



ECONOMIC RELATIONS IN TIMES OF GEOPOLITICAL UNCERTAINTY – POLAND AND UKRAINE

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JEL Classification: F14, F31, P33, R23.

Key words: economic cooperation, foreign trade, Local Border Traffic, Poland-Ukraine.

Abstract

The main objective of the study is to identify the state of economic relations between Poland and Ukraine since the early 1990s, taking into account mutual trade (also within the framework of the LBT) and Poland's investment involvement in Ukraine. The study uses a statistical-descriptive method. Based on the analyses, it is concluded that the potential of bilateral economic relations has not been fully exploited so far. Although trade has been developing over the years, it has encountered certain difficulties. The difficult economic situation in Ukraine has become crucial. In light of this conclusion and the currently uncertain geopolitical situation, the realisation of Polish-Ukrainian economic cooperation, including trade, in the coming years appears to be closely linked to the reconstruction of Ukraine's infrastructure.

**RELACJE GOSPODARCZE W DOBIE NIEPEWNEJ
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Kody JEL: F14, F31, P33, R23.

Słowa kluczowe: współpraca gospodarcza, handel zagraniczny, mały ruch graniczny, Polska-Ukraina.

A b s t r a k t

Zasadniczym celem opracowania jest zidentyfikowanie stanu relacji gospodarczych Polski i Ukrainy od początku lat 90. XX w., z uwzględnieniem handlu wzajemnego (również w ramach małego ruchu granicznego) i zaangażowania inwestycyjnego Polski na Ukrainie. W badaniu wykorzystano metodę statystyczno-opisową. Na podstawie analiz stwierdzono, że potencjał dwustronnych stosunków gospodarczych nie był dotychczas w pełni wykorzystywany. Co prawda na przestrzeni lat wymiana handlowa się rozwijała, napotykała jednak pewne trudności. Kluczowego znaczenia nabrała trudna sytuacja gospodarcza na Ukrainie. W świetle tego wniosku i niepewnej obecnie sytuacji geopolitycznej realizacja polsko-ukraińskiej współpracy gospodarczej, w tym handlowej, w najbliższych latach wydaje się ściśle związana z odbudową infrastruktury Ukrainy.

Introduction

States have been cooperating with each other practically since time immemorial, both in times of war and peace. The type of cooperation varies in scope and purpose from global to regional, bilateral or multilateral. Such cooperation, characterised by a multiplicity of linkages and interactions, plays an important role, especially in contemporary international relations (Zabielska, 2020). It triggers the active participation of states interested in interacting and develops partnerships. It also serves to raise welfare and social satisfaction. As a result, it contributes to the creation of economic ties between partners, who are increasingly active in various arrangements, including trade, investment, monetary and financial or institutional (Jaworska & Kuchta, 2017).

In this context, the conditions and development of cooperation between Poland and Ukraine are interesting. On the one hand, there is the occurring cultural proximity and mutual penetration, similarity of consumer tastes and language. On the other hand, mutual distrust and perception through the prism

of political affiliation (Chodubski, 2012)¹. The above, as well as changes in the European order and the collapse of the Eastern Bloc (late 1980s/early 1990s), determined the direction of bilateral relations between these countries (Zięba, 2000, p. 27). Furthermore, for Poland, the potential for economic cooperation with Ukraine lies, *inter alia*, in its large internal market (45.5 million consumers), its natural resources (iron ore, coal, natural gas, oil; fertile soils) and its educated and relatively cheap labour force. Moreover, its favourable location between the markets of the European Union (EU) and the Commonwealth of Independent States (CIS), makes Ukraine an attractive location for investment – export platforms (Błaszczuk-Zawiła, 2015).

Polish-Ukrainian economic cooperation, including trade, has so far been the subject of relatively few studies. Analysis of the relationship has mainly focused on political and historical issues. Indeed, an increased interest in economic issues began with the period of negotiation of a new EU-Ukrainian agreement providing for the creation of a Deep and Comprehensive Free Trade Agreement (DCFTA), the annexation of Crimea and the Russian occupation. The current geopolitical situation has added a new dimension. This article complements previous analyses of economic, including trade, cooperation between Poland and Ukraine since the early 1990s, including the facilitation of the Polish-Ukrainian border crossing.

Therefore, the main objective of this discussion is to identify the state of economic relations between Poland and Ukraine since the early 1990s, taking into account mutual trade (also within the framework of the LBT) and Poland's investment involvement in Ukraine.

Description of Research Methodology

Analytical and descriptive methods based on a critical literature review and empirical analysis on key issues in economic cooperation, including trade, between Poland and Ukraine were used. Qualitative data were obtained from the literature on the subject. They concerned Polish-Ukrainian economic relations since 1992 and Poland's involvement in building them. Necessary information on the topic in question was therefore gathered and subjected to selection (theoretical analysis and synthesis of the issue). In doing so, relevant legal acts and official documents relating to Polish-Ukrainian economic cooperation, including trade, and local

¹ Poland and Ukraine have a rich common history. Both countries have been neighbours, which naturally fosters mutual contacts and influences and an interweaving of friendship and enmity, e.g. the period of struggle of both nations for independence after the end of World War I, the Polish-Ukrainian struggle against Soviet Russia, anti-Ukrainian aggression or attacks on Poland (during World War II). However, cooperation was born between the states and, as a result, they began to appreciate the importance of their neighbour in their own interests (Kroll, 2015).

border traffic were used. In turn, quantitative data came from the Central Statistical Office, the Main Headquarters of the Border Guard, the Ministry of Development and Technology and the Embassy of the Republic of Poland in Kiev (data from the Ministry of Foreign Affairs of the Republic of Poland) – they concerned the value of imports and exports of goods of Poland and Ukraine (starting from the 1990s) and the number of crossings of the Polish-Ukrainian border, including the LBT since its introduction, i.e. since 2009.

Characteristics of Economic Relations between Poland and Ukraine

Geopolitical conditions are of major importance in the economic relations between Poland and Ukraine. The political order in Europe, established after World War II, sanctioned the expansion of the borders of the former Soviet Union (including Ukraine, Belarus and the Baltic states) and the creation of a belt of dependent states (Kawałko 2011, p. 36). The internal (separated by the Polish-Soviet border) and external empires thus created became the exclusive sphere of influence of the USSR until its collapse in 1991 (Rościszewski 1993, p. 46-48; Sukhoruchko 2022, p. 71-77). After this period, a new phase in Polish-Ukrainian relations began, despite belonging to different ideological and political-economic blocs. In a changing environment, the countries built relationships and regional structures. The importance of cooperation (including trade) in the development of good neighbourly relations was emphasised (Traktat o dobrym sąsiedztwie, 1992), and this was reflected in the establishment and creation of joint institutions and undertakings, the exchange of experience, consultancy, joint scientific and research cooperation or exhibitions and trade fairs (Umowa o współpracy gospodarczej, 2005)². Such regulation of economic relations was indicative of a pragmatic approach to concluding agreements aimed at strengthening the socio-economic potential of both countries.

The process of institutionalisation of economic contacts began as early as 1993. During the Polish-Ukrainian Economic Forum, the Polish-Ukrainian Mixed Commission for Trade and Economic Cooperation was established, then under the Economic Cooperation Agreement of 2005. Polish-Ukrainian Intergovernmental Commission for Economic Cooperation³. Mutual cooperation was also implemented within the framework of the Polish-Ukrainian Chamber of Commerce. Its aim became the development and promotion of bilateral business cooperation. Within the framework of the Polish Business Center in Kiev and the

² Poland and Ukraine were covered by the Most Favoured Nation (MFN) clause in customs and taxation until 2004, which ceased to apply with Poland's accession to the EU.

³ The Commission, within the framework of various working groups, is preparing proposals for the development of bilateral relations to eliminate barriers to cooperation.

Ukrainian Business Center in Warsaw, comprehensive support was provided to Polish entrepreneurs investing in Ukraine and Ukrainian entrepreneurs operating in Poland. In addition, market formal and administrative barriers on both sides of the border are monitored by the Polish-Ukrainian Market Analysis Centre.

In addition, within the framework of the Polish-Ukrainian Intergovernmental Coordination Council for Interregional Cooperation, regions of Poland and oblasts of Ukraine cooperate. Regional cross-border activities, modernisation of crossings and improvement of border security are coordinated (Umowa o stosunkach prawnych, 1994). Through joint initiatives, the parties aim to equalise the standard of living of the inhabitants by increasing opportunities for the movement of goods, people from the border areas as well as capital. Catalysts for cooperation are also the Euroregions operating in the borderlands of both countries – Karpacki and Bug. Projects implemented by individual EU programmes are also an important instrument (Vysochan & Vlodek, 2020).

The next chapter of mutual economic cooperation took place after Poland's accession to the EU in 2004. Poland began to present itself both as a state offering bilateral cooperation and as a 'part' of the agreement with a more extensive range of opportunities (*Polska-Ukraina...*, 2021)⁴. It also started political efforts for cooperation and integration of Ukraine into the EU⁵, and with Sweden became an initiator of the Eastern Partnership programme⁶ (Vysochan & Vlodek, 2020). In 2004, the European Neighbourhood Policy (ENP) was also adopted (European Commission, 2010) and within its scope, the terms and conditions of the EU's cooperation with its new neighbours just after enlargement. At that time, the need to develop a different path of dialogue with various countries, including Ukraine, became apparent. In 2007, a joint declaration on a new dimension of the strategic partnership was signed, as a continuation of the partnership concluded in 1996. This was complemented by a 'cooperation roadmap' for the following years. In March 2014, the EU-Ukraine Association Agreement was concluded. Under it, a free trade area (the so-called DCFFTA; the agreement came into full force on 1.09.2017) was introduced in 2016 (*Ukraina. Notatka gospodarcza...*, 2023) and certain requirements were imposed on Ukraine⁷.

A great opportunity has opened up for businesses, Polish and Ukrainian, with the abolition of customs duties and non-tariff barriers, attracting new consumers

⁴ Since 2004, Polish trade relations, as an EU member, have been based on agreements between the EU and Ukraine.

⁵ The Ukrainian population wanted to become a member of the EU, while the hostile authorities at the time did not sign the association agreement. A wave of protests erupted. As a result, early elections were held and the new president set the goal of rapprochement with the EU (Horvath, 2023).

⁶ The Eastern Partnership was established in 2009 (European Commission, 2009) and was positively received by the Ukrainian authorities as an offer more profiled to the needs of Ukraine than the ENP (Bazhenova, 2019, p. 73).

⁷ The idea was to improve energy efficiency (Ukraine used a lot of energy to produce goods and services) and export facilitation – so more border checkpoints were introduced.

and increasing production and exports. There was also a new declaration referring to the strategic partnership between Poland and Ukraine as a modern formula for implementing economic relations and working towards economic security. Moreover, in 2017 the Union accepted visa-free travel for the Ukrainian population (and a little earlier, in 2009, the MGR was introduced)⁸ (Umowa między Rządem Rzeczypospolitej Polskiej a Gabinetem Ministrów Ukrainy o zasadach małego ruchu granicznego, 2009), which facilitated regular crossing of the EU's external land border. The Protocol to the MRG Agreement was also in force, introducing significant changes (*Wielki mały ruch...*, 2016)⁹.

As part of the interaction between the Polish and Ukrainian economies, a number of meetings on LNG transit took place in 2019 (Vysochan & Vlodek, 2020). A supply diversification agreement (USA, Poland, Ukraine) and a letter of intent for the extraction of Ukrainian gas resources (PGNiG and Naftogaz; 2021) were signed. A declaration on cooperation on the basis of a strategic partnership and economic agreements were also worked out: participation of PGNiG in the privatisation of the Ukrainian energy sector and trade between the Odessa and Gdansk ports. Bilateral cooperation on tax information exchange was intensified to effectively combat VAT fraud (in 2020). A revision of the EU-Ukraine DCFFTA agreement was launched in 2021. In order to provide additional support to Ukraine (including its exports), temporary full trade liberalisation was allowed and protection instruments were suspended until 5.06.2024 (Regulation 1077..., 2023; *Notatka gospodarcza...*, 2023).

Poland's share of the Ukrainian market is steadily increasing. Polish chambers of commerce attribute a high growth potential to the Ukrainian economy (dependent, among other things, on foreign investment¹⁰). And Polish entrepreneurs are perceived positively on the Ukrainian market, which promises

⁸ According to the agreement, the Polish border area comprises 97 municipalities in 19 districts, with a total area of 13.4 thousand km² and a population of 820.7 thousand. The Ukrainian border area comprises 23 districts, with a total area of 24.0 thousand km² and a population of over 1.2 million.

⁹ An LBT border crosser can stay in the border area for up to 90 days without interruption (previously 60 days). An applicant for a second and subsequent LBT permit is exempt from the consular fee. The obligation to have health insurance has also been abolished.

¹⁰ According to NBP data, at the end of 2022, Polish direct investment in Ukraine amounted to USD 266.6 million (at the end of: 2021 – USD 571.2 million, 2020 – USD 337 million and 2019 – USD 352.5 million). In turn, Polish foreign investments in the Ukrainian economy, according to the National Bank of Ukraine, amounted to USD 227.9 million as of 1.01.2022. After a period of decline between 2013 and 2017, Polish investments remained stable (USD 777.7 million as of 1.01.2019, USD 880.5 million as of 1.01.2020 and USD 858.5 as of 1.01.2021). Approximately 2,000 SMEs with Polish-Ukrainian capital and approximately 2,900 with Polish capital were operating on the Ukrainian market by 24 February 2022. The most important Polish investments in Ukraine were in the financial sector (banking and insurance), while Polish investments in the Ukrainian manufacturing sector included the construction, automotive, furniture and clothing sectors. In turn, the balance of Ukrainian direct investment commitments in Poland at the end of 2022 amounted to USD -159.8 million. In 2022, the inflow of Ukrainian investments to Poland is estimated at EUR 220.1 million. According to the National Bank of Ukraine, as of 1.01.2021,

opportunities for the development of lasting cooperation (Glinkowska, 2019; Peciakowski & Gizinski, 2021, p. 183).

Since 2022, given the situation in Ukraine, there has been an intensification of Polish-Ukrainian political and economic contacts¹¹. Current economic relations are supported by the Polish Investment and Trade Agency and its Foreign Office in Kiev (PAIH, 2023). A Polish-Ukrainian business support team has been established to coordinate the relocation of Polish companies located in Ukraine and to assist in finding new markets for products hitherto exported mainly to the east. Similarly, the Polish Ministry of Development and Technology covers with partial funding some promotional and investment projects on the Ukrainian market (*Instrumenty finansowe*, 2023). Support for entrepreneurs is also provided by the Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (*Raport: 30 lat polskiego eksportu*, 2021) and concerns the insurance of receivables in export contracts with Ukrainian counterparties. Assistance is also provided by Bank Gospodarstwa Krajowego within the framework of the “Financial Support for Exports” programme (*Finansowanie eksportu*, 2023) and the Union of Entrepreneurs and Employers (*Ukraina. Notatka gospodarcza...*, 2023).

In addition, for legally residing Ukrainians on the territory of the Republic of Poland, provisions have been introduced to enable the establishment of economic activity (Ustawa z dnia 12 marca 2022 r. o pomocy...). In the period 24.02.2022-17.10.2023, 42,392 applications for registration of business activity for Ukrainian citizens in Poland were received. Of the 2.659 million active business activities in Poland, 1.5% (40,959) are companies owned by persons with Ukrainian citizenship. They are mainly active in construction, information and communication and services. In the first three quarters of 2022 45% of newly registered companies with foreign capital were entities with Ukrainian capital (3.6 thousand). And the Polish-Ukrainian border, since the beginning of the war, has been crossed by approximately 16 million people, of whom approximately 1.5 million Ukrainians – refugees – are still in Poland (*Ukraina. Notatka gospodarcza...*, 2023).

Ukrainian direct investment in the Polish economy amounted to USD 7.5 million (*Ukraina. Notatka gospodarcza...*, 2023).

¹¹ An economic consultation was held in June 2022. An agreement on trade support instruments was signed. The meeting of the Commission for Economic Cooperation continued on the issues of: smoothing the exchange of goods and the movement of people across the Polish-Ukrainian border, cooperation for the reconstruction of war damage, cooperation in agri-food and transport, and the import of Ukrainian cereals to Poland.

Polish-Ukrainian Trade – the Essence¹²

Due to the differences in political system solutions and the level of economic development in Poland and Ukraine, the implementation of trade exchange was not an easy task. Cooperation was further hampered by the non-complementarity of the two economies and the lack of a legal basis at the beginning of mutual cooperation. The focus was mainly on political issues rather than issues relating to the economy, which significantly limited the implementation of trade contacts. In addition, the deepening economic crisis following the collapse of the USSR in 1991 negatively affected the Ukrainian economy. During this period, trade turnover amounted to less than USD 180 million. Poland was Ukraine's 2nd trading partner outside the CIS. It exported fuels, energy, electromechanical and light industry products to Ukraine and imported from Ukraine – raw materials for the metallurgical industry, chemical industry and food industry products (Kuspys, 2008).

In the following years, trade turnover increased. Poland advanced among Ukraine's economic partners (after Russia, Germany and Italy), exporting mainly agri-food products and importing from Ukraine – coal and iron ore. The economic downturn in Ukraine in the second half of 1998 negatively affected further Polish-Ukrainian cooperation and Polish exports (down 40%). There was a significant gap between the value of exports and imports, which gradually widened. This was due to the rate of development of both economies and the commodity structure of trade at the time. Until the mid-1990s, Polish exports to Ukraine were dominated by mineral fuels and related materials, and since 1996 by – manufacturing and industrial goods. A successive increase in exports of manufacturing with a higher degree of processing, e.g. machinery and equipment, was observed only from 2001, and from 2003 – products of the chemical industry. As a result, by 2004, 8 commodity groups dominated, together accounting for 80% of the value of Polish exports to Ukraine (products of the electrical machinery industry, light industry, chemical industry, base metals, agri-food products, wood, paper, cardboard). Imports from Ukraine were dominated by energy and metallurgical raw materials. Ukraine became the largest recipient of Polish goods among CIS countries and Poland's 9th partner in total exports (with a share of 3%). Poland, in turn, was Ukraine's 7th partner in exports and 4th in imports (Kuspys, 2008).

Poland's accession to the EU in 2004 did not have a major impact on the shape of Polish-Ukrainian cooperation; however, it resulted in a decrease in Ukrainian exports to Poland (mainly minerals and black metals). This was a consequence

¹² This part of the discussion is based on statistical data from sources such as: 1) Economic Handbook: Poland in Ukraine. Bilateral relations (2023); 2) Foreign Trade Statistical Yearbook (for the years 2007-2023) (2007-2023); 3) Border traffic and flow of goods and services on the Polish-Ukrainian border in 2009 (2010); 4) Border traffic and expenditure of foreigners in Poland and Poles abroad in Q4 (for the years 2014-2022) (2015-2023); 5) Border Guard Statistics for 2003-2023 (2003-2023).

of Poland’s inclusion in the EU quantitative quota system, establishing limits on imports of metallurgical production from Ukraine.

Since 2008, access to the Ukrainian market has been significantly liberalised as a result of Ukraine’s implementation of its WTO commitments. Temporary restrictions on pork imports from Poland and high import duties on selected agri-food products became a major obstacle at that time. Significant non-tariff restrictions also covered products, mainly from the metallurgical industry. Polish imports from Ukraine benefited to a large extent from EU customs preferences. The importance of Polish-Ukrainian trade in services has also changed. Polish exports of services to Ukraine increased (by almost 17% by 2014) (Tab. 1), mainly related to travel, intellectual property royalties (patents and licences) and commercial intermediation. In contrast, imports of services from Ukraine relating primarily to rail transport, government services, postal services, courier services and refining services decreased (almost 50%) (Błaszczuk-Zawiła, 2015; Sulym, 2020).

Table 1

Poland-Ukraine trade in goods and services (in PLN billion) 2004-2022

Type of trading	2004	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Value of goods exports	7.4	8.4	15.0	10.6	11.9	13.8	17.1	18.0	13.1	12.4	15.0	18.1	18.9	21.3	23.3	28.6	45.8
Value of services provided	bd	bd	bd	bd	4.1	4.2	4.9	5.6	5.7	7.1	9.4	12.7	13.4	14.6	11.3	12.9	29.5
Value of imports of goods by country of origin	8.6	3.2	5.4	3.5	5.5	8.2	8.3	6.9	7.0	6.3	7.9	9.1	10.8	11.7	11.4	19.4	28.0
Value of imports of goods by country of dispatch	bd	4.6	5.4	3.5	5.4	8.3	8.4	7.0	7.0	6.6	8.6	9.5	10.9	12.1	11.7	19.1	28.6
Value of services purchased	bd	bd	bd	bd	0.9	0.8	0.7	1.0	0.7	0.8	1.0	1.3	1.4	1.8	1.9	2.3	29.1

Source: based on scattered CSO and Border Guard data (2004-2022).

The conditions for cooperation in the area of investment were also worse. Obstacles existed especially on the Ukrainian side and were due to, inter alia, systemic barriers, legislation, corruption, the tax and customs control system, inefficiency of the judiciary, etc. Political instability and the economic situation in Ukraine played a major role in this. This is evidenced by the performance

of Polish exports – good in the years when there was no recession in Ukraine (2008, 2010-2013) and its collapse in the crisis years (2009, 2014). Since 2015, Polish-Ukrainian trade in goods has started to grow¹³. A jump in growth, especially of Polish exports, occurred in 2021 and 2022, despite the fact that the Ukrainian economy is in war mode and was exposed to losses caused by this (Stefaniak, 2023) (Tab. 1).

Until 2019, Polish exports to Ukraine grew at an annual average of around 17% and imports from Ukraine by almost 20%. In 2020, the pace of Polish exports slowed to 7% and imports to 3%. From 2021 onwards, an increase in merchandise trade is observed, also maintaining the dynamics in 2022 (*Rocznik statystyczny handlu, 2007-2022*). In 2022 Ukraine became the 9th export market for Poland (with a 2.8% share of total exports), moving up from 15th place in 2021. In turn, Poland for Ukraine – the 2nd largest supplier after China, with a share of 10% of total imports, moving up from 4th place and ahead of Germany and Russia. In 2022, the structure of Polish exports to Ukraine was dominated (by SITC section) by: machinery, equipment and transport equipment and mineral fuels; manufactured goods and industrial goods and chemicals; food and live animals. Imports were dominated by industrial goods, food and live animals; non-edible raw materials except fuels, oils and fats; miscellaneous industrial goods and mineral fuels¹⁴.

In 2023 (for 8 months), Ukraine ranked 8th among Polish export partners and became Poland's 21st import partner.

Currently, the structure of the main commodity groups indicates that Polish exports largely 'serve' Ukraine's war needs. Among the products with the highest share are: fuels and mineral oils (accounting for 20%), non-rail vehicles and their parts (10%), arms and ammunition (8%), electrical machinery and equipment and mechanical appliances (6% each). Among the commodities that support Ukraine's reconstruction are water and soft drinks (up 246% y-o-y), telephone apparatus (up 198%), glass (up 267%), tomatoes (up 409% y-o-y) and onions (up 1030%) (Stefaniak, 2023). The share of Ukraine in Polish imports of agri-food goods is also increasing (Petryshena, 2023).

¹³ The beginning of the 21st century saw a cooling of relations between Poland and Ukraine. However, the gradual increase in trade has necessitated sectoral regulations and the consolidation of the efforts of many ministries, local government units, institutions and economic entities on both sides of the border.

¹⁴ By CN code, mineral products, machinery and equipment, electrical and electrotechnical equipment, transport equipment and products of the chemical industry as well as arms and ammunition accounted for the largest share of Polish exports to Ukraine in 2022. On the other hand, imports were dominated by: base metals and products of plant origin as well as fats and oils.

Local Border Traffic – a Tool for Economic Cooperation between Poland and Ukraine

Poland’s state border with Ukraine has a total length of 535 km² (15.2% of the total length of the Polish border) and is also an external EU border. There are 9 border crossings with passenger traffic, including 3 railway crossings (in Dorohusk, Zosin, Hrebenne, Korczowa, Medyka, Krościenko and Przemyśl). The majority (more than 97%) of Polish-Ukrainian border crossings take place through road crossings. In the case of Poland and Ukraine, they are a valuable resource for the bordering areas and the local community (Matejko, 2008; Sohn, 2014).

In the first six months of the LBT Agreement, 345,000 crossings were recorded on the Polish-Ukrainian border (with 6,487,771 – the total number of all crossings of the Polish-Ukrainian border by foreigners¹⁵; and approximately 7,500 LBT permits were issued at Polish consular units in Ukraine at that time) (Fig. 1).

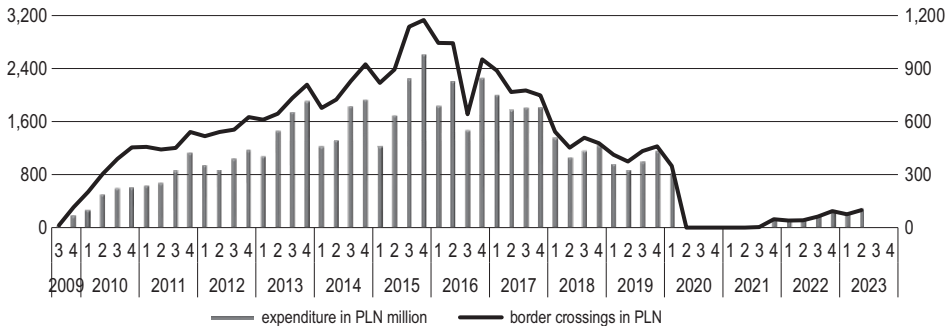


Fig. 1. LBT on the Polish-Ukrainian border in quarters from 2009 to 2023
 Source: based on scattered data from CSO and Border Guard (2009-2023).

The intensity of passenger traffic under the LBT regime has taken on a clear upward trend since 2009 (accounting for 40% of all crossings under the LBT regime), most notably at the border crossing point in Medyka. Among foreigners crossing the Polish-Ukrainian border, Ukrainians were the most numerous group (93%): motorised – about 90% (and under the LBT – 93%), pedestrians – 8% (respectively under the LBT – 10%) and rail travellers – about 4% (under the LBT – about 1%). Their estimated expenditure (mainly on non-food goods) accounted for more than 10% of expenditure on the Polish-Ukrainian border. However, in 2009, the total number of crossings at this border decreased by approximately 30%, which was due to the introduction of legislation amending

¹⁵ Border traffic data refers to the number of checks carried out by the Border Guard and reports on the number of border crossings, not the number of people crossing the border.

quantitative standards for the import of excise goods from 1.12.2008. In addition, Ukrainian border services began to enforce regulations on the length of stay of Polish citizens on the territory of Ukraine (concerning self-employment or hired work). Furthermore, in March 2008, the Act on the Card of the Pole came into force allowing multiple crossings of the Polish border¹⁶.

An analysis of expenditures by distance from the border shows that most were made in the zone up to 50 km from the border (expenditures by Ukrainians amounted to almost 70% of total expenditures and by Poles to about 86%). As highlighted above, LBT has been characterised by high dynamics every year since the agreement entered into force. The record year was 2015. At that time, the Polish-Ukrainian border was crossed almost 11 million times, accounting for 56% of all crossings of the Polish-Ukrainian border. By that time – since the beginning of the agreement – LBT cards alone had been issued more than 220,000¹⁷. Under the LBT regime, most Ukrainians (75%) crossed the border several times a week. Their average expenditure was about 540 PLN and was spent on non-food goods (86%).

It appears that the introduction of legislation facilitating the crossing of the Polish-Ukrainian border has significantly boosted traffic in the border strip. However, the abolition of the visa requirement in 2017 for Ukrainian citizens travelling to EU countries contributed to a decline in the number of LBT travellers.

Significantly, the volume of LBT was affected by its temporary suspension/restriction due to the SARS-CoV-2 coronavirus (from 15 March 2020). Only 0.9 million border crossings were recorded in 2020, some 80% less than in 2019. A similar decrease was recorded in 2021 (by 86%), which accounted for 0.1 million crossings of the Polish-Ukrainian border under the LBT regime. In September 2021 Ukrainian citizens were again allowed to cross the Polish border. There was an increase of 372% (0.6 million crossings) under the LBT (in 2022). The estimated value of expenditures incurred by Ukrainians under the LBT was PLN 240.0 million, 4.7 times more than in the previous year, and the average expenditure was PLN 785. In contrast, a Pole returning across the Polish-Ukrainian border in 2022 spent PLN 220. The majority of LBT border crossers crossed the border several times a month or several times a week (about 80% in total), mainly for shopping, as in previous years, for non-food goods (accounting for 85% of the total expenditure of Ukrainians in Poland and 50% of the total expenditure incurred in Ukraine). Less money was spent on services (analogously: 2% and 22%). The majority of purchases were made within 50 km (or even up to 30 km) of the border.

¹⁶ In 2009 4% of crossings of the Polish-Ukrainian border were made by Ukrainians with a Pole Card.

¹⁷ Only Ukrainian citizens apply for the card. Poles prefer to cross the border on the basis of a passport – due to the lack of a visa requirement (*Wielki mały ruch...*, 2016).

Polish-Ukrainian and Ukrainian-Polish purchases are part of the whole system of border trade – within regulatory limits – without the need for customs clearance, for own consumption purposes and for so-called small trade, including activity in the informal economy (Peciakowski & Gizicki, 2021).

Summary and Conclusions

Economic cooperation between Poland and Ukraine has developed with varying intensity over the years. The legal basis developed and the reforms carried out in Ukraine created good conditions for this. This has allowed Ukraine to strengthen its position in international rankings and improve the investment climate. Hence, year after year, Polish-Ukrainian trade turnover increased, the number of border crossings and investment engagement of Polish entrepreneurs in Ukraine increased (even during the COVID-19 pandemic). Poland has become a partner – a leader among European countries. Despite the armed conflict in Ukraine and the uncertain geopolitical situation, the Ukrainian direction remains important for Poland. However, in the authors' opinion, the potential of bilateral economic relations has not been fully exploited so far. This has been influenced by a number of factors, including mutual history, political and ideological affiliation, but also difficulties in doing business in Ukraine for Polish entrepreneurs and investors. In addition, corruption in Ukraine, the lack of economic security and the already mentioned armed conflicts have affected Polish-Ukrainian economic relations.

A redefinition of the goals and interests of both countries may serve to give momentum to bilateral relations and expand economic cooperation, including trade, in a recovering Ukraine. Poland can create the conditions for the development of Polish-Ukrainian cooperation in the post-war reality and provide further support for Ukraine in the international arena. In turn, the task for Ukraine is to modernise and develop its economy in order to strengthen itself as an equal partner. It is important here that the declared common desire to intensify economic partnership relations is transformed into concrete action. This can be assisted by strengthening Ukraine's political-economic contacts with the EU and its accession to the WTO. In this context, the authors propose to identify promising directions for Polish-Ukrainian economic cooperation.

Opportunities include the energy sector and renewable energy, construction (and the reconstruction of Ukraine's post-war infrastructure), the agri-food industry and mechanical engineering, as well as the medical and IT sectors.

Therefore, it becomes important to continue research on the further development of Polish-Ukrainian economic cooperation in order to diagnose existing restrictions and barriers on an ongoing basis. This will allow the development of favourable conditions for trade exchange (in the current uncertain geopolitical situation) to enable Polish entrepreneurs to enter the Ukrainian market.

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