

**Bilateral Economic Relations**

Anna SKOVRONSKA-LUCHYNSKA

**POLISH-UKRAINIAN  
ECONOMIC RELATIONS**

**Abstract**

By analyzing external trade volumes, the article determines the most perspective directions for expanding cooperation between Ukraine and Poland within the Euro-integration policy. The author considers cooperation and investments to be the determinants of future Polish-Ukrainian economic relations.

**Key words:**

Euro-integration policy, exports structure, foreign direct investment, Polish-Ukrainian economic relations, trade turnover.

Ukraine and Poland are the two great states in Central and Eastern Europe. They are united not only by their common history in many periods, but also by similar languages and cultural traditions. All this favors the countries in establishing close contacts. Each country's economic development, natural riches, and established economic structures represent broad opportunities for cooperation and trade. The factor of transit location of our states en routes of continental commodity flows, which is growing in significance globally, should also be considered.

---

© Anna Skovronska-Luchynska, 2003.

Scovronska-Luchynska Anna, Commercial Adviser – Plenipotentiary Minister of the Economic and Trade Department, Embassy of the Republic of Poland in Ukraine.

If we compare these opportunities and chances with real attainments, neither the Poles nor the Ukrainians can feel satisfied. Our trade turnovers amounted to \$1,672 mln., and investments exceeded \$100 mln. in 2002.

Should we compare these figures with the trade turnover between Poland and other countries, which made up \$100 bln., we can see the trade between our countries remains underdeveloped.

On the other hand, however, the recent trade turnover dynamics reflects essential willingness for this situation to be changed and bilateral trade to be developed.

The 2002 was the third year of growing trade turnover between Poland and Ukraine (after the fall in 1998 – 1999). According to Polish statistics, the trade turnover amounted to \$1,274 mln. in 2000, to \$1,452 mln. – in 2001, and to \$1,672 mln. – in 2002. This corresponds, respectively, to the 22.3%, 14%, and 17% growth in comparison to previous years. The last year's positive results allowed not only to reach, but also to exceed a top level of trade turnover observed in 1997. That is, had there been no deep recession in the Ukrainian economy in 1998 – 1999, our trade turnovers could have been much larger today. Ukraine is the second largest, after Russia, importer of the Polish goods among the former USSR countries.

In the eight months of 2003, the trade turnover between Poland and Ukraine has observably increased by 24.2% of the Polish exports and by 59.9% of the Ukrainian ones. During this period, the Polish exports to Ukraine equaled \$ 892,780 mln. in value while the Polish imports amounted to \$ 468,500 mln.

Should we consider the fact that mineral products (\$ 248,052 mln.) and ferrous metals (\$92,882 mln.) are the main items of the Ukrainian exports to Poland, which constitute raw and semi-manufactured materials for the Polish industry, we would observe that the significant increase in the Ukrainian exports reflects an increase in the produced volumes of these products.

The structure of the Polish exports to Ukraine is diversified and includes even more highly processed goods. Cars, their spare parts, and accessories hold the strongest positions today (more than 10% of Polish exports to Ukraine).

Positively, the Ukrainian exports to Poland not only started to increase in 2002, but they also consisted of mainly processed goods (i.e. plastic goods and their manufacture, mechanical and electrical machines and devices, artificial fertilizers, and the other chemical products), not merely raw materials.

The opportunities of further development of the Polish-Ukrainian collaboration are positive. The three-year economic growth in Ukraine, the forecasts – though underestimated – about preserving the production growth trend in the nearest future, as well as the increase in investment, supplier and consumer demand, provide grounds for expecting that the trade and economic cooperation between Poland and Ukraine, along with investments into Ukraine, will develop further.

The creation of the Common Economic Area leads to deviation from the Euro-integration policy and threatens the realization of these opportunities to some extent.

The three-year positive results in the bilateral trade do not necessarily mean that all difficulties have been solved, though it should be empathized that there is a progress in resolving a number of questions. Four agreements about reciprocal recognition of test results regarding the products' compliance with the standards were signed. The agreements refer to electrotechnical and electric goods, as well as fire-prevention facilities.

Formal compliance with the Ukrainian certification, veterinary, and phytosanitary requirements still remains a considerable problem for Polish entrepreneurs. These problems caused reduction in the Polish exports of agricultural and food products meant for minor Ukrainian consumers in 2002. However, in the first quarter of 2003, an increase in the Ukrainian imports of food products could be observed again.

The future of Polish-Ukrainian economic relations belongs to cooperation and investments. These spheres attract increased interest of business partners that leads to deepening collaboration and long-term relations among them.

Poland holds the eleventh position with regard to foreign investments in Ukraine. Investments represent a perspective direction for the Polish-Ukrainian collaboration; however, their amount remains inconsistent with the needs and capacities of the either country despite the fact that there was a significant increase in the investments lately.

In 2002 the Polish share of foreign direct investment (FDI) in the Ukrainian economy was nearly 2% (i.e. \$100 mln.).

Various arrangements initiated by the Polish and the Ukrainian sides have already resulted in the increased flow of investments from Poland to the Ukrainian economy.

The structure of the Polish FDI into Ukraine is the following: nearly 38% are brought into the financial sector and 39% are allocated in the industry.

The 2003 brings a considerable growth in the Polish investments in Ukraine. New-built factories, such as The Torun Bandage Materials Plant in Beresan' near Boryspil and The Inter-Grotslin in Uzhgorod, have already been opened by their parent companies. The Can-Pack Company is establishing a beverage bottle manufacturing factory in Vyshgorod. This factory will be the greatest Polish investment in Ukraine.

Until now the Kredyt Bank has been the largest investor of capital in Ukraine due to establishing the Kredyt Bank Ukraine, which is now one of the largest Ukrainian banks with a broad network of local branches. The other bank with Polish capital in Ukraine is the PeKaO Ukraine Ltd. It has two branches in Lutsk and Kyiv. The presence of these banks significantly simplifies payments realization in the Ukrainian-Polish trade. The insurance sphere has attracted

Polish investments. In addition, three Polish furniture factories – Forte, Viko, and Noviy Styl – operate in Eastern Ukraine. Moreover, Polish investors established 35 companies in the Yavorivska FTA. They represent the largest group of foreign investors in this FTA, which is the most active one and generates budget revenues for Ukraine.

Ukrainian companies that seek for investors in Poland submit investment proposals to the Trade and Economic Department of the Polish Embassy. A number of these proposals concern clothing, meat and dairy industries, timber, metal, mining, secondary raw materials processing, and biomass production.

In order to help the Polish and Ukrainian companies establish contacts and to pass the information about the Ukrainian market over to the Polish companies, the Trade and Economic Department processes a lot of economic data, invites economic missions from Poland, and participates in expositions in Ukraine. We direct our activities towards those regions and branches that show real opportunities for trade and cooperation development.

For example, it is worth mentioning that the construction materials industry is one of those, where the Ukrainian-Polish trade turnover could increase significantly. The construction and reconstruction of apartment buildings is a developing and a very prospective business in Ukraine, on the one hand, while the supply of Polish construction materials is rich in assortment, high in quality, and accessible in price, on the other hand.

We would like to hope that visas will not stand in the way of the Ukrainian-Polish trade collaboration. The Poland's joining the European Union (EU), one of the world's largest economic blocks, should provide a new incentive for our contacts. We, the Poles, wish that Ukraine adhere to the course of European integration. It will further the Ukraine's economic development; moreover, the convergence to the legislation and standards of the EU will also provide a possibility for essential simplification of the Polish-Ukrainian collaboration.

The article was received on October 14, 2003