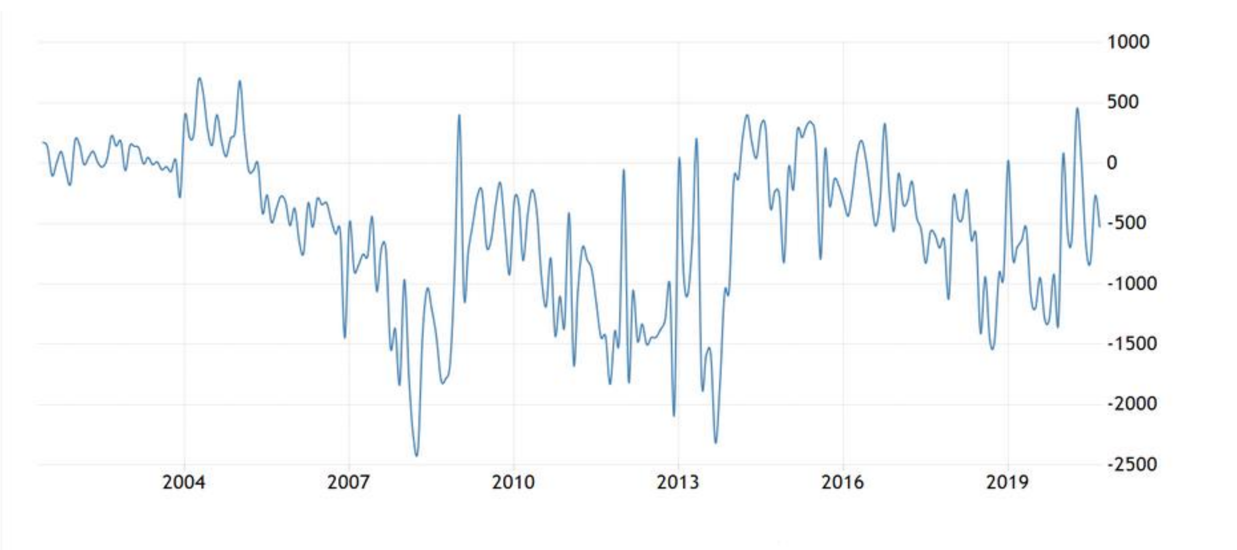
Figure 8. Ukraine inflation rate (1995-2020)



Source: *tradingeconomics.com*

In October 2020, inflation had increased but compared to the early years economy has developed in terms of inflation to the natural levels.

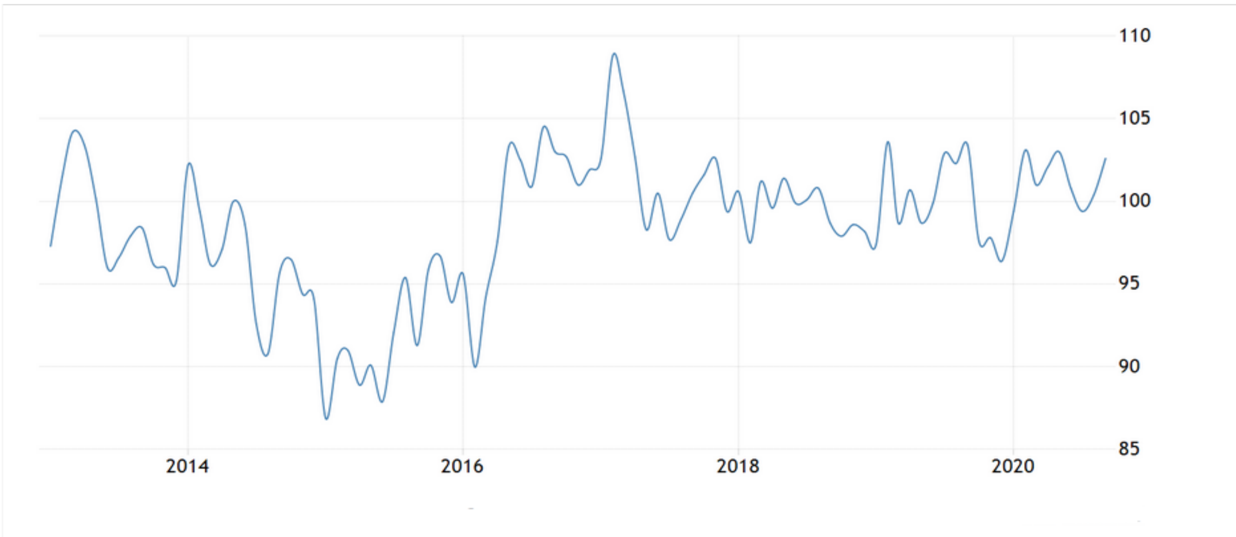
Figure 9. Ukraine Balance of Trade



Source: *tradingeconomics.com*

Ukraine had a recorded trade deficit of $526.9 million in September 2020, which is a serious problem. In general, we can notice two major drops in the numbers, which is matching with the 2008 Global Financial crisis and 2014 when Ukraine was dealing with the Maidan crisis. Balance of Trade or BOT is the difference between exports and imports.

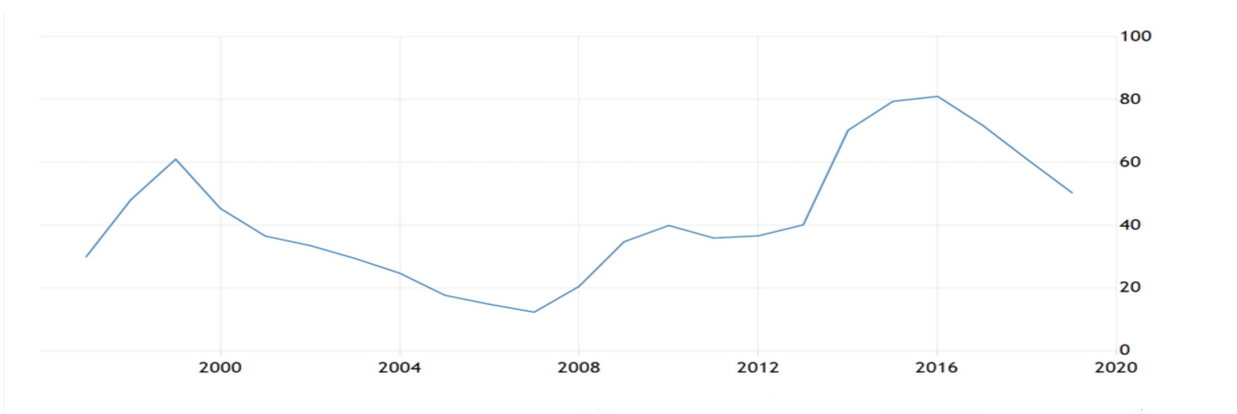
Figure 10. Ukraine Terms of Trade (2013-2020)



Source: *tradingeconomics.com*

Terms of Trade had increased in September compared to August from 100.40 to 102.60. The major drop in the given period falls into 2015 with 86.9 points. Terms of Trade or TOT is the ratio of exports to imports, and when it is higher than 100, it means the country is exporting high-value goods. In our case, Ukraine is achieving this target.

Figure 11. Ukraine Government Debt to GDP (1997-2019)



Source: *tradingeconomics.com*

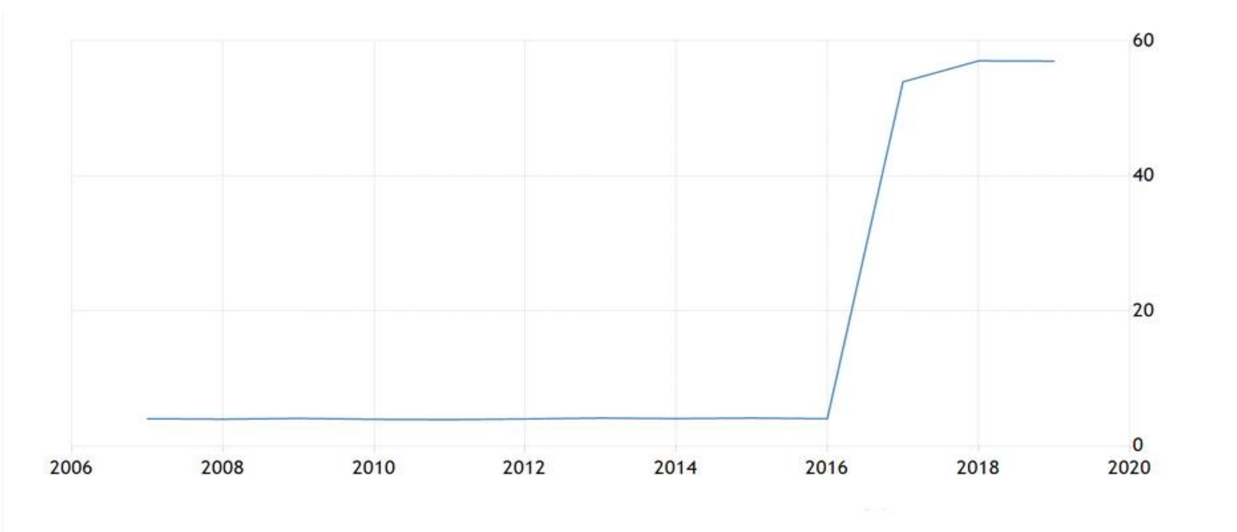
In 2019, Government debt to GDP was 50.30, which can be considered a crucial problem. Euro-convergence criteria require it to be below 60%, and for Ukraine, it is fine so far.

Figure 12. Ukraine Business Confidence (2006-2020)

Source: *tradingeconomics.com*

In the third quarter of 2020, Ukraine Business Confidence had increased from 90.80 points in the second quarter to 100.80 points. BCI measures future expectations for the country, and for Ukraine, it is promising.

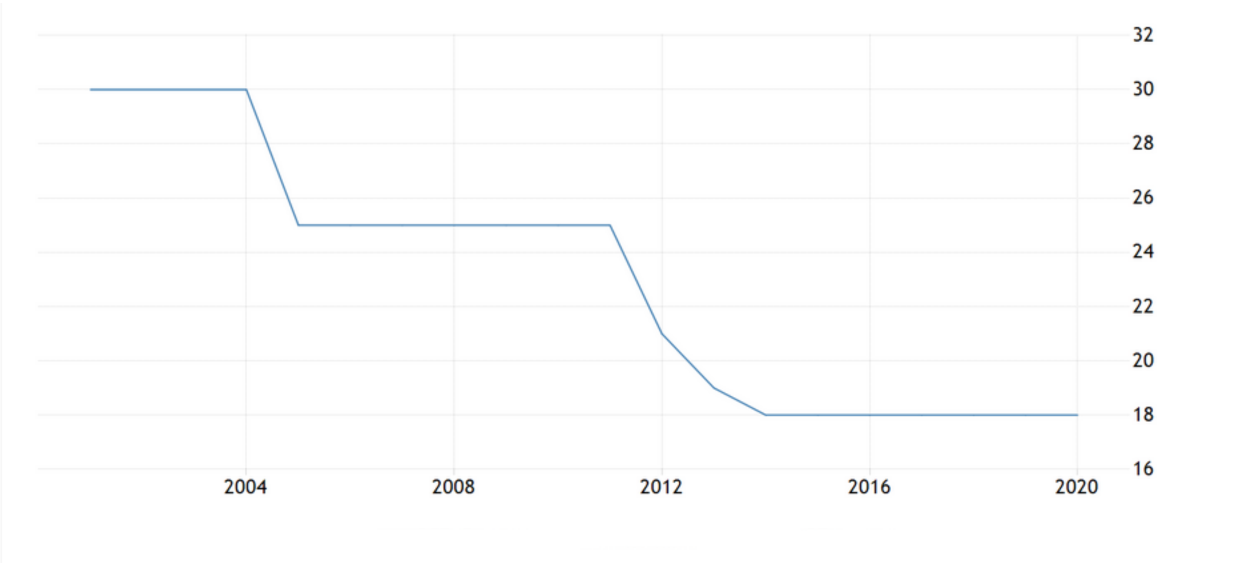
Figure 13. Ukraine Competitiveness Index (2007-2019)



Source: *tradingeconomics.com*

Ukraine scored 56.99 points in 2018, and upcoming years were the same as well. CI is a very helpful tool to measure the country's performance, and it seems that Ukraine has started doing well.

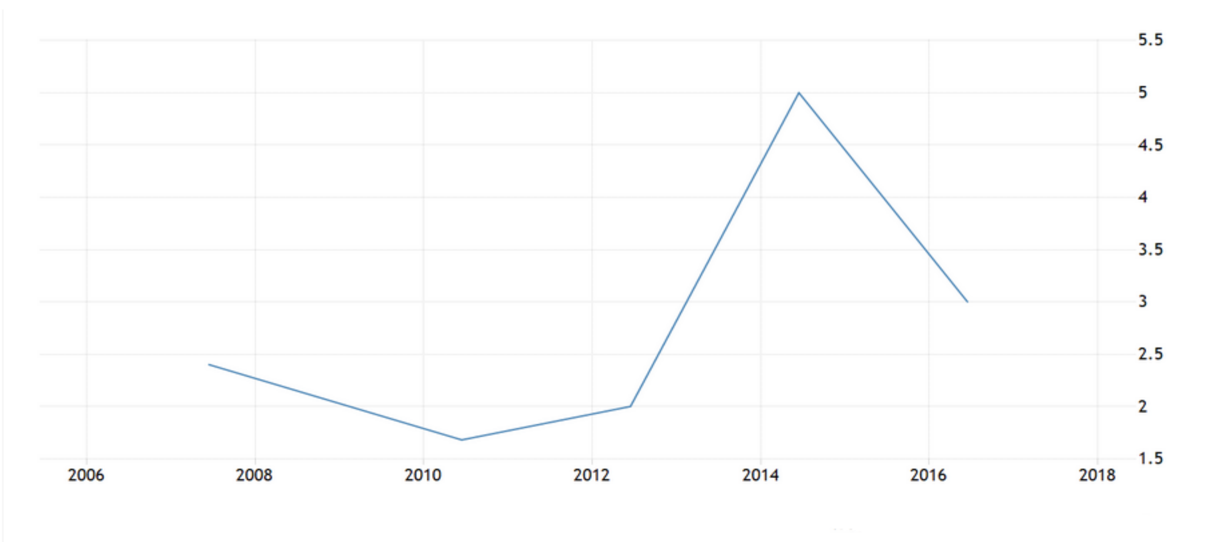
Figure 14. Ukraine Corporate Tax Rate (2001-2020)



Source: *tradingeconomics.com*

Currently, the Corporate Tax rate is 18%, but it has been very high in previous years, banning companies from operating efficiently.

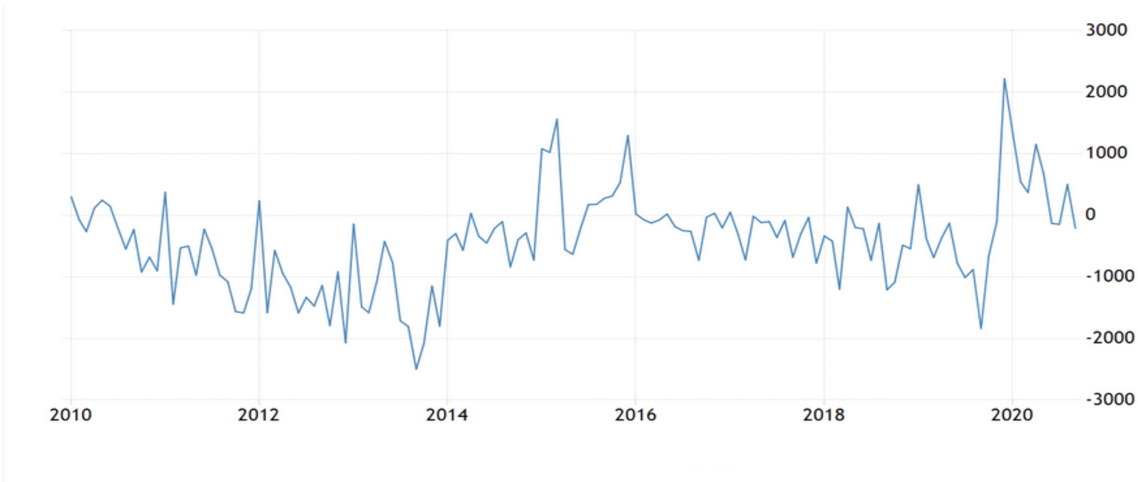
Figure 15. Ukraine - Lead Time to Export, Median Case (days)



Source: *tradingeconomics.com*

Lead time To Export had increased in 2014, but the trend is downwards, which is expected result if reforms and more comfortable procedures. It shows time spent from shipment point to loading port (*indexmundi.com*).

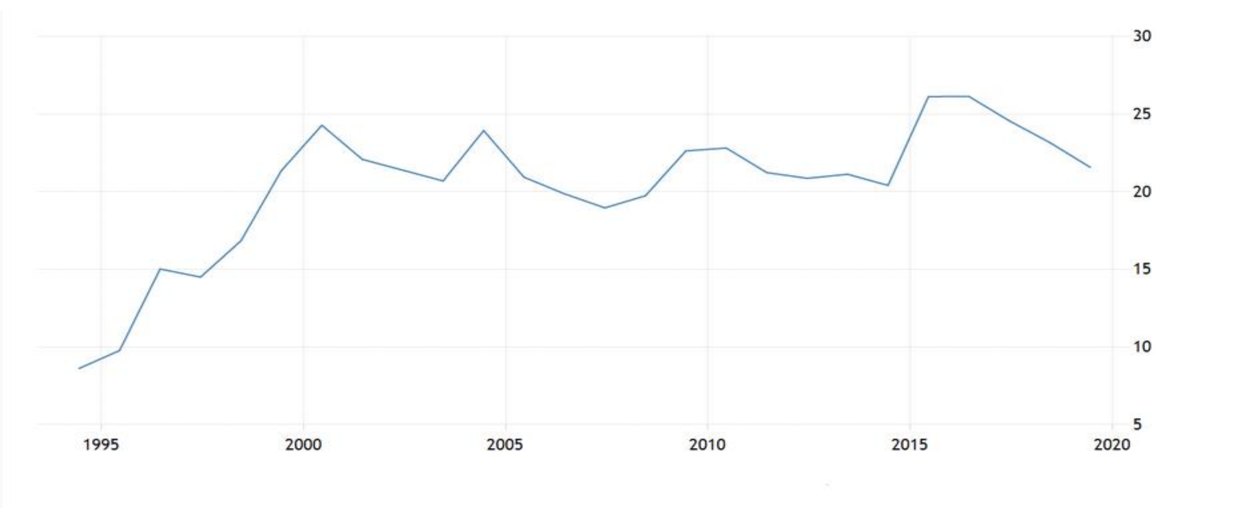
Figure 16. Ukraine Current Account (2010-2020)



Source: *tradingeconomics.com*

Ukraine's current account has been fluctuating and continuously decreasing in 2020. It shows Ukraine's imports and exports in terms of goods and services. When it is positive, then a surplus. Otherwise, a deficit occurs. Unfortunately, for Ukraine, it has become negative. It can cause investor scrutiny next to the uncertain events on the east.

Figure 17. Trade in Service (% of GDP, 1995-2020)



Source: *tradingeconomics.com*

Ukraine Trade in Services (sale and delivery of services across borders) accounted for 21.26% and tended to decrease after well-known reasons. It was structured of services by countries like the Russian Federation (28.9%), United States (9.5%), and Switzerland (8.5%).

8. SUMMARY AND CONCLUSION

8.1. Summary

Ukraine's role in the Global Value Chains since independence till the present day have been investigated and under the guidance of our research questions resulted in exciting outcomes.

To achieve the Ukrainian dream, the government had followed various strategies and made tough decisions between the East and the West. Throughout the journey, Russia's pressure was inevitable. Still, the nation's will outweighed, and Ukraine had multiple revolutions (Orange and Maidan), which led to the reforms and accession into international organizations. Becoming a member of WTO, signing Association Agreement, 46 FTA agreements, land reforms, and fighting corruption can be a few examples of Ukraine's achievements. All of them have helped Ukraine move forward in the global rankings, diversify its exports, and integrate into various global value chains while restructuring fundamental economic requirements such as judiciary system, customs procedures, and other economic necessities.

It was essential to analyze Ukraine's role in the global value chains by touching the country's political base. The economic factors were apparent, but political pressure, including internal and external, have played a crucial role in the last three decades. Starting with presidents and different fronts in the parliaments had been obstacles for the reformist ideas. For example, the Association Agreement had been refused to be signed by President Poroshenko in 2013, which caused a one-year delay with the EU. Even if they were willing to ratify, the political parties would postpone the approval and implementation process. On the other hand, Russia's external political pressure was distorting Ukraine from its primary goals, and sometimes Russia's political will turned into military enforcement, which caused the loss of Crimea in 2014. For the last years, this pressure has decreased, but still, Russia is using active military forces in the region to intervene in Ukraine's stability and integration policies.

Considering Ukraine's geographic location, we had mentioned how strategic it is. Being periphery to the EU and locating between East and the West is an excellent opportunity. Ukraine should use it wisely. Nevertheless, the Russian factor makes this strength to some extend dangerous considering the 2063 km borderline.

Finally, the Soviet Union has left a unique legacy; instead, we would call it the "red curse." All the countries which had any chance to experience the Soviets any time in the past, they cannot revive anymore. Of course, mismanagement after the collapse of the USSR is another factor, but we must mention that almost all these countries are managed by communist party members. For example, current Kazakhstan president Tokayev was the USSR ambassador to Singapore, or Kravchuk was the speaker of Ukraine's late-Soviet-era parliament. The argument was that it would be hard for this type of people to shift Ukraine from a command economy towards a market economy. However, the election of Zelensky in 2019 shows that it can be true, as Ukraine is moving towards new opportunities faster than ever.

8.2. Conclusion

Analysis of the past of the Ukrainian experience allows us to come up with ideas that can help to support our central hypothesis. Our thesis was that, if Ukraine keeps this pace of its reform's integration into the global value chains as well as the creation of high value-added exports and accession to EU is going to happen soon. Continuous reforms, especially last couple of years, will help Ukraine for the fast membership, and last seven years, there has not been any enlargement, which is a good sign for Ukraine to have a fast track to the EU by fulfilling membership criterium. Furthermore, we would like to end the research with the quote by the author of The Grand Chessboard, Zbigniew Brzezinski: "*The key point to bear in mind is that Russia cannot be in Europe without Ukraine also being in Europe, whereas Ukraine can be in Europe without Russia being in Europe.*"

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