WORLD ECONOMY AND INTERNATIONAL ECONOMIC RELATIONS

CHARACTERISTICS OF INTERNATIONAL BUSINESS DEVELOPMENT BETWEEN UKRAINE AND POLAND

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Introduction. International business dynamically expands the production boundaries and extends the scope of its activities according to the international trends. The development and integration of economic systems is influenced by changes in international business world, such as expanding business relations between countries, mobility of international operations and increasing of production results. Despite the distinctions in economic and political situations, Polish-Ukrainian cooperation plays a significant role in development of international market in Eastern Europe. That is why study of current development of international business between these countries becomes particularly important.

Latest research papers and publications review. Aspects of international business development based on Polish-Ukrainian cooperation are being investigated by Ukrainian and foreign scientists, namely: O. Soroikivska, O. Boryk, A. Lewandowska, M.C. Drahoi, S.H. Dryha and many others. The analysis of available publications on the assessment of current business situation between Ukraine and Poland made it possible to conclude, that the presence of support from the European Union plays a significant role and predetermines the rapid development of trade and business, at the same time, frequent changes in regulation, politics, and economy lead to instability and fluctuations.

Problem statement. In terms of expansion of international relations as well as potential growth for conducting business projects between Ukraine and Poland, the aim of the research is identifying features of international business between Ukraine and Poland, determining factors that need to be taken into account while leading business between these countries, characterizing the current conditions of Polish-Ukrainian cooperation in international business.

Main material and investigation results. International business allows countries to get new benefits and advantages from increasing products’ and services variety. The development of global market also increases competition in domestic markets, provokes the creation of new business sectors and introduces new opportunities for employment. Such competition in the market motivates enterprises to become more innovative and efficient.
Furthermore, international business introduces a large variety of new products and services for consumers. It influences on their life experience, increases standard of living, encourage to new technologies and ideas.

Nowadays conducting business in Europe is one of the most popular topics in the business society. The European Union is safe in terms of doing business and reliable in terms of the economy. The economic situation in Europe is quite stable because government supports business in different levels, therefore, the lack of conservative boundaries and progressiveness are main advantages for business development in Europe – any business direction can be promising. Consequently, conditions of business development in Europe are quite positive and sustainable. The constant focus on expansion, established laws, government support and progressiveness – all of this allows business to steadily improve and develop.

Historically Ukraine and Poland are the closest neighbors with relations in the areas of economy, politics, culture etc. Considering features of Polish-Ukrainian business cooperation, it is important to diagnose its legal conditions for trade, to analyze statistical data of economic exchange and trade between countries, to examine aspects of export to the Ukrainian market and to Poland market, to define differences of conducting international business between countries.

According to A. Lewandowska, business between Poland and Ukraine is influenced by political, economic, institutional and legal solutions on national and international levels. Furthermore, trade and exchange of capital between Poland and Ukraine, are significantly affected by the global economic situation. A significant trade-stimulating factor may also be cultural proximity. Therefore, it is difficult to point to a clear features and determinants of trade between Poland and Ukraine, especially under the conditions of political instability in Ukraine [1].

Ukraine on the business environment is one of the most risky countries in Europe. The crucial indicator that evaluates the level of business risk in the countries is the index of ease of doing business that was founded by the World Bank. Higher score in the index means more efficient business regulation and stronger degree of protection of various forms of ownership in a particular country. As stated by O. Sorokivska, Ukraine ranked 145th place in 2011 according to the criteria of last report of Embassy of Ukraine in Poland, having lost two positions compared to 2010 [2]. Hence, nowadays Ukraine is in difficult political and economic conditions for conducting business, but it is still in demand for involvement in international business due to the large amount of necessary resources, highly qualified specialists and favorable territorial location.

Considering the problems of modernizing Ukrainian foreign trade relations with Europe, it is possible to assume that Poland is the most significant strategic partner of Ukraine on the European continent [3]. This is due to the fact that Ukraine, which historically belonged to the European civilization space, has formed stable economic relations with Poland, based not only on a similar economic way, but also on strong cultural communications.

At the present time Ukraine is on the European vector of development with the deepening of its comprehensive integration into international relations. Therefore, the issues of creating a favorable business climate between Ukraine and the Poland are being actualized, which would ensure the intensification of trade relations between these countries.

The legal framework between Ukraine and the Republic of Poland includes 129 international treaties and regulates the vast majority of Ukrainian-Polish cooperation, as well as ensures the proper development of bilateral cooperation at the level of strategic partnership [4]. In particular, the basic document of such cooperation is the Agreement between Ukraine and Poland on good-neighborliness, friendly relations and cooperation of 1992, which establishes mutual obligations for the development of relations in the spirit of friendship, cooperation, mutual respect, mutual understanding, trust and good-neighborliness based on international law [5]. In addition, the business and trade relations between Poland and Ukraine are conducted on the basis of documents listed in the table 1.
Table 1

<table>
<thead>
<tr>
<th>The name of the document</th>
<th>Key document provision</th>
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<tbody>
<tr>
<td>Agreement between the Government of Ukraine and the Government Republic of Poland on crossing points of state border of 1992 [6]</td>
<td>It is aimed at improving cooperation in the field transportation through the Ukrainian-Polish state border; opening of checkpoints for round-the-clock cargo traffic, their vehicles and goods; improvement of border movement.</td>
</tr>
<tr>
<td>Agreement between the Government of the Republic of Poland and the Government of Ukraine on mutual promotion and protection of investments of 1993 [7]</td>
<td>In this agreement, each party has declared creating and maintaining favorable conditions for investments of Ukraine and the Republic of Poland; in particular, the provisions on encouragement, admission, protection and investment regime, its removal and reimbursement.</td>
</tr>
<tr>
<td>Convention between the Government of the Republic of Poland and the Government of Ukraine on the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and wealth of 1993 [8]</td>
<td>The Convention specifies the rules for the taxation of income of people who reside or have their seat in one or both countries. The provisions include rules – for example, the taxation of income from real estate, corporate profits, international transport, etc.</td>
</tr>
<tr>
<td>Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic Poland on cooperation in controlling persons, goods and vehicles crossing the Ukrainian-Polish state border of 2001 [9]</td>
<td>Regulates the principles of cooperation during the border, customs, veterinary, sanitary and phytosanitary control of persons, goods and transport, that cross the Ukrainian-Polish state border, as well as other types of control.</td>
</tr>
<tr>
<td>Agreement between the Government of the Republic of Poland and the Cabinet of Ministers of Ukraine on economic cooperation of 2005 [10]</td>
<td>It is aimed in promoting the development of mutually beneficial economic cooperation in all sectors of the economy, especially in the use of economic potential for strengthening of bilateral economic relations, their intensification in the field of investments, innovations and financing of economic projects, standardization, certification, licensing, protection of intellectual and industrial property.</td>
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Therefore, there is an active policy dialogue between Poland and Ukraine, background of which is reflected in the bilateral policy agreements.

As specified by A. Lewandowska, considering Polish membership in the EU, economic cooperation between Poland and Ukraine also takes place based on agreements signed between Ukraine and the European Union [1]. Let us consider basic documents regulating the bilateral relations between the EU and Ukraine in fig. 1.

Fig.1 Basic agreements that regulates the relations between the EU and Ukraine
Protocol of the Accession of Ukraine to the World Trade Organization, signed on 16 May 2008 [12]. In the process of accession to the WTO, Ukraine has agreed: to reduce tariffs on agricultural and industrial goods, not to establish minimum prices for imported products, not to use discriminatory transportation charges, to ensure free transit of goods, to open the services market, to gradually reduce export duty on ferrous and non-ferrous scrap metals, live cattle and oil seeds, over a period of 5–10 years.

Association agreement between the European Union and Ukraine, signed on 27 June 2014, and entered into force on 1 September 2017 [13]. The parties committed to cooperate and to converge economic policy, legislation, and regulation across a broad range of areas, including equal rights for workers, steps towards visa-free movement of people, the exchange of information and staff in the area of justice, the modernization of Ukraine's energy infrastructure, and access to the European Investment Bank. The agreement furthermore establishes a Deep and Comprehensive Free Trade Area between the parties.

On 1 January 2016, the agreement on a free trade between Ukraine and the EU entered into force, which forms part of the Association Agreement signed in June 2014. This agreement envisages substantial trade liberalization (elimination of tariffs or quotas) between the parties, harmonization of legislation and regulatory framework [13]. The creation of this agreement between Ukraine and the EU will be gradual, over a period of 10 years. Definitely, it has a significant impact on business relations between Ukraine and Poland.

The visa-free regime between Ukraine and the European Union entered into force on 11 June 2017 [13]. It allows citizens of Ukraine with biometric passports to arrive without prior visa registration for business or for tourist purposes or in family matters for up to 90 days during a 180-day period to 26 of the 28 EU countries (with the exception of the United Kingdom and Ireland).

Considering these agreements in establishing of relations between Ukraine and the EU, it can be noted that all actions lead to improved cooperation in all spheres of economics and politics. Consequently, it allows developing Polish-Ukrainian relations, business facilitation, increasing the efficiency of trade, expanding communications in business with the expectation of long-term cooperation.

In addition, the European Union supports the development of countries with the help of special projects and programs that are usually implemented with specific goals. There are also such projects to support Polish-Ukrainian cooperation and development (fig.2).

![Fig. 2. EU projects that are implemented for Polish-Ukrainian cooperation](image-url)

One of the main and the biggest project that is implemented is Cross-border Cooperation Program Poland-Belarus-Ukraine 2014-2020 [14]. This Program for 15 years supports the cross-border development processes in the borderland of Poland, Belarus and Ukraine by co-funding diverse projects. All projects funded within the Program are non-profit ones and contribute to the improvement of quality of life of inhabitants of eastern Poland and western Ukraine and Belarus. Each undertaking financed within the Program shall demonstrate strong cross-border effect, not only through established partnership between institutions from these three countries, but mainly thanks to the results of the activities and its positive impact on the border territory.
Another significant project that impacts Polish-Ukrainian cooperation is Ukraine Local Empowerment, Accountability and Development Program (U-LEAD) 2016-2020 [15]. As stated in Concept Note, the overall objective of this Program is to contribute to the establishment of multilevel governance, which is transparent, accountable and responsive to the needs of the population.

Furthermore, it is important to mention the biggest EU Research and Innovation program – Horizon 2020 [16]. Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. This EU-project contributes to Ukrainian-Polish cooperation in scientific and innovation fields, because Ukrainian researchers, businesses and innovators are able to fully participate in Horizon 2020 on equal terms with EU Member States and other associated countries.

Therefore, despite the fact that Ukraine does not have a membership in the European Union, it is still a part of the Eastern Partnership region of the European Neighborhood. The current EU projects, as well as the participation and support of the EU in relation to Polish-Ukrainian cooperation in general, can contribute to the rapid development and changes in trade and business between these countries.

Due to the orientation of Ukraine and Poland to administrative and economic decentralization, it is important to highlight the exclusive importance of the existing international relations between the subjects of their administrative-territorial system. Thus, according to the data of the Embassy of Ukraine in the Republic of Poland, there are more than 470 bilateral agreements between such entities. It means strengthening economic cooperation between particular regions of Ukraine (mainly western, central and northern regions with the border regions of the Republic of Poland), by reason of a common historical past, proximity of language, culture and traditions of the population, that strengthens economic cooperation in general.

Economic exchange between Poland and Ukraine has become increasingly intense over the last decade. Poland is the largest trade partner of Ukraine among Central and Eastern Europe. Ministry of Economic Development and Trade of Ukraine reported that according to the results of 2017, Poland ranks 2nd in terms of bilateral trade in goods among Ukraine's trade partners in Europe after Germany with a share of 15.1% [17]. According to the Ministry, in the first half of 2018, Ukrainian exports of goods and services to Poland grew by 30.5% to $1.7 billion [12]. For the first 6 months of 2018, the structure of Ukrainian exports of goods to Poland looked like this: ferrous metals – 15.1%, electric cars – 12.5%, ores, slags and ash – 12.4%, furniture – 7.3%.

As reported by A. Wozniak, in 2018, bilateral trade between Poland and Ukraine increased to €7 billion, which is €600 million more than in 2017 [18]. After a sharp decline in trade in 2015, activity of Polish enterprises in Ukraine is growing again. In 2015, the trade turnover between the countries decreased by almost 23% compared with the previous year – to $5 billion. Thus, imports from Poland to Ukraine decreased by 21.5%, and exports from Ukraine – by 25.6%. The turning point of growth occurred in 2017 – both Ukrainian exports to Poland and Polish imports to Ukraine started to increase. Particularly, in 2018 the value of Ukrainian goods sent to the Polish market increased to €2.56 billion (from €2.14 billion in 2017). Imports increased from €4.26 to €4.46 billion.

The increase in the rate of business was recorded in such segments: mineral fertilizers, textile goods, mechanical and electrical equipment, animal fats and metal products. In addition, Ukraine is one of the largest recipients of Polish food products. According to the Ministry of Foreign Affairs Republic of Poland, exports of agricultural goods to Ukraine grew by more than 20% [19]. In recent years, interest in Polish fresh vegetables and dairy products, grain products and meat has increased. Sectors of opportunity are soft drinks, coffee and agricultural equipment. It is assumed that Ukraine will need significant investments in agriculture in order to gradually increase the share of processed goods in exports. It opens up opportunities for cooperation between Ukrainian and Polish business markets, for example, with Polish manufacturers of machinery and equipment for the food industry.

While discussing an international business between Ukraine and Poland, a significant place should be given to a small business. The small business sector is important for the development and stabilization of the socio-economic processes in all European countries. Nowadays, in Poland small business becomes the main driving force of the market of economy formation and integration.

According to O. Sorokivska, Polish investors gradually start shifting the emphasis from conventional production, concentrated in small business (building and decoration materials, wood, paint industry, etc.) in the direction of modern industries, providing high-level information technology development [2]. There is already a serious growing interest of Polish investors in the Ukrainian media market. In addition, Poles are increasingly attracted to the cooperation of Ukrainian programmers. In the future, such a partnership can develop in the creation of technology parks, with the participation of Polish capital in Ukraine. This allows to
expect a high level of domestic personnel relevant universities and higher percentage learners of Polish among Ukrainian specialists and university graduates. Very important in services innovation, particularly in tourism and recreation industry, which in terms of the Ukrainian-Polish investment cooperation is one of the highest priority and potentially competitive in the international market. Moreover, some recreational resources, both Poland and Ukraine, have a unique character that makes them the object of attention from wealthy Western consumers and investors.

Therefore, in today’s difficult political and economic conditions for small business in Ukraine it is worse to borrow some positive moments of small businesses supporting in neighboring Poland because historical and political background of the economic environment of the two countries in many respects is similar.

Having considered main aspects and features of international business between Poland and Ukraine, it is possible to identify the great disparity between these countries. Consequently, it is important to outline the main differences in conducting business in Ukraine and Poland:

- since Poland is a EU member, businesses registered in Poland can exercise the right to free exchange of goods and services not only nationwide (which gives 38 million potential customers) but in the whole of the EU (over 500 million consumers) – Ukraine is not a EU member;
- the European Union supports small businesses by providing subsidies to innovative projects or unemployed persons that wish to set up a business, while there are not such opportunities in Ukraine;
- Poland has one of the lowest tax rates throughout Europe – in 2016, the tax system in Poland came 58th, whereas the tax system in Ukraine was ranked as 107th (for comparison: Slovakia came 73rd, Hungary 95th and the Czech Republic 122nd);
- legal and tax regulations in Poland are more transparent, than in Ukraine, transparency of such regulations definitely facilitates running a business;
- one more difference between Poland and Ukraine is corruption – in Ukraine, corruption and legal instability are great obstacles to running a business;
- there are special agencies in Poland, which allows people to find out more about the city or the country (such institution can help businessmen and investors to adapt themselves to the city), while in Ukraine such agencies that support foreign investment opportunities are in development [20].

**Conclusions.** There are many signs that Ukraine has already got rid of the economic and political collapse. In 2018, there was an increase in demand for imported products, which was associated with an improvement of the financial situation in Ukraine. In addition, the Ukrainian agreements with the European Union have accelerated, on the one hand, the expansion of exports of Ukrainian enterprises, on the other – they have increased their purchases abroad. However, the accumulated investments of Polish enterprises in the Ukrainian market are not impressive – they do not exceed one billion dollars. Therefore, despite the fact that the situation began to improve rapidly Ukraine is still perceived as a country of high risk. Macroeconomic situation is still unstable there, as well as financial opportunities of Ukrainian companies cooperating with Polish entrepreneurs. On the other hand, more and more Polish entrepreneurs are thinking about investing in a production base in Ukraine or about cooperating with Ukrainian enterprises in joint production. This should facilitate not only access to the Ukrainian market, but also to third markets, where Ukrainian businessmen move more efficiently than the Polish ones.

**REFERENCES:**

підвищення інтенсивності економічного обміну між Україною та Польщею, активний розвиток торгівлі й інвестування в різних сferах бізнесу та зростання економічних показників. Обґрунтовано особливості розвитку сектора малого бізнесу та його вплив на стабілізацію соціально-економічних процесів між європейськими країнами, підкреслюючи досвід Польщі у формуванні малого бізнесу як рушійної сили на шляху до економічної інтеграції. Визначено основні аспекти й особливості міжнародного бізнесу між Польщею та Україною й виявлено основні відмінності у веденні бізнесу в цих країнах, підкреслюючи перспективи розвитку.

Ключові слова: міжнародний бізнес, особливості, розвиток, співробітництво, ЄС, інтеграція.

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Особливості розвитку міжнародного бізнесу між Україною і Польщею. Рассмотрены сущность международного бизнеса, его активное развитие и расширение деятельности, которые влияют на интеграцию экономических систем и активизацию деловых отношений между странами. Обращено внимание на международный рынок Европейского Союза, прежде всего на польско-украинское сотрудничество в рамках современного развития международного бизнеса. Определены важность развития торговли и бизнеса между Украиной и Польшей, учитывая тесные отношения в сфере экономики, политики, культуры и исторические связи. Обоснована нормативно-правовая база между Украиной и Польшей, которая обеспечивает надлежащее развитие двустороннего сотрудничества на уровне стратегического партнерства и подчеркивает наличие активного диалога между странами. Уточнены основные соглашения, заключенные между Украиной и Европейским Союзом, которые влияют на экономическое сотрудничество между Украиной и Польшей, учитывая польское членство в ЕС. Отмечено наличие специальных проектов, внедренных Европейским Союзом для поддержки развития польско-украинского сотрудничества. Определено повышение интенсивности экономического обмена между Украиной и Польшей, активное развитие торговли и инвестирования в различных сферах бизнеса и рост экономических показателей. Обоснованы особенности развития сектора малого бизнеса и его влияние на стабилизацию социально-экономических процессов между европейскими странами, подчеркивая опыт Польши в формировании малого бизнеса как движущей силы на пути к экономической интеграции. Определены основные аспекты и особенности международного бизнеса между Польшей и Украиной, и выявлены основные различия в ведении бизнеса в этих странах, подчеркивая перспективы развития.

Ключевые слова: международный бизнес, особенности, развитие, сотрудничество, ЄС, інтеграція.

Key words: international business, characteristics, development, cooperation, EU, integration.