

Blocking borders with the EU: a lesson for Ukraine to protect national interests on its way to the EU

On January 16, the Ministry of Infrastructure of Poland signed an agreement with the protesters to clear the crossing points on the border with Ukraine blocked since November previous year. Although the difficult issue seems to have been finally resolved so that Ukraine can turn this page in its history, in particular, in our relations with Poland and other countries of the European Union as to the access of Ukrainian agricultural products and shipping services to the European market, but this story is not yet finished and requires a thorough analysis including relevant conclusions and comments within the framework of our future European integration.

The country's ability to interact with European partners is crucial for economic development and stability. Given the events over recent years and geopolitical disturbances, the border blockade may become an important factor affecting the economy both of Ukraine and EU countries. Let's review the events chronology.

On November 6, 2023, Polish shipping companies announced a strike and blocked three of the four crossing points on the Ukrainian–Polish border at once: Hrebenne – Rava-Ruska, Korczowa – Krakowiec, and Dorohusk – Jagodzin. Later, on November 23, the operation of the Medyka – Shehyni crossing point was also suspended.

The protesters' demands included the following:

- Renew permits for Ukrainian shipping companies.
- Toughen transportation requirements within the framework of certificates of the European Conference of Ministers of Transport.
- Prohibit to register in Poland companies with capital outside the European Union.
- Access to the Ukrainian Shliakh system.
- Arrange queues for vehicles from the EU in the eQueue system.
- Separate lines for empty vehicles.

Protests spread to neighboring countries, in particular, Slovak, Hungarian, and Romanian shipping companies supported their Polish colleagues.

Crossing points blockade caused losses in the export and import areas, namely, according to the National Bank of Ukraine, the losses amounted to USD 160 million and USD 700 million, respectively. The average daily number of trucks crossing the border decreased by 40%.

The Polish government responded at the end of November by proposing to cancel the mandatory registration of vehicles in the eQueue system and to jointly create a committee with the EU to analyze the impact of the “transport visa-free” on the road freight transport market.

The average waiting time when crossing the Polish–Ukrainian border can be up to 130 hours, which creates an extremely stressful situation both for shipping companies and drivers.

During the debate in the Sejm, Polish deputies expressed their belief that the motor vehicle industry is an important pillar of the Polish economy. According to data from the records of the Sejm, Polish shipping companies control more than 30–40% of the European road freight transport market, which is about a third of the same in the European Union. About a million people are employed in this industry, which brings in about 8% of Poland’s GDP annually and also PLN 16 billion in taxes.

Polish shipping companies gained their status in the European market through hard work by competing with their German, French, and Spanish colleagues. However, certain distortions in competitors’ values and responses to market trends caused tension. Polish feel the adverse effects of growing competitive pressure, in particular, on the part of Ukrainian shipping companies that take advantage of their new opportunities following the cancellation of permits for commercial transportation.

In 2020, the European Parliament adopted the Mobility Package to ensure compliance with the regulations on drivers’ payment, working hours, and comfort. However, some small shipping companies do not comply with these rules and blame Ukrainian colleagues thus creating additional tensions in the market.

Following the development of the market situation and the competition growth, Polish shipping companies face losses and financial pressure. At the end of 2022, after a full-scale war started, transportation prices temporarily increased, but then began falling back to standard levels, which Polish shipping companies took hard.

Organizers of Polish protests claim that Ukrainian competitors cause significant difficulties and threaten their existence on the market. However, some experts believe that the decrease in rates and other difficulties within the industry are caused not only by the Ukrainian factor but also by changes in market conditions and transportation demand.

The temporary minister of infrastructure of Poland claimed the effectiveness of the transport inspection and control over Ukrainian shipping companies but noted some violations subject to fines imposed. Polish statistics also confirm the growth of truck exports to Ukraine and its impact on the Polish economy.

The border blockade has serious consequences for various sectors of the Polish economy, including the transportation and supply of goods. This is followed by in-

creased queues at the border, port congestion, and other problems for businesses and consumers.

The Polish-Ukrainian Chamber of Commerce opposed the border blockade by stressing the losses to both countries' economies. However, certain Polish business associations call for a compromise with Ukrainian shipping companies.

In January 2024, Polish shipping companies reached an agreement with the government and stopped their protest. However, Polish drivers demand to restore the system of permits for Ukrainian companies operating on the territory of the EU, and demand permits for European truck drivers entering Ukraine.

The ministers of agriculture of five countries sent a letter to the European Commission requesting the introduction of an import duty on Ukrainian grain. Poland announced an indefinite ban on the export of Ukrainian goods across the Polish-Ukrainian border. The Minister of Agriculture and Rural Development of Poland opposed the expansion of free trade with Ukraine due to the risk of "excessive agricultural imports".

Protesters in Romania agreed with the government on some demands, but continue to restrict traffic flow on the border with Ukraine. In Poland, shipping companies ended the border blockade following an agreement with the Ministry of Infrastructure and postponed protests until March 1, 2024. Romanian farmers demand the authorities to act at the EU level to protect them against Ukrainian imports of agricultural products. The Alliance for Agriculture sent a letter to the President, Prime Minister, and Minister of Romania demanding to take action. They demand creating a system of control over imports, including determining the products' intended destination even before they are imported into the EU territory, as well as establishing limit values for imports.

Czeslaw Siekierski, Minister of Agriculture and Rural Development of Poland, reported on the first outcomes of negotiations with Ukraine. They agreed to create technical groups to regulate trade between countries. Siekierski called on the European Commission to suspend reforms that could increase the cost and reduce the volume of agricultural production.

The European Commission is preparing to amend the EU trade legislation to limit the import of agricultural products from Ukraine following mass protests and border blockades. The changes envisage the possibility of imposing an embargo on imports from Ukraine in certain EU member states if the local market becomes oversaturated. These amendments should enter into force by June 2025.

The border blockade and restrictions affect the total volume of Ukrainian exports. However, the situation is improving in sea transportation and the export of ferrous metals. Ukraine is open to negotiations and offers licensing of its products, but the neighboring countries do not accept this.

Experts point to the difference in Germany's approach during Poland's accession to the EU as compared to the current conflict over trade terms with Ukraine. The issue of border blockade and resolving disputable matters between Ukraine and EU member states is especially important given negotiations on Ukraine's possible member-

ship in the EU. Since Ukraine will have to enter into agreements with each member country, the resolution of trade and transport issues becomes a crucial point for future negotiations.

One of the negotiations' key aspects is maintaining a balance between defending the interests of Ukraine and taking into account the same of neighboring countries. Ukraine should present the advantages to its neighbors, including investment promotion and joint business development, to convince them of the benefits of its accession to the EU.

After Ukraine's accession to the EU, a significant strengthening of the internal market and an increase in agricultural resources are expected. However, this process should be favorable both for Ukraine and the member countries, maintaining a balance between the economic and social interests of all the parties concerned.

To improve the development of various regions, the European Union creates separate funds and allocates targeted funds. This is called a cohesion policy. EU applies it to help regions where people have less money or where there are other issues worth attention, such as youth unemployment, low educational level, a polluted environment, or migration. When Ukraine accedes to the European Union, it will be eligible for this money, that is, it will compete for funding allocated to support less developed regions. According to the current regulations, funds from cohesion funds are allocated not only to the poor but also to rich countries. Today, there are proposals within the EU to change this into direct payments only to the poor.

According to the Cologne Institute for Economic Research, such a redirection will increase funds for future EU member states. It means that support will only be provided to states in need, while richer members will pay for cohesion policy. Institute representatives believe that it would be logical to redistribute these resources to Ukraine in the event of its accession to the EU. This step will bring new opportunities for us to grow and develop economically, in particular, in agriculture, trade, and other industries. Increasing the potential of farmland and access to new markets can contribute to the progress not only of Ukraine but also of many European countries. Which will result in the economic rise of the EU as a whole.

At the same time, Ukraine's accession to the European Union may have certain negative consequences to be taken into account. It may create difficulties for EU member states, namely, in trade, and increase competition in the markets. For example, some industrial sectors of member countries may become less competitive when Ukrainian enterprises enter the market. We are already observing such a situation in the example of grain exports to Poland. EU countries may respond by the introduction of certain measures to protect their markets. The accession of Ukraine may also increase migration pressure on EU member states. Although this may create new prospects for the development both of the labor force and the labor market, the large influx of Ukrainian migrants will create additional tension in society.

Nowadays, European bureaucrats are considering the option of an instant major expansion after granting membership to Ukraine, Moldova, and Georgia, and, probably, also to the countries of the Balkans, in due time. Brussels will try to determine the impact of expansion on the EU budget. According to the Cologne Institute for

Economic Research, it will lead to additional costs of almost EUR 260 billion. Of this amount, EUR 186 billion will be allocated to Ukraine. The European Union agrees on long-term spending plans for 7 years. For 2021–2027, indicators were EUR 1.2 trillion. In case of expansion, the EU will spend 12–15% more, given the accession of Ukraine only. At that, it is worth remembering that health care, energy, decarbonization, digitization, and research, as well as defense and security, require more and more funds annually. To sustain such an expansion, the decision-making system should be reformed. Orban's veto showed that the system of unanimous decision-making should become history.

Ukraine should be ready that at each stage of the negotiations, it will face comments from member countries demanding certain conditions to be met and comments to be taken into account. However, this should not be a problem as all the candidate countries have gone through this process. The negotiations provide for the opening of 6 clusters: fundamental areas (6 sections), internal market (10 sections), competitiveness and inclusive growth (8 sections), green agenda and sustainable development (4 sections), resources, agriculture and cohesion (4 sections), and foreign relations (2 sections). A total of 34 negotiating positions. A significant burden on the Ukrainian government and parliament should be expected. They will have to quickly develop and adopt a large number of laws to harmonize national legislation with the European one. The government conducted an initial assessment: out of about 28,000 EU regulatory documents, only 2,739 should be implemented into Ukrainian legislation. At that, 1,625 have already been adopted, and the rest require no approval as they are recommendations, protocols, epistolary exchanges, and other similar documents. Accession to the EU will bring new opportunities for economic growth and development and will ensure access to a wide European market for Ukrainian goods and services. This should stimulate investments and new job creation in Ukraine. It will facilitate raising the living standards of citizens via the implementation of European standards in the fields of education, health care, environment, and social protection.

Blocking the borders with the European Union impacts the Ukrainian economy to a great extent. A decrease in the volume of resource exchange promotes economic instability and limits opportunities for enterprises to develop. Given the context, it is important to find ways to resolve the conflict and support economic cooperation between Ukraine and the European Union to ensure sustainable development and prosperity of all parties concerned.

Conclusions

1. Ukraine should actively interact with EU member states, seeking compromises and solutions to common issues during its European integration. This means establishing a meaningful dialogue with European partners, taking into account their interests, and seeking mutually beneficial solutions. Ukraine should actively propose initiatives and consider possible options for solving controversial issues that may arise when accessing the EU to ensure sustainable integration progress.
2. Ukraine should be prepared for possible negative consequences of

accessing the EU, in particular, competitiveness change of national industrial sectors, provision of services, and increased migration pressure on EU member states. Therefore, it is important to develop strategies and mechanisms intended to support domestic sectors of the economy and the labor market, as well as effectively manage migration processes. Possible protectionist measures of the EU member states should also be considered, therefore, strategies to overcome them to ensure the sustainable development of the Ukrainian economy and society should be designed.

3. The prospects for the EU cohesion policy revision should also be considered, namely, the redistribution of the resources for future member states. In the case of Ukraine's accession to the EU, resource redistribution may become a key factor for its economic growth and development, in particular, in agriculture and other industries. Ukraine should actively influence the process of EU cohesion policy establishment to ensure the appropriate level of funding and support for its economic and social development.
4. The possible expansion of the EU to Ukraine, Moldova, Georgia, and other countries may significantly affect the Union's budget and the European economy as a whole. According to the Cologne Institute for Economic Research, expansion could lead to an increase in EU spending by almost EUR 260 billion, with a significant portion allocated to Ukraine. Given the context, Ukraine should actively work on harmonizing its legislation with European standards and effectively use financial support and access to the European market to attract investments and ensure sustainable economic growth.

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