

# INTERNATIONAL TRADE COOPERATION AS AN ELEMENT OF ECONOMIC COOPERATION BETWEEN POLAND AND BOSNIA AND HERZEGOVINA

Agnieszka Malkowska<sup>1</sup>

Arkadiusz Malkowski<sup>2</sup>

## SUMMARY

*The aim of the article was to characterize the trade exchange between Poland and Bosnia and Herzegovina (BiH) and to assess the prospects for the development of this economic cooperation. The research focuses on the exchange of goods. The temporal scope of research includes the years 2015-2022. This results from the availability of cohesive and latest statistical data. The study is based on data published by the Central Statistical Office, Eurostat and from the website Ministry of Economic Development and Technology Republic of Poland. For the purposes of this research, simple statistical methods, desk research, and graphic methods were used. In the analyzed years, the value of trade was increasing. Poland achieved a positive trade balance (trade surplus)..*

**KEYWORDS:** *economic cooperation, foreign trade; Poland's trade with Bosnia and Herzegovina, commodity exchange,*

## INTRODUCTION

Modern international cooperation takes various forms and purposes. One of the most important forms of economic cooperation is international trade. Foreign trade is recognized all the time as an important factor affecting the economic development of countries. The benefits that trade provides (among other things, it affects the size of GDP, leads to specialization, enables and facilitates technological progress, increases productivity, determines the increase in product quality and cost reduction) make it a key element of economic policy.

The purpose of the article was to characterize the trade exchange between Poland and Bosnia and Herzegovina (BiH) and attempt to assess the prospects for the development of this economic cooperation. The research focuses on the exchange of goods.

Two countries were analyzed. Bosnia and Herzegovina is a smaller country than Poland. The total area of the country is 51.2 thousand km<sup>2</sup>, and the population is 3.233 mil-

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1 Dr Agnieszka Malkowska, University of Szczecin, Poland; agnieszka.malkowska@usz.edu.pl

2 Dr Arkadiusz Malkowski, West Pomeranian University of Technology in Szczecin, Poland; amalkowski@zut.edu.pl

lion . Poland covers more than 322.5 thousand km<sup>2</sup> and has a population of 37.561 million<sup>3</sup> (The World Bank 2023). The economies of the countries studied also differ, as shown by the basic macroeconomic indicators in Table 1.

*Table 1. Selected macroeconomic indicators for Poland and Bosnia and Herzegovina in 2022*

<b>Macroeconomic indicators</b>	<b>Poland</b>	<b>Bosnia and Herzegovina</b>
GDP (dynamics in %)	5.1	3.5
GDP per capita (EU=100)	80	35
Inflation	14.4	16.3
Unemployment rate	5.2	16.1

*Source: own study based on: (GUS, 2023); (EUROSTAT, 2023), (MRiT RP 2023b).*

Poland has been a member of the European Union since 2004 and is subject to the EU's Common Commercial Policy. Bosnia and Herzegovina was granted conditional EU candidate status on December 13, 2022 (European Council, 2022). In the context of BiH's quest for EU membership, the country's trade policy has been liberalized. All limits on the import of goods, import and export licenses, and restrictions on tariff and non-tariff barriers have been lifted. No special permit is required to re-export. However, barriers to arms production and export still exist (MRiT RP 2023.). The European Union is BiH's most important economic partner (Brkić, Kastratović, Abidović-Salkica 2021) - they are bound by a free trade agreement. Bosnia and Herzegovina's trade with the EU accounted for 72% of total exports and 66% of imports in 2021 (Polish-Balkan Agency... 2023). It should be noted, however, that Poland and BiH are linked by economic agreements concluded both after the creation of independent BiH, as well as those concluded still by the Polish People's Republic and Yugoslavia.

For the purpose of drawing conclusions, inductive and deductive methods based on desk research were used. Predominantly, data from the Central Statistical Office (GUS) and Eurostat were used. Additionally, information was drawn from the website Ministry of Economic Development and Technology Republic of Poland (MRiT RP). The results were presented graphically in the form of tables and figures. Statistical data were a significant limitation of the study. Limited access to homogeneous data determined the time range of the research covering the years 2015-2022.

## **THE IMPORTANCE OF INTERNATIONAL TRADE**

Foreign trade is one of the oldest forms of economic activity based on contacts between countries. Exchanges take place on the international market, which allows contact between buyers and sellers coming from different countries.

Foreign trade results in an increase in domestic product through economic efficiency (Krugman, Obstfeld 2009). This is because foreign trade leads to specialization and narrowing of basic areas of activity. This is reflected in the views of economic classics Adam Smith and David Ricardo formulating, respectively, the „absolute cost theory” and the „comparative cost theory”. They treat the effects achieved through the reallocation of resources re-

<sup>3</sup> Number of inhabitants of Poland and Bosnia and Herzegovina for 2022, data from The World Bank, <https://data.world-bank.org/indicator/SP.POP.TOTL> (Access: 25.08.2023).

sulting from absolute or comparative advantage. These theories are widely considered the key to building international competitiveness, through specialization in production and international trade. International trade benefits participants in these exchanges, giving them a chance to find their place in the global supply chain and thus in the world economy

Observations of the cause-and-effect relationship between economic development and foreign trade, allow us to conclude that economies open to trade relations with foreign partners develop more dynamically than closed economies. Nowadays, the increase in the importance of foreign trade is triggered by the ongoing process of globalization and the associated intensive development of economic cooperation in the international arena. The processes of economic and social change that we are witnessing are characterized by the constant emergence of new relationships and dependencies. International trade cooperation, thanks to the unlimited possibilities of communication and cooperation between entities located anywhere on the globe, is developing in inter- and intra-industry directions (Aquino 1978).

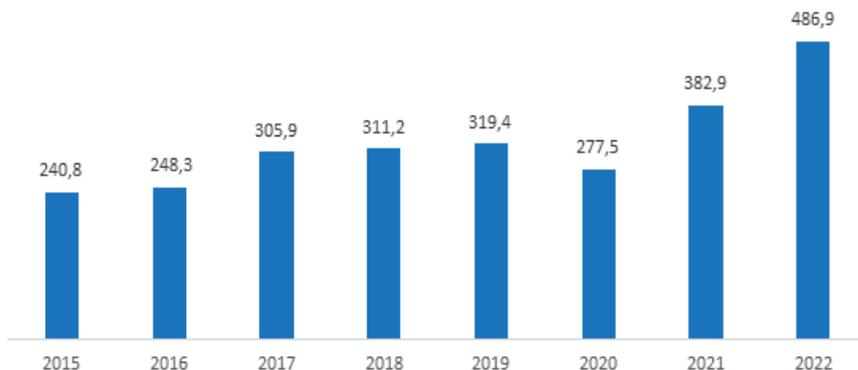
Defining the role of foreign trade in the modern economy, it is important to emphasize its impact on changing the physical structure of national income. Thanks to the export of many goods and services in which a country has achieved specialization (Schott 2004), it is possible to import other products that the country lacks due to a lack of raw materials, or whose production is not profitable. This is fostered, and at the same time made possible, by the international division of labor (Friedmann 2021; Cochen 2018), in which all economies open to international cooperation participate. This allows for an increase in the quality and size of domestic consumption. and thus affects the quality of life of the population.

In contrast to autarkic economies, trade facilitates technological progress through the import of modern technology (purchase of know-how, licenses) and high-tech products. This, in turn, has a positive impact on the quality of manufactured products in countries open to international cooperation (Melitz, Redding 2021). Therefore, one of the basic functions of foreign trade is to increase resource efficiency, as well as to rationalize other processes of economic and social nature taking place in the country participating in trade.

## **POLAND'S TRADE WITH BOSNIA AND HERZEGOVINA – CHARACTERISTICS**

Analysis of statistical data from 2015 to 2022 indicated a continuous increase in the exchange of goods between Poland and Bosnia and Herzegovina. In 2015, the total value of trade was EUR 240.8 million, and in 2022 it will already be EUR 486.9 million. This represents an impressive increase of more than 102%. The only decrease in the value of trade in goods was recorded in 2020, which is explained by the effects of restrictions resulting from the COVID-19 pandemic (Ozili, Arun 2023). However, it is worth, noting that already in the following year 2021 there was a rebound and growth (see Fig. 1.).

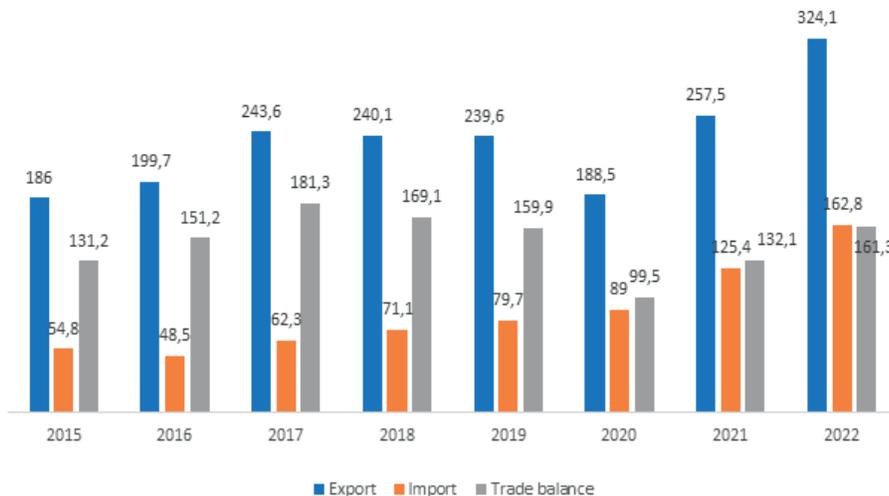
Figure 1. Trade in goods between Poland and Bosnia and Herzegovina between 2015 and 2022 (in EUR mln)



Source: own study based on: (MRiT RP 2023b).

During the period under review, Polish exports to Bosnia and Herzegovina increased by as much as 74% (from 186 million EUR in 2015 to 324.1 million EUR in 2022). In this case, the upward trend was not continuous, as there was a noticeable decline in 2018-2020. However, from 2021 onward, a high growth rate of Polish goods exports was again observed. An even greater, almost twofold increase (by 197%) was recorded for imports from BiH to Poland. In 2015, the value of the surveyed imports was EUR 54.8 million and in 2022 it was already EUR 162.8 million. This means that the dynamics of Polish exports in the studied period was lower than the dynamics of imports (see Fig. 2). This should be viewed positively from the point of view of Bosnia and Herzegovina's export development.

Figure 2. Poland's trade in goods with Bosnia and Herzegovina between 2015 and 2022 (in EUR mln)



Source: own study based on: (MRiT RP 2023b).

Poland's trade balance with Bosnia and Herzegovina in terms of exchange of goods was positive and growing during the period under review, except for 2018-2020. It amounted to EUR 131.2 million in 2015 and EUR 161.3 million in 2022, an increase of 23%. In 2020, the balance reached its lowest level, i.e. EUR 99.5 million. After 2020, the trend was reversed and a steady improvement in the trade balance was observed (Figure 2).

The presented combined view of exports and imports of goods gives a general picture of Poland's trade with Bosnia and Herzegovina. An in-depth analysis of the commodity structure provided more detailed information. The dominant items in Poland's exports to BiH were: food products, including dairy, meat and confectionery, chemical products, furniture, mattresses, metal products, household appliances and textiles. Exports from Bosnia and Herzegovina to Poland were mainly based on chemical products, textiles and machinery and machine parts. The most important commodity items in this regard and their percentages are shown in Table 2.

*Table 2. Share of the most important commodities in Polish trade with Bosnia and Herzegovina in 2021 (%)*

Main commodity items in Polish exports to Bosnia and Herzegovina	Percentage	Main commodity items in Polish imports from Bosnia and Herzegovina	Percentage
Plastic fibres	4.2%	Untreated aluminum	11.6%
Furniture	3.8%	Parts for internal combustion engines	10.4%
Impregnated fabrics	3.0%	Furniture	8.5%
Steam turbines	2.7%	Zinc ores and concentrates	6.5%
Sanitary towels	2.6%	Carbonates and peroxocarbonates	5.3%
Aliphatic hydrocarbons	2.4%	Electrocorundum	4.4%
Fresh beef	2.2%	Centrifuges, dryers	4.1%
Centrifuges, dryers	1.9%	Hydrogen, noble gases	4.1%
Chocolate	1.9%	Wires, cables	3.5%
Fittings for pipes, boilers	1.8%	Other furniture and parts	3.1%
Clothing	1.7%		

*Source: MRiTP 2023b.*

Trade turnover between Poland and Bosnia and Herzegovina in 2021 allowed Poland to rank 11th among BiH's most important trade partners. In 2020, Poland ranked tenth, and in 2019 it was eighth. In contrast, BiH's share of Polish exports was marginal.

## PROSPECTS FOR THE DEVELOPMENT OF TRADE COOPERATION

The process of globalization and its intensification in the late 20th and early 21st centuries have contributed to the increasing interconnection of national economies. This process is one of the most important determinants of the development of economies in the global space. Globalization is leading to a surge in global trade. It accelerates the flow of production factors on a national and global scale. The multilateral liberalization of international trade and the accompanying increase in ties of a regional nature is an important factor in the development of bilateral trade relations.

Poland's economic cooperation with Bosnia and Herzegovina is characterized by a convergence of strategic interests (integration into the European Union and the development of foreign trade) and a lack of open problems. Currently, Poland's policy towards Bosnia and Herzegovina is focused on supporting the country's aspirations for membership in Euro-Atlantic structures - the European Union and the North Atlantic Treaty Organization. Based on bilateral agreements, scientific and technical cooperation is being developed, as well as cooperation in the field of transportation and tourism.

Year after year, the value of Polish companies' investments in BiH is growing. The largest Polish investors in BiH with share capital of more than EUR 50 thousand are (MRiT RP 2023a):

- ORGANIKA BH d.o.o. Sarajevo (Malborskie Zakłady Chemiczne „Organika” SA);
- LPP BH d.o.o. Banja Luka (LPP SA, Gdansk);
- INTER CARS d.o.o. Sarajevo (Inter Cars SA, Warsaw);
- Payten d.o.o. Sarajevo (Asseco South Eastern Europe SA);
- Asseco SEE d.o.o. Sarajevo, (Asseco South Eastern Europe SA);
- Aliplast Aluminium Systems d.o.o. Konjic, (Aliplast Sp. z o.o., Lublin).

The prospects for the development of mutual trade relations are rooted in the level of competitiveness of both economies and the possibility of increasing it. The volume of trade, as a result of competitive activity, is shaped both by exogenous factors (resulting, among others, from foreign and international economic policy conditions, and endogenous factors (related to the specific features of the economies of Poland and BiH). Due to the collapse of economic cooperation with Russia, Belarus and the great difficulties in cooperation with Ukraine, many Polish producers are looking for new markets.

The Western Balkans region is particularly attractive due to its geographic proximity and the growing markets in the region. Bosnia and Herzegovina is seen as an attractive market, as well as a place to locate investments. It is expected that imports of products from BiH to Poland will also develop in the coming years. A particularly attractive area of cooperation is tourism. There is growing interest among Poles, both in traveling to Bosnia and Herzegovina and in investing in the real estate market. Observations of the trade exchange to date clearly indicate that further development of mutual trade in services as well as innovative products is expected in the near future.

## CONCLUSION

Increased international competitiveness prompts countries to develop their exports. Poland is interested in developing economic cooperation, including trade, with Bosnia and Herzegovina, as evidenced by Polish programs conducted in this market to promote the export of goods, realized economic missions or the activities of institutions such as the Agency for Polish-Balkan Economic Cooperation.

The conducted research confirmed that trade between Poland and Bosnia and Herzegovina has been developing in the period 2015-2022, both in terms of exports and imports. Poland is not one of Bosnia and Herzegovina's main trading partners, but it was among the TOP-15 during the period under review. Analysis of Bosnia and Herzegovina's import demand indicates opportunities to increase sales to this market of many Polish products,

such as meat and chocolate products. On the other hand, Bosnia and Herzegovina is marginal for Poland in the export of goods. However, it should be emphasized, the positive trade balance that Poland obtains from this exchange.

There seems to be great potential for further economic cooperation in the field of trade in services. Indeed, Bosnia and Herzegovina's main economic sector is services. Potential is indicated for the development of tourism and hydropower (which already accounts for 34% of the electricity produced in BiH) (Błaszczuk-Zawiła 2019, p. 34). Bosnia and Herzegovina's further integration into the EU and full membership will certainly boost bilateral cooperation.

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