

Determinants of Polish Exports to the Ukrainian Market

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Abstract

The aim of this article is to diagnose the state of Polish-Ukrainian economic relations in the area of trade in goods and services, with particular emphasis on the export of goods to the Ukrainian market. The study includes an analysis of the legal conditions and statistical data on trade cooperation between Poland and Ukraine. In order to deepen the theoretical discussion, a quantitative study was carried out among Polish enterprises cooperating with Ukrainian partners, or operating on the Ukrainian market. The results are primarily focused on depicting the exports of goods and services of Polish entrepreneurs to the Ukrainian market.

Keywords: trade, export, enterprise, international cooperation

Introduction

Trade between Poland and Ukraine is conditioned by political, economic, institutional and legal solutions on national and international levels. Trade and exchange of capital between Poland and Ukraine, are significantly affected by the global economic situation, but that is not the only factor. It should be noted that the cooperation between the two countries is affected by their relations with the Russian Federation. This is clear in the area of knowledge (know-how) and technology present in Ukraine and based on patterns derived mainly from the Russian Federation (Lozyns'kyi 2012). A significant trade-stimulating factor may also be cultural proximity. It is therefore difficult to point to a clear framework for macroeconomic determinants of trade between Poland and Ukraine, especially under the conditions of political instability in Ukraine.

For the last few decades, a global increase in commercial ties within the framework of the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) has been observed.¹ The creation of more and more regional integration and trade agreements is reflected in the current trade policy between Poland and Ukraine. The countries act within the Partnership and Cooperation Agreement between the European Union and Ukraine of 1994.² An association agreement, which in Ukraine is still the subject of debate, gives some opportunities for furthering integration between EU countries and Ukraine. It should be noted that such a situation gives the associated countries a chance for structural changes and development through support from EU-financed aid programs. This is particularly important in the case of small and medium-sized enterprises (Kamińska 2010), due to the fact that small and medium-sized enterprises form the axis of the economies of EU member states, and it is mainly them that contribute to economic growth and maintaining competition.

The aim of the article is to diagnose the state of Polish-Ukrainian economic relations as concerns trade in goods and services, with particular emphasis on the export of goods to the Ukrainian market. The study includes an analysis of legal and treaty considerations and of statistical

1. Ukraine became a member of the WTO in 2008. Poland joined in 1967.

2. The agreement entered into force on 1 December 1997. Protocol extending the provisions of the agreement to new Member States was signed on 29 April 2004.

data on trade cooperation between Poland and Ukraine. In order to deepen the theoretical discussion, a quantitative study was carried out among Polish enterprises cooperating with Ukrainian partners, or operating on the Ukrainian market. This research, focused mainly on the export of goods and services, is just one of the issues studied within the project “Consequences of creating a free trade area between the European Union and Ukraine for the Polish economy” conducted by UITM in Rzeszow.

1 Legal aspects of trade cooperation between Poland and Ukraine

1.1 Legal and treaty framework for Polish-Ukrainian economic cooperation

Due to the Polish membership in the EU, economic cooperation between Poland and Ukraine takes place to a large extent on the basis of agreements signed between Ukraine and the European Union. The basic documents regulating the bilateral relations between the EU and Ukraine are:

- Partnership and Cooperation Agreement (PCA) signed between the EU and Ukraine on 14 June 1994, which entered into force on 1 March 1998.³

This concerns not only trade and economic cooperation, but also cooperation in such areas as political dialogue, science, the environment, energy, transport, combating drug trafficking and money laundering. According to the provisions of the agreement, free transit of goods was introduced, and the existing quantitative restrictions on the import and export of goods were abolished.

- Protocol of the Accession of the Republic of Ukraine to the World Trade Organization, signed on 16 May 2008.⁴

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 oilseeds, over a period of 5–10 years.

The economic relations between Poland and Ukraine are also conducted on the basis of bilateral agreements, among others:⁵

- Agreement between the Government of the Republic of Poland and the Government of Ukraine on mutual promotion and protection of investments of 1993.⁶

In this agreement, each party has declared to protect in its territory investments made by the other party, if they are in accordance with the applicable legislation and do not violate the rights of investors of the host state. Investments of both parties will be treated no less favorably than investments of the most privileged state. The agreement also covers free transfer of payments related to the investments. Also important is the provision on expropriation and compensation, according to which none of the parties will take expropriation, nationalization or other actions of a similar nature.

- 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 1993.⁷

3. On 29 April 2004, Ukraine signed a protocol extending the provisions of the Agreement on Partnership and Co-operation to the new EU countries, including Poland. See: Partnership and Cooperation Agreement between the European Communities and their Member States, and Ukraine, Official Journal of the European Communities, L49, 19/02/1998, p. 3.

4. On 10 April 2008 the Verkhovna Rada of Ukraine approved the Law of Ukraine No. 250-VI “On Ratification of the Protocol of Accession of Ukraine to the World Trade Organization”.

5. See: Website of Embassy of the Republic of Poland in Kiev, Dept. for Promoting Trade and Investments — Wydział Promocji Handlu i Inwestycji, Ambasada Rzeczypospolitej Polskiej w Kijowie, [@:] <http://kiev.trade.gov.pl/>.

6. See: Umowa między Rządem Rzeczypospolitej Polskiej a Rządem Ukrainy o wzajemnym popieraniu i ochronie inwestycji, sporządzona w Kijowie dnia 12 stycznia 1993 r. [signed in Kiev on 12 January 1993], DzU z 1993 r. nr 125 poz. 575.

7. See: Konwencja między Rządem Rzeczypospolitej Polskiej a Rządem Ukrainy w sprawie unikania podwójnego

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.

- Agreement between the Government of the Republic of Poland and the Cabinet of Ministers of Ukraine on economic cooperation of 2005.⁸

In this agreement, the parties agreed to support the development of mutual benefits resulting from economic cooperation. In order to facilitate the development of economic cooperation, the Polish-Ukrainian International Commission for Economic Cooperation was established, as well as mixed chambers of commerce, agencies and other business entities. They help mitigate information exchange procedures in the areas of: business activity, standardization, certification, licensing, protection of intellectual and industrial property, copyright and other areas of mutual interest.

1.2 Legal aspects of export to the Ukrainian market

Exports of goods to the Ukrainian market are regulated by the customs law of Ukraine. The main act in this respect is the Customs Code of Ukraine, while the rates of duty on goods imported to Ukraine are regulated by the Law on the Customs Tariff of Ukraine. Trade is also done on the basis of a number of international agreements. Goods exported to the Ukrainian market should have the appropriate code assigned to them, according to the Ukrainian Classification of Goods for Foreign Economic Activity (UCGFEA).⁹ The classification used by the State Customs Service of Ukraine differs from the one functioning in the EU. It is important because the customs rates and concessions are calculated and applied in accordance with the codes of UCGFEA.

Bringing the goods to the Ukrainian customs area, exporters must take into account the *import customs duties*. In the Ukrainian customs tariff, there are three types of import duty rates:¹⁰

- preferential rates—applied when the exporting country and Ukraine have signed agreements on a customs union, special customs zone, or other contracts of a preferential customs mode
- reduced rates—applied when on the basis of reciprocity, a most favoured nation clause is active between the exporting country and Ukraine
- full rates—applied to the import of goods from other countries

For the import of goods from Poland, as well as other EU countries, reduced rates apply.¹¹ That results from the EU and Ukraine granting each other a most favoured nation clause in trade,¹² and from Ukraine's accession to the WTO.

Ukrainian legislation¹³ also provides for establishing additional duties, such as:

- seasonal duties—imposed on goods imported for a period of no longer than four months;¹⁴
- special duties—used to protect Ukrainian manufacturers (those might be anti-dumping, special or compensatory duties). They can be directed against one or more countries, but they can

opodatkowania i zapobiegania uchylaniu się od opodatkowania w zakresie podatków od dochodu i majątku, sporządzona w Kijowie dnia 12 stycznia 1993 r. [signed in Kiev on 12 January 1993], DzU z 1994 r. nr 63 poz. 269.

8. Umowa między Rządem Rzeczypospolitej Polskiej a Gabinetem Ministrów Ukrainy o współpracy gospodarczej, sporządzona w Kijowie dnia 4 marca 2005 r. [signed in Kiev on 4 March 2005], M.P. 2006 nr 59 poz. 628.

9. See: Prawo celne – część I. Ukraińska Klasyfikacja Towarów Zagranicznej Działalności Gospodarczej [Customs Law – part I. Ukrainian Foreign Economic Activity Commodity Classification], all documents available at http://kiev.trade.gov.pl/pl/przewodnik/article/detail,258,Prawo_celne_czesc_I_Ukraińska_Klasyfikacja_Towarow_Zagranicznej_Działalności_Gospodarczej.html.

10. See: Law on Customs Tariff of Ukraine, Act No. 2371-III of 5 April 2001.

11. On current rates of duty on imports from Poland see: Prawo celne – część II. Cła i inne obowiązkowe opłaty związane z odprawą celną [Customs Law – part II. Duties and Other Obligatory Fees Related to Customs Clearance], all documents available at http://kiev.trade.gov.pl/pl/przewodnik/article/detail,259,Prawo_celne_czesc_II_Cła_i_inne_obowiązkowe_opłaty_związane_z_odprawą_celną.html.

12. Art. 10 item 1. of the Partnership and Cooperation Agreement between the European Communities and their Member States, and Ukraine, signed 14 June 1994.

13. See: Customs Code of Ukraine, Act No. 4495-VI of 13 March 2012.

14. Seasonal duty may be established relative to the importation of goods of vegetable origin of the following groups of goods according to UKTZED: 07.01–07.08, 08.06.10, 08.07.10, 08.08.10, 08.08.20, 08.09.10000, 08.09.20, 10.01–10.05, 10.08, 12.06–12.08, 12.10, 12.12.91, 12.12.92, 12.13, 12.14.

also be used in relation to the importation of a given kind of goods, regardless of the country of origin.

Goods brought into the customs territory of Ukraine are taxed with 20% of VAT¹⁵ and in the case of certain types of tobacco, alcohol, petroleum products and certain types of motor vehicles excise tax is imposed.¹⁶ However, it should be noted that in the case of importing a range of goods into the customs territory of Ukraine, Ukrainian laws provide (under certain conditions and on presentation of the required documents) a possibility of exemption from customs duties, and in some cases also from VAT and excise duty.¹⁷ Due to the application of goods control procedures, a “uniform customs duty” is charged. It is charged once, when crossing the Ukrainian border. The list of goods whose imports are subject to licensing, and the quotas applicable to selected goods are determined each year by the Ukrainian government.¹⁸ The institution responsible for issuing licenses and allocating quotas is the Ministry of Economic Development and Trade of Ukraine.¹⁹

According to Ukrainian law, only goods corresponding to the set technical requirements can be imported into the customs territory of Ukraine. It means that in the case of goods subject to mandatory certification, appropriate certificates are required. In the case of goods which according to the law do not pose a threat to the health and lives of consumers, it is allowable that the exporter signs a declaration of conformity and has it registered later.²⁰

Goods introduced for the first time into the Ukrainian customs territory, before their admission to trading and sales on the Ukrainian market, are required to undergo specific examinations, as well as be registered and obtain the relevant certificates. Foreign entities which do not comply with the provisions for economic cooperation must reckon not only with fines, but also with the possibility of having an individual licensing mode, or even a temporary ban on doing business, imposed on them.²¹

All goods imported to or exported from the customs territory of Ukraine shall be subject to mandatory customs clearance, which according to the Customs Code cannot be longer than 4 hours from the start of the admission procedure and submitting the required documents (completed customs declaration, invoice confirming the purchase of goods and the customs value declaration of the item being cleared). If the time of four hours is exceeded, the business entity may apply for compensation for losses resulting from the detention of goods. Very helpful for entrepreneurs is the possibility to submit documents electronically. What is more, entrepreneurs who within 3 years of operation in international trade have not received any objections from customs,²² can take advantage of simplified customs procedures, attaining the status of a reliable economic operator.

15. Tax Code of Ukraine states that the VAT rate will be decreased to 17% on 1 January 2014.

16. On list of goods and excise duty amounts see: *Obciążenia fiskalne związane z prowadzeniem działalności gospodarczej na Ukrainie* [Fiscal Burdens Related to Conducting Business in Ukraine], all documents available at http://kiev.trade.gov.pl/pl/przewodnik/article/detail,262,Obciazenia_fiskalne_zwiazane_z_prowadzeniem_dzialalnosci_gospodarczej_na_Ukrainie.html.

17. On information about duty exemptions see: *Prawo celne – część III. Ulgi celne stosowane przy imporcie wybranych towarów na Ukrainę* [Customs Law – part III. Tariff Concessions Applied When Importing Selected Goods to Ukraine], all documents available at http://kiev.trade.gov.pl/pl/przewodnik/article/detail,469,Prawo_celne_-_czesc_III_Ulgi_celne_stosowane_przy_imporcie_wybranych_towarow_na_Ukrainie.html.

18. On list of goods subject to licensing and quotas see: *Prawo celne – część IV. Pozataryfowe ograniczenia stosowane w zagranicznym obrocie handlowym z Ukrainą* [Customs Law – part IV. Non-Tariff Restrictions Applied in Foreign Trade with Ukraine], all documents available at http://kiev.trade.gov.pl/pl/przewodnik/article/detail,260,Prawo_celne_czesc_IV_Pozataryfowe_ograniczenia_stosowane_w_zagranicznym_obrocie_handlowym_z_Ukraina.html.

19. See website of the Ministry of Economic Development and Trade of Ukraine — *Міністерство економічного розвитку і торгівлі України* — at <http://www.me.gov.ua/>.

20. On list of goods subject to mandatory certification and subject to the declaration procedure see: *Regulacje techniczne* [Requirements of Product Quality and Safety], all documents available at http://kiev.trade.gov.pl/pl/przewodnik/article/detail,266,Regulacje_techniczne.html.

21. On administrative sanctions see: *Sankcje administracyjne w obrocie gospodarczym Ukrainy z zagranicą* [Administrative Sanctions in Ukraine’s Foreign Trade], [@:] http://kiev.trade.gov.pl/pl/przewodnik/article/detail,269,Sankcje_administracyjne_w_obrocie_gospodarczym_Ukrainy_z_zagranica.html.

22. See: Ferenc, M., “Będzie łatwiej na granicy z Ukrainą” [It Will Be Easier on the Border with Ukraine], [@:] http://www.paiz.gov.pl/20120605/bedzie_latwiej_na_granicy_z_ukraina (accessed: 2014.04.08).

2 International cooperation between Poland and Ukraine

Economic exchange between Poland and Ukraine has become increasingly intense over the last decade. After a slowdown in 2010–2011, both the share of trade between Poland and Ukraine (tab. 1), as well as the volume of capital flows, in particular Polish direct investments in Ukraine, are increasing. Poland ranks relatively high—it is 13th—on the list of investors. Despite various problems, Polish entrepreneurs have so far invested nearly 1 billion USD in the Ukrainian economy (Muszyński 2013). It should be noted that these are greenfield investments.

Polish-Ukrainian relations remain asymmetrical—Ukraine is less important for Poland than Poland and EU member states are for Ukraine. In 2013, exports to Ukraine accounted for only 2,71%²³ of total Polish exports. Even less significant was the import of goods and services from Ukraine, which accounted for only 0,1% of the total imports of Poland. At the same time, 52% of Ukrainian imports came from Poland, while the Polish market was getting over 40% of Ukrainian exports.²⁴

2.1 Trade between Poland and Ukraine

In 2013, trade between Poland and Ukraine increased by 1,4% and reached almost USD 8 billion. That includes Poland's exports to Ukraine which increased by 8,5% and reached USD 5,7 billion. Imports decreased by 13% to USD 2,2 billion. It means that the trend from 2012 continues, a trend of higher dynamics of Polish export in relation to the rate of import changes in Ukraine.

Tab. 1. Trade between Poland and Ukraine (millions of USD)

	2007	2008	2009	2010	2011	2012	2013 ^a	Dynamics: 2012 = 100
Sales	7204,7	8791,4	4573,5	5735,9	7479,7	7830,4	7938,2	101,4
Export	5511,2	6436,7	3429,9	3917,4	4688,0	5279,5	5718,4	108,5
Import	1693,5	2354,7	1143,6	1818,5	2791,7	2550,9	2219,7	86,9
Balance	+3818,7	+4095,5	+2286,3	+2098,8	+1896,3	+2728,6	+3498,6	

Source: (Ukraina. Informacja... 2014)

^aProvisional data from the Polish Main Statistical Office (Główny Urząd Statystyczny)

The structure of Polish exports to Ukraine in 2013 included among others (Bereza 2013): electromechanical industry products—28,2% of total exports to Ukraine, chemical products—18,0%, mineral products—11,1%, agricultural and food products—10,6%, metallurgical products—8,9%, light industry products—7,4%, wood and paper industry products—5,5%. Compared to 2012, only the vehicles and vessels exports and live animals exports declined by 4% and 16%, respectively. Other groups of goods have maintained a growing trend. The supply of mineral products increased by 33% (gasoline exports by 48%, with a share in exports of 5,9%). In the structure of imports of goods from Ukraine in 2013 the largest shares belonged to: metallurgical products—31,0%, mineral products—28,4%, agri-food products—21,0%, electromechanical industry products—5,9%, wood and paper industry products—5,9%, chemical products—4,3%.

“The greatest possibility of maintaining or strengthening the position of Polish goods in the Ukrainian market concerns Fast-Moving Consumer Goods (FMCG): selected agricultural and food products (such as fruit), hygiene products, cosmetics, medicines, detergents, etc.”²⁵ According to

23. [In the journal (in both Polish and English texts) European practice of number notation is followed—for example, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style). Furthermore in the International System of Units (SI units), fixed spaces rather than commas are used to mark off groups of three digits, both to the left and to the right of the decimal point.—Ed.]

24. See: website of Embassy of the Republic of Poland in Kiev, Dept. for Promoting Trade and Investments – Wydział Promocji Handlu i Inwestycji, Ambasada Rzeczypospolitej Polskiej w Kijowie, [@:] <http://kiev.trade.gov.pl/> (accessed: 2014.03.24); data published at Trading Economics site [@:] <http://pl.tradingeconomics.com/> (accessed: 2014.04.19); website of State Statistics Service of Ukraine, [@:] <http://www.ukrstat.gov.ua/>.

25. See: Handel zagraniczny Polski w styczniu 2014 [Poland's Foreign Trade in January 2014], [@:] <http://www.mg.gov.pl/node/20298> (accessed: 2014.04.19).

the Polish Ministry of Economy, the branches of Polish exports to Ukraine which are promising in the nearest future are: energy (mainly in the field of machinery, equipment and technologies for the modernizing the power grid and energy generation); agricultural and food industry (in the area of machinery, equipment and know-how supply); construction (especially exports of finishing machines); and the consumer goods sector—mainly clothing, cosmetics, and household appliances. A growing importance of the service sector is also observed, particularly as concerns health and education services.

2.2 Capital flows

According to data of the National Statistics Service of Ukraine, by 1 October 2013 Polish enterprises had invested 831,83 million USD in Ukraine. That shows a fall in their value after rising in four quarters in a row. Since the beginning of 2013, Polish investments in Ukraine decreased by USD 84,6 million, although compared with the previous record-breaking quarter the decline was by USD 113,5 million. Currently, Poland ranks 13th on the list of the largest foreign investors in Ukraine, with 1,5% of the total amount of investments made so far.

Leading positions in the Polish capital commitment in Ukraine are still occupied by investments of financial sector institutions, i.e. banks: Pekao SA in UniCredit Ukraine, PKO BP SA in Kredobank, Getin Holding in Plus Bank, and PZU SA in PZU Ukraine. Investments of industrial sector entities include (e.g., those of Barlinek, Cersanit, Sanitec-Koło, Can-Pack, Maspex, Grupa Sobieski, TZMO, Inter-Groclin, and furniture companies Forte, BRW and Nowy Styl) (Muszyński 2013).

3 Exports of Polish companies to the Ukrainian market

3.1 Methodology

A survey was conducted among Polish companies cooperating with Ukrainian partners or operating on the Ukrainian market. Sampling was purposive and random. 246 interviews (CATI) were conducted, including 196 with exporters to the Ukrainian market. In statistical terms, the sample is not representative for companies in Poland (or for all companies cooperating with Ukraine), but equal geographical distribution and diversification by branch and size of the enterprise have been ensured.

3.2 Description of firms exporting into the Ukrainian market

The survey respondents have been present on the Ukrainian market for a relatively long time—two-thirds of the companies have declared that their experience of the Ukrainian market reaches back to 2004 or earlier. Only 6% of them have been exporting for less than two years. On the one hand, this may suggest that entry into the Ukrainian market with exports is not viewed as easy (with few companies attempting it). On the other hand, it may mean the companies which start exporting to that market generally remain there for a long time (thus, cooperation must be profitable).

Among the surveyed companies, their competitive advantage in the Ukrainian market is mainly due to two factors: higher quality products or services (69%) and the unique nature of the products or services offered (35,8%). A strong competitive edge was slightly less impacted by strong demand for the products and services, and by introduction of new products and services into the market. Interestingly, patents and know-how solutions have only marginal importance (3,2%) in strengthening a company's position in the market. It may be because those actions indirectly contribute to a competitive advantage. Patents may lead to the introduction of new, unique, higher quality products and services, and as a result contribute to the competitive advantage of the given company.

3.3 Benefits of exports

Assessment of the benefits of exports of goods to Ukraine can be interpreted in terms of motives for the export decision. However, you clearly cannot equate the two issues at the level of individual companies participating in the survey. The respondents indicated on average two different benefits

of exporting goods to the Ukrainian market. 30% indicated at least three of the fourteen possibilities, and 7% did not indicate any benefit. Among the suggested answers, the ones most often indicated concerned the perception of Ukraine as a large outlet and thereby increase of production (48% of responses), the possibility to reduce unemployment (37%), access to a greater quantity of goods and services (29%), and an increase in labor productivity (27%). Slightly fewer traders pointed also to the benefits associated with stimulating scientific and technical progress (12%). The fewest companies noticed benefits associated with improvement of employee skills (2% of responses). 7% of respondents marked other benefits, not suggested in the survey, including—for example—“expansion, new customers,” “financial benefits,” “financial benefits, increased turnover and profits,” and 6% could not answer the question.

3.4 Barriers to exports to the Ukrainian market

Of the seven possible problems with export to the Ukrainian market, entrepreneurs indicated on average one major problem. Only 30% of traders marked at least two options, and 10% spontaneously reported another problem in their exports to Ukraine. As many as 10% of respondents did not mention any problem. Among the suggested answers, most indications were: duties (76%), the customs clearance system and the customs classification system (24% each). 8% of companies indicated technical standards, 6% sanitary and phytosanitary requirements, and only 2% rules of origin (tab. 2).

Tab. 2. The most important barriers to export to Ukraine (percentage of answers)

Barrier	%
Duty	76
Customs classification system	24
Customs clearance system	24
Technical standards	8
Sanitary and phytosanitary requirements	6
Anti-dumping duty	4
Rules of origin	2
Other	12
I do not know, it is hard to say	2

A number of general issues were repeated in different answers among spontaneous indications. Widespread complaints about bureaucracy and costs are not surprising. What draws attention among issues related to the trade regime are indications of problems arising from bureaucracy, payments, banking services and the risk monetary recovery (which is consistent with the widespread complaints about the customs clearance system).

In cases where more than one barrier to export was indicated, a statistically significant relationship can be seen between indications of the duties and sanitary and phytosanitary conditions, as well as between the duty and the customs clearance system. However, no dependence was noted in indications of other features. With the particular barriers mentioned by exporters, additional questions were asked, designed to more accurately determine the problem.

3.4.1 Problems with duties

Three-quarters of the surveyed companies indicated the main barrier in exports to Ukraine to be the duty taxes. Statistical analyses²⁶ showed that these problems are related to two features: the size of the company and the Statistical Classification of Economic Activities in the European Community (NACE). The duration of cooperation with the Ukrainian market has no effect on problems duties. The larger the company, the more frequently problems with customs were indicated. While this barrier was indicated by every other micro-entrepreneur (54,8%), such a problem was reported by as many as 87% of large businesses.

26. T-test for independent samples.

From the angle of business area, problems with duties were more often indicated by: manufacturers of chemicals, chemical products, artificial fibers, and rubber and plastic products (NACE 24–25; problems with duty indicated by 86,7%); producers of wood and wood products, pulp, paper and paper products, and furniture manufacturers (NACE 20–21 & 361—problems reported by 83,3%); producers of food products and beverages (NACE 15—the duty tax is a problem for 75% of the entrepreneurs of the industry). Problems with the duty tax were most seldom reported by producers of metals and fabricated metal products (NACE 27–28), wholesale and commission traders (NACE 51) and persons engaged in other activities.

According to the respondents, the duty constitutes a major barrier in exports to Ukraine. Therefore, entrepreneurs were invited to identify by how much it would need to be reduced. More than half of the businesses (54,6%) were, however, unable to define the level of the tariff reduction (more importantly, half of those who pointed out that the duty was a barrier for them, could not indicate that level).

Among the entrepreneurs who indicated the need to reduce customs duties (33,2% of respondents), almost half considered a reduction of 5 percentage points to be sufficient. This relatively low rate reduction was indicated most frequently by entrepreneurs in the food industry (NACE 15), chemical, plastics and rubber industries (NACE 24–25) and those conducting other activities. The need to reduce the rates by 15 or more percentage points was indicated by entrepreneurs dealing in metal production, fabricated metal products (NACE 27–28) and machinery and equipment producers (NACE 29–33). The call for tariff reduction by 10% was proposed by wholesale and commission traders (NACE 51) and manufacturers of wood and wood products (NACE 20–21 & 361). Thus the list of export goods that require lower rates included mainly: machinery parts (18,2% of responses), food (13,1%), machinery/equipment (10,9%), electronic equipment (7,3%), and building materials (7,3%).

3.4.2 Problems with the customs clearance system

Nearly one in four entrepreneurs (23,9%) indicated the customs clearance system as the main barrier to exports to Ukraine. The barrier is mainly their long duration, as indicated by two thirds of entrepreneurs. For nearly one in three entrepreneurs (29,5%) customs clearance rules are unclear and change too often. Every fifth respondent acknowledged that the procedures cost too much. Businesses mainly pointed to one problem with customs clearance. When more than one barrier was indicated, a significant statistical relationship can be noted between the choice of long duration and the vagueness and volatility of the regulations. Concerning the long duration of the procedures, 63,8% of businesses felt that one never knew how long they would take. Every fifth respondent stated that the procedure could last up to 12 hours. 6,6% of respondents indicated that the clearance usually lasted 1–2 days, and 8,7%—3 days or longer.

Most businesses reported problems resulting from the customs clearance system, therefore it is difficult to indicate precisely the group for which this feature is a particular barrier. There is no statistically significant relationship between duration, costs of the procedures, or their unclear, variable nature and factors such as company size, business area, or length of experience on the Ukrainian market. It should be noted, however, that problems related to procedure costs were indicated most often by manufacturers of metals and fabricated metal products (NACE 27–28), while the variability and ambiguity of the procedures were pointed to by producers of food and beverages (NACE 15).

3.4.3 Problems with the customs classification system

For nearly every fourth entrepreneur, the customs classification system is the barrier to the export of goods to the Ukrainian market. This barrier was most often indicated by owners of large firms (65% of that group of companies) and by producers of food and beverages (40% of the group). Problems with the customs classification were, however, not precisely diagnosed in the study. The focus had been on questioning the customs classification of export goods. However, only 18,9% of respondents indicated having that problem in the last year (including 6,6% who reported frequent questioning of the classification, and 12,3%—rare questioning).

Summary

From the point of view of Polish companies' cooperation with Ukrainian partners, what is important are internal regulations, agreements and rules of cooperation with the European Union, as well as rules and obligations arising from Ukraine's accession to the WTO in May 2008. Legal provisions form a framework for cooperation not limited to trade and economy. Important for the topic discussed here are agreements on free transit of goods, tariff reduction, tax regulations, protection of mutual investments, and business information exchange. Agreements concluded between the EU and Ukraine settle issues of transit of goods and services, but in practice, as indicated by the results of the quantitative research, entrepreneurs still see barriers in that regard. Barriers to exports are mainly the following ones: duty tax (the fact of such a charge existing), the customs classification system (Ukrainian Commodity Classification — UKTZED — differs from the one used in the EU) and customs clearance system (seen as long, unclear and frequently changed).

As shown by research, Polish entrepreneurs have many years of experience in exporting goods and services to the Ukrainian market. They see the Ukrainian market as large and ready. The competitive advantage of Polish entrepreneurs stems mainly from the quality of the exported goods and services.

The fact that Ukraine signed an association agreement with the EU can significantly impact the relationship, especially in the economic aspect. Most of the provisions concern economic issues, especially the agreement on establishing a free trade zone. The document creates new investment opportunities by eliminating tariffs on most goods to the EU. Combined with low labor costs, the benefits may be a strong incentive for entrepreneurs.

The association agreement can be a chance for Ukraine to make significant modernization changes. And the agreement on a free trade zone, which although in the short and medium term may lead to increased imports of Ukraine from the EU, including Poland, it may in the long run result in a growth of Ukrainian exports to EU markets (Muszyński 2013). Ukraine signing the association agreement may be a chance for other Polish companies. Yet that will concern mostly large companies which already have experience of EU markets. In the short term, these are the firms which can take over the Ukrainian market, together with other EU corporations, mainly due to cheaper products and their good quality. Only in the long run will Ukrainian entrepreneurs benefit — those who survive the competition from the EU market, joined by foreign investors.

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