

## CENTRAL AND EASTERN EUROPEAN ECONOMIC COOPERATION: FOUNDATIONS AND PROSPECTS IN THE COMMON EUROPEAN MARKETS FOR GOODS AND SERVICES<sup>1\*</sup>



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**Abstract.** The article substantiates in an enlarged grouping the approach to determining the general conditions and prerequisites for successful cooperation between countries at the level of individual subregions and analyzes its development within the framework of the Central and Eastern European and Baltic regions consisting of Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia in the context of Russia-Ukraine war. The foundations of such cooperation on the critically important for the European continent and on a global scale in the agricultural, energy markets and in the field of transport and logistics services are considered. A position is put forward and proved on the legitimacy of bringing cooperation within the framework of these countries to a qualitatively new - integration level.

**Keywords:** *Central and Eastern Europe, region, Russia-Ukraine war, international business, goods and services market.*

## Introduction

The modern world system and its institutional environment, due to the large-scale Russia-Ukraine war, entered a period of civilizational shifts and challenges. This war is unleashed against Ukraine only in its nominal understanding. At its core, it acts as a war of totalitarianism against the values of democracy, international law and global security. The result of it will be not just the defeat of Russia in the war aggressively unleashed by it.

There are all theoretical, methodological, scientific and practical grounds for predicting that one of the main consequences of the war will be a new configuration of the European economic system and, as a result, the political structure of the world as a whole.

Due to a number of institutional (historical, cultural, political, ideological, mental, etc.), natural-geographical and economic reasons, a group of countries in the Central and Eastern European and Baltic regions: Ukraine, Poland, Slovakia, Lithuania, Latvia and Estonia found themselves at the epicenter of these cardinal civilizational shifts and challenges. The economic component of these processes gives these countries the potential opportunity, on the basis of subregional cooperation, to significantly increase their competitive advantages in the system of the pan-European division of labor.

However, the implementation of the noted opportunities before the scientific community of this group of countries puts forward a complex interdisciplinary research problem. It consists in clarifying the prerequisites, assessing the potential and determining the areas of economic cooperation of the noted group of countries as the basis for bringing this cooperation to a qualitatively new level - an integration level within their framework.

**Literature review.** The set of institutional prerequisites for cooperation of the noted objectively distinguished group of Central and Eastern European and Baltic countries in the context of their more objective coverage is most systematically considered in modern Polish historiography; valuable in this respect are the works of Kłoczowski (Ed., 1994), Tazbir (1998), and Augustyniak (2008). The first works have appeared on a comparative analysis of national business cultures of individual countries of the European region under consideration and their impact on joint ventures (Chebotarov, Chebotarov, 2020; Glinkowska, Chebotarov, 2019; Chebotarov, Chebotarov, 2020). Borrás and Tsagdis (2011), Brodzicki and Kuczevska (2012),

Szulc-Fischer (2020) raised questions of the formation of peculiar sub-regional associations of states - clusters. The issues of the pan-European agricultural market in this context have become the subject of a comprehensive analysis in the works of Rudnicki (Rudnicki, Dubownik, Biczkowski, 2016; Rudnicki, 2016). Separate aspects of the energy market of the Baltic states were considered (Streimikiene, Mikalauskiene, 2022).

At the same time, an objective analysis gives grounds to state that in modern conditions, a serious problem is the lack of works devoted to a systematic consideration of the problems and prospects for the comprehensive integration of countries within the noted Central and Eastern European and Baltic regions.

**The purpose of the article:** disclosure of the institutional, natural-geographical and economic prerequisites for bringing cooperation between Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia to a qualitatively new - integration level; determination of the state and prospects of such cooperation in the European energy and agricultural markets and in the field of

transport and logistics services, which are of critical importance within the continent and in the global context.

**Research methodology.** The interdisciplinary content of the problem raised also led to an interdisciplinary approach in its development. General scientific methods of cognition (first of all, the unity of logical and historical, the unity of analysis and synthesis, the ascent from the abstract to the concrete) were used in revealing the institutional foundations of cooperation between the Central and Eastern European and Baltic countries under consideration. When elucidating the relevant natural and geographical foundations, the methods of the science of regional studies are applied. To assess the economic potential of these countries in relation to the European Union, a comparative research method and a set of statistical research methods are used. When analyzing the prospects for cooperation between these countries in the pan-European markets for goods and services, the cluster method and a set of techniques of an integrated marketing and managerial approach are used.

**The main research results.** The issues of substantiating the cooperation of states on a subregional basis - the interaction of neighboring countries within certain geographically concentrated parts of the continents, most actively arose in the late 80s and early 90s of the twentieth century. This was due to a number of problems, the main of which was of a dialectical nature: the strengthening of the regionalization of socio-economic processes on almost all continents against the background of the weakening of the effectiveness of global interstate associations.

In Europe, these processes were reflected in the creation in 1991 of the Visegrad Group, which since 1993 has been functioning as part of Slovakia, the Czech Republic, Hungary and Poland. In 2008, the Eastern Partnership was established, which included Ukraine, Moldova, Belarus, Georgia, Armenia and Azerbaijan. A much larger scale is characterized by the association of countries "Three Seas Initiative" consisting of Austria, Bulgaria, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Croatia, the Czech Republic and Estonia, established in 2016. On the North American continent, a kind of such an association in 1992 became the North

American Free Trade Area NAFTA (USA, Canada and Mexico). In Asia, in 2009, the Organization of Turkic States was created, consisting of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey and Uzbekistan.

Some of the noted and other similar organizations have not confirmed their viability. Thus, the Eastern Partnership organization has practically ceased its activities; since 2020, NAFTA has been in the process of complex and ambiguous transformation. Therefore, in the context of considering the prospects for cooperation between Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia, a complex problem arises of clearly defining the real prerequisites, an objective assessment and the potential of such cooperation.

At the same time, we are in no way talking about opposing this kind of cooperation to existing effectively operating organizations, primarily to the European Union. Moreover, the comprehensive and active cooperation of the countries within the framework of this Central and Eastern European and Baltic regions will become a significant factor in the further strengthening of the European Union. In this regard, it is not only expedient, but also necessary to use the legal framework of the European Union on various aspects of clustering, developed from 2007 to 2020 (Komisja Europejska, 2007; European Commission, 2008).

The initial premise of the scientific justification for deepening economic cooperation of a selected group of countries is the identification of the conditions that predetermine the success of its building and implementation.

An analysis of this issue gives grounds to note that such mandatory (extremely necessary) conditions, in their enlarged grouping, are the following.

The first. Presence within a long-term historical period of institutional (political, cultural, ideological, mental, and so on) prerequisites for cooperation of one or another group of countries.

The second. Objective natural-geographical, managerial and economic factors that are actually embodied in the total resource potential of the group of countries under consideration (in its correlation with the corresponding general continental parameters or - leading international organizations).

The third. Really existing in modern

conditions areas of cooperation of this group of countries in industries and areas that are critical for the continents and the world community as a whole (provided that the sustainable competitive potential of the countries under consideration in these areas is maintained in the long term).

The conducted studies give grounds to note: the identified conditions, which are general theoretical in their content, that is, applicable to other similar subregional associations, are necessary and sufficient to determine the expediency and legality of their creation.

With regard to the cooperation of a selected group of countries in the context of the consolidated identified conditions, in the order of their ranking, the following should be noted.

The territories of the modern states of Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia for more than five and a half centuries have the experience of coexistence: from 1236 within the confederal state of the Grand Duchy of Lithuania, and from 1569 to 1795 - within the framework of the confederal state of the First Polish-Lithuanian Commonwealth. In addition to this, in itself an amazing historical fact, it should be borne in mind that active anti-Russian wars and uprisings in the territories of these states continued both throughout the 18th-19th centuries, and between World Wars I and II, as well as in the forties and fifties of the

twentieth century. A new round of national-patriotic movements in these countries falls on the eighties and nineties of the twentieth century. Such a long-term broad institutional unity of state formations, from the Middle Ages to the present, historical science on the territory of the European continent can no longer name.

The natural resource potential of the countries of the region under consideration in absolute terms, at the end of 2021 in terms of population, is more than 93 million people and more than 1.1 million square km. The territory of this subregion, with its central geographical position on the European continent, generally connects it with all other continents of Asia, Africa and Australia.

The centuries-old neighborhood of Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia has led to a peculiar combination of such a marketing-management phenomenon as the national business cultures of these countries. Evaluation of such a phenomenon according to the methodology generally accepted in modern world economic comparative studies (rating scale from 0 to 100) and parameters ("power distance" - (PDI), "individualism" - (IDV), "masculinity" - (MAS), "uncertainty avoidance" - (UA), "long-term orientation" - (LTO), "indulgence" - (IVR) is shown in Fig. 1.

The data in Fig. 1 show a very high proximity of the business cultures of Slovakia and the Baltic countries.

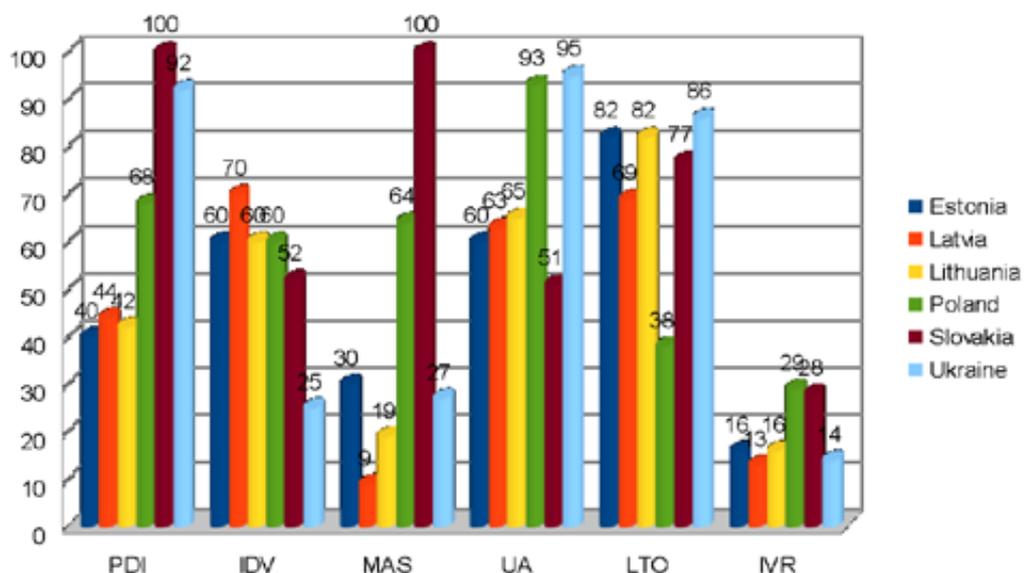


Figure 1. Comparative parameters and assessments of national business cultures of Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia.

Source: <https://www.hofstede-insights.com/country-comparison/>.

The "individualism" parameter captures the identity of the characteristics of Poland, Lithuania and Estonia. In terms of "uncertainty avoidance", the closeness of Poland and Ukraine, on the one hand, and the Baltic countries, on the other hand, is obvious. The parameter "long-term orientation" shows the proximity of the business cultures of Ukraine, Lithuania and Estonia. According to the "indulgence" dimension, the groups of countries consisting of Poland and Slovakia, as well as Ukraine and all the Baltic countries are very close.

Detailed comparative studies of national business cultures (Glinkowska-Krauze, Chebotarov, Chebotarov, 2020; GlinkowskaKrauze, Chebotarov, Chebotarov, 2022) give grounds to note the following. In general, the nature and level of their similarity in relation to the Central and Eastern European and Baltic regions under consideration is not lower than the similarity of the parameters of national business cultures of the subjects of the United Kingdom of Great Britain and Northern Ireland or the countries of the official international organization of the European continent Benelux (Belgium, the Netherlands, Luxembourg).

The given generalized conditions and prerequisites of an institutional, natural-geographical and managerial-marketing nature in terms of national business cultures of the Central and Eastern European and Baltic regions under consideration determine its rather significant potential in the context of the European Union (Table 1).

From its data for the last year (2021), according to which the indicators of pan-European statistical reporting are known, it follows not only the high competitive potential of this subregion within the EU in terms of natural resource parameters (27.33% by area and 20.82% by number of the population), but also in terms of GDP per capita (53.81%), Foreign trade turnover (7.66%) and FDI (8.69%).

Table 1.

**Comparative parameters of the main macroeconomic indicators of Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia and the European Union for 2021\***

	<b>CEE&amp;Baltics</b>	<b>EU</b>	<b>CEE&amp;Baltics to EU</b>
Area, thsnd. sq. km.	1140470	4172839	27,33
Population, thsnd. Peoples	93050,6	446946712	20,82
GDP (billion USD, current)	1129,7	17088,6	6,61
GDP per cap (USD, current)	12140,7	38234,1	31,75
GDP per cap PPP (USD, current)	26064,76	48436,3	53,81
Foreign trade turnover (USD, current)	1277400,58	16680591	7,66
FDI (mln. USD, current) 2020**	27874,129	320703,974	8,69

\*Source: [www.worldbank.org/](http://www.worldbank.org/)

\*\*Data available for 2020

Moreover, the data of the World Bank show a pronounced trend towards reducing the gap between the countries of the subregion under consideration and the European Union, in almost all macroeconomic indicators. If at the time of accession to the EU in 2004 in terms of GNP Poland, Slovakia and the Baltic countries lagged behind the average level of the European Union by almost 5 times, then according to the data for 2021 this gap has decreased by 1.8 - 2 times (The World Bank, 2022).

In the context of the last of the prerequisites outlined above for the objective possibility of all-round economic cooperation between the countries of the Central and Eastern European and Baltic regions, we note the following. As the highest priority areas, such cooperation will be in the pan-European agricultural and energy markets and in the field of transport and logistics services.

The high competitive positions of the countries of this subregion not only in the pan-European agricultural market, but also on a global scale are predetermined by the leading positions of Ukraine in terms of exports of agricultural products. Thus, over the past 3-5 years, Ukraine has been among the top five countries in the world in terms of corn exports (more than 4 billion US dollars); sunflower seed oils (more than 4 billion US dollars); wheat (up to 4 billion US dollars annually); rapeseed and soybeans (above 1.5 billion US dollars) (FAO, 2022a).

Even since February 24, 2022, Ukraine, with the assistance of the United Nations and Turkey, was able to ensure the supply of about 5.7 million tons of grain to world markets in August-September 2022 alone (of which 72% was sent to the countries of Africa, the Middle East, South East Asia and Turkey, the rest - to the countries of the European Union) (FAO, 2022b).

The role of the Central and Eastern European and Baltic sub-region under consideration, which is also important outside the framework of the pan-European energy market, follows from two components. Ukraine has the largest gas storage facilities in Europe with a volume of more than 30 billion cubic meters of gas, which fully covers the gas needs of all twelve countries of the Three Seas Initiative alliance (they cover 29% of the EU territory, 25% of its citizens live in them and 19% of EU GDP is produced). In addition, fundamentally new technical and technological solutions in this industry have already been put into operation: gas pipelines-interconnectors (Poland-Slovakia, Poland-Ukraine, Poland-Lithuania, and Slovakia-Hungary). They allow deliveries of natural gas from Norway and LNG from the countries of the Middle East and the USA and ensure the alignment of the North-South axis in the pan-European energy market (Atlantic Council, 2022).

The high competitive position of a selected group of countries in the European and global markets for transport and logistics services organically follows from their noted very favorable geographical position in the center of the continent, Ukraine's entry into the TEN-T pan-European transport system in 2017, as well as the length of the territory of this subregion - European highways Via Baltica (part of the Prague-Helsinki route runs through Poland and the Baltic countries for 970 km) and Via Carpathia (part of this pan-European route runs through Lithuania, Poland and Slovakia for a distance of 1300 km).

The Baltic-Adriatic axis project is already underway to connect European networks of different modes of transport. As part of the implementation of this TEN-T task, this corridor optimizes transportation by at least two means of transport through the territory of Poland, Czechia, Slovakia, Austria, Italy, Romania, Moldova and Ukraine).

In order to substantiate subsequent marketing, managerial and technical and technological approaches to implement the main task of TEN-T on the interconnection of passenger and traffic flows by different means of transport, the authors propose to create a transport and logistics cluster within the six countries under consideration. The first proposals of this kind were put forward on the eve of the Russia-Ukraine war (Chebotarov, 2021), which significantly confirms and updates the significance of such a proposal. The strategic goal of creating such a transport and logistics cluster is as follows - the formation and practical implementation of high competitive advantages of the participating countries (as well as their public and private business entities, state, regional and municipal authorities) in the system of a pan-European division of labor and the implementation of the provisions of a unified transport policy TEN-T. The main characteristics of the proposal to create a transport and logistics cluster within the six countries are presented in Table 2.

Table 2.

**Characteristics of the transport and logistics cluster consisting of Poland, Slovakia, Ukraine, Lithuania, Latvia and Estonia**

<b>Characteristics</b>	<b>Characteristic's content</b>
Legal and regulatory basis for the cluster	The set of general legal provisions of the European Union and the Common Transport Policy of the European Union TEN-T.
Cluster Objectives	Implementation of the statutory provisions: the objectives of TEN-T, the achievement of the commercial interests of economic entities; obtaining social effects.
The nature of the association of participants	Negotiable
Organizational and legal basis of the cluster	Public-Private-Communal Partnership
Functional and logistical structure of the cluster	The system of transport and logistics hubs at the intersection of passenger and freight traffic of different modes of transport within all participating countries
Functional and technological basis of the cluster	Multimodal transportation within the member countries included in the system of pan-European transport corridors (and their branches)

Geographical location of transport and logistics hubs within the cluster	Poland: Warsaw, Gdansk, Poznan, Wroclaw, Krakow, Lublin. Slovakia: Bratislava, Kosice. Ukraine: Kyiv, Lviv, Kharkiv, Mariupol, Odesa, Mykolaiv. Lithuania: Vilnius, Kaunas, Klaipeda. Latvia: Riga, Daugavpils, Jelgava. Estonia: Tallinn, Tartu
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Source: personal elaboration of the authors

Thus, the content of all three consolidated conditions-prerequisites worked out confirms the legitimacy of the position on the presence of essential institutional, natural-geographical and economic factors that predetermine the activation and further deepening of cooperation between the countries of the region under consideration.

## Conclusions

Institutional, natural-geographical and economic conditions already in themselves form the prerequisites for deepening cooperation within the selected group of countries and bringing it to a qualitatively new – integration level. Such cooperation has competitive prospects in all industries and sectors of the economy. In the agricultural and energy markets and in the field of transport and logistics services, its significance objectively has not only pan-European, but also global significance as a whole.

A number of factors of the European and world economy and politics, the transition to integration within the selected group of countries form additional favorable prerequisites. These include obtaining by Ukraine in 2022 the status of a candidate country for accession to the European Union; the presence of the Lublin Triangle alliance consisting of Poland, Lithuania and Estonia (however, in this regard, cooperation between the alliance countries will need to go beyond the military-technical sphere) and the world community should move to the development of the Marshall Plan for Ukraine (without taking into account the experience of Poland, Slovakia, Lithuania, Latvia and Estonia in carrying out market reforms, the potential for the implementation of such a plan will be lower).

It is advisable to single out a detailed analysis of the prospects and threats for the integration of countries within the selected sub-region of Europe and the substantiation of specific cooperation projects in its most important sectors and areas as the primary tasks for the further development of the problem raised.

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