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DOI : 10.14746/rie.2023.17.8

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## **Grain issue in relations between Ukraine and the EU**

### **Introduction**

The crisis in Ukraine has become a significant challenge for the current security system not only in Europe, but throughout the world. On the political level, many countries, primarily the USA and the EU member-states, sought to help Ukraine. However, the taken steps created problems for some EU countries. The analysis of these problems and the search for ways out of them determine the relevance of this publication.

The main hypothesis of this paper is that the construction of logistics routes along which goods are delivered is a key component of global trade, while the violation of these logistics routes may lead to significant and unpredictable negative consequences.

Therefore, the EU's attempt to support Ukraine by allowing it to export its goods without restrictions after a certain time has put pressure on those EU member-states through which the forcedly created new logistics routes passed. And this pressure was transformed into political dissatisfaction among the EU economic entities affected by it. As a result, a situation was created in which political support for Ukraine from Poland and some EU counties, on the one hand, was combined with actions that limited Ukraine's economic opportunities, on the other hand.

The theories of international trade, scientific works of foreign and Ukrainian scholars served the methodological basis of the research. To assess the foreign trade activities of Ukraine and to come up with recommendations various methods have been used, e.g. economic-mathematical, statistical, comparison, tabular, method of expert assessments, abstract-logical method, etc. The statistical data of the State Customs Service of Ukraine, as well as regulatory and legal acts of the EU and Ukraine served as the information base for this publication.

Despite the fact that the war continues, we can state that there have appeared some additional challenges that have not been studied in scientific circles. However, some scientific articles have partially touched on this topic. Thus, some papers (Fernandes, Teixeira, Santos, 2023) are devoted to the issue of the impact of the war in Ukraine on

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the logistics of grain and the costs of grain transportation around the world. The political reasons for the current situation are explored in articles in periodicals (Vinogradoff, 2023), as well as their influence on the elections in Poland (Morris, Chapman, 2023).

The objective of the paper is to reveal the reasons for the complication of relations between Ukraine and the countries of Central and Eastern Europe, the EU in the spring of 2023.

The tasks of the article are the following:

- to analyze which EU countries themselves have introduced separate restrictive measures against Ukraine;
- to reveal the dynamics of the physical volumes of grain exports from Ukraine;
- to consider the legal aspect of the application of restrictive measures;
- to determine the consequences of measures;
- to calculate Ukraine's potential losses.

After the beginning of the war of the Russian Federation against Ukraine, the EU decided to support Ukraine not only militarily, but also economically. Loans, grants, and the lifting of restrictions on imports from Ukraine served the basis for economic support. On June 4, 2022 the Regulation of the European Parliament and the Council No. 2022/870 (*Regulation...*, 2022) on temporary measures to liberalize trade entered into force. This decision supplemented the opportunities available to Ukrainian exporters in accordance with the Association Agreement between Ukraine and the EU.

According to the Regulation, for the period until June 5, 2023, a decision was made regarding:

- suspension of customs duties for industrial products;
- suspension of the application of the input price system for fruits and vegetables;
- suspension of all tariff quotas for agricultural products;
- suspension of anti-dumping duties on imports of goods originating in Ukraine;
- suspension of the application of global protective measures for Ukrainian goods.

In turn, the liberalization of trade relations assumed that Ukraine would comply with the European rules: the origin of goods and relevant procedures within the framework of the Association Agreement, refraining from any new restrictions on imports from the EU, Ukraine's respect for democratic principles, human rights and fundamental freedoms, rule of law, fight against corruption.

Largely thanks to this move by the EU, the exports of goods from Ukraine to the EU in 2022, despite the confrontation, which disabled the industrial facilities, increased by 4% compared to 2021 (*State of foreign trade*, 2022). To a large extent, this growth was formed by an increase in the supply of agricultural goods and food products by 65%. Due to the logistics component, these deliveries went to the countries of Central and Eastern Europe, which have a land border with Ukraine (*The total volume...*, 2022). Consequently, the protests were initiated in these countries at the beginning of 2023.

### **Which countries of Central and Eastern Europe banned and what exactly**

In mid-April 2023, some EU member states among the countries of Central and Eastern Europe began to introduce restrictions on trade with Ukraine. The following countries resorted to these actions:

**Poland.** On April 16, 2023 the Polish government decided to ban the imports of grain, milk, eggs, and poultry meat from Ukraine until June 30, 2023. The transit of grain through the territory of Poland was also prohibited. However, on April 21, 2023 the transit was unblocked, after a change in the transit procedure. According to the updated procedure, vehicles transporting grain from Ukraine are to be sealed, and their route is to be tracked. The formation of accompanying convoy with officers in uniform is expected. The drivers are supervised to ensure that the cargo contents in these trucks are not unloaded on the territory of Poland.

**Slovakia.** On April 17, the government of Slovakia banned the import of agricultural products from Ukraine until June 30, 2023. However, unlike Poland, the ban did not apply to the transit of the specified types of products.

**Hungary.** On April 16, Hungary banned the import of grain, oil crops and some other agricultural products from Ukraine. Like in Poland, the ban will last until June 30, 2023. The ban does not apply to transit.

**Romania.** Despite the demands of the ruling party of Romania to ban the imports of agricultural products from Ukraine, this country decided not to unilaterally ban the imports of Ukrainian grain and wait for the European Commission to introduce measures aimed at helping farmers in Central and Eastern Europe.

**Bulgaria.** From April 24, 2023 Bulgaria banned the imports of Ukrainian grain and food products. Like other countries, that have resorted to similar measures, Bulgaria has imposed a ban until June 30, 2023. The ban does not apply to transit.

**Czech Republic.** Checks by the Czech supervisory authorities of grain, meat or eggs from Ukraine did not reveal an unsatisfactory sample, so it was decided not to ban the imports of these products. In addition, the volume of wheat supplied from Ukraine is 0.1% of domestic production (although Ukraine mainly supplies corn to the Czech Republic). Nevertheless, the Czech Republic did not join the other five countries of Central and Eastern Europe in trying to limit Ukraine's exports (*EU Investigates...*, 2023; Ellyatt, 2023; Kijewski, Brzeziński, 2023).

To a certain extent, the measures of these countries are justified by a significant increase in the volume of supplies of food products, primarily grain, from Ukraine (tables 1 & 2).

Table 1

**Physical volumes of grain exports to the countries of Central and Eastern Europe  
in 2021–2022, tons**

Country	2021	2022	Dynamics
Poland	64,960	2,734,187	Increased 42 times
Slovakia	499	484,958	Increased 972 times
Hungary	22,901	1,576,168	Increased 69 times
Romania	1,610	5,386,540	Increased 3346 times
Bulgaria	4,714	46,950	Increased 10 times
Czech Republic	11,977	37,254	Increased 3 times

Source: State Customs Service of Ukraine, 2023.

As tables 1 and 2 demonstrate, the significant rate of growth of grain exports, along with the fact that the logistics of grain delivery routes from Ukraine in the previous

periods largely did not include these countries, resulted in the problem of overflowing warehouses for grain storage. Eventually, the transshipment capabilities of these countries were not designed initially for such flows of goods.

Table 2

**Physical volumes of grain exports to the countries of Central and Eastern Europe in the first quarter of 2021 and 2023, tons**

	First quarter of 2021	First quarter of 2023	Dynamics
Poland	7,255	799,978	Increased 110 times
Slovakia	0	196,871	There were no exports in the first quarter of 2021
Hungary	2,167	622,708	Increased 287 times
Romania	384	2,494,108	Increased 6495 times
Bulgaria	844	3,875	Increased 5 times
Czech Republic	605	15,210	Increased 25 times

Source: State Customs Service of Ukraine, 2023.

Farmers in some countries of Central and Eastern Europe began to complain that a significant part of the grain settles on the domestic market, which leads to price dumping and the impossibility of selling their own grain. Besides, Ukrainian grain turned out to be cheaper than their domestic grain. Thus, Romanian farmers claimed that grain from Ukraine is 30% cheaper than their domestic grain.

Moreover, farmers from these countries realized that when they harvest their crops in mid-2023, there will be no space for storage. The above mentioned situation set the stage for a protest mood among farmers who began to put pressure on their governments to intervene.

Given that in autumn 2023 Poland will hold regular elections for members of the Sejm and the Senate, this country was the first to take action, and other countries followed (Slovakia will also hold parliamentary elections in September 2023).

### Legal aspect

The introduction of a ban on the import of Ukrainian goods to the territory of Poland, Slovakia, Hungary, and Bulgaria, which are integral parts of the EU internal market, is a direct violation by these countries of the provisions of the Association Agreement between Ukraine and the EU (*Association Agreement*) on the inadmissibility of introducing quantitative restrictions or bans on the import of goods (Article 35 of the Agreement).

In a similar way, the decision of the competent authorities of individual countries to stop or suspend the implementation of phytosanitary control of agricultural products at border crossing points with Ukraine violates the Association Agreement (Article 34 of the Agreement) on the national treatment regime for the import of goods.

In addition, this highly unusual move is an attempt to settle a series of unilateral moves by a group of Eastern European member states that have challenged the EU's core powers over the EU trade policy.

The decisions of these countries can hardly be called compatible with the EU legislation itself, namely with the Treaty on the Functioning of the EU (*Consolidated version of the Treaty*, Article 28 (2) and Article 29). These rules of the Treaty guarantee the unimpeded circulation of goods within the EU customs union (of which these countries are a part with all the benefits that follow for the exporters of these countries) after compliance with all the necessary customs clearance formalities.

It is important to note that the EU Treaty directly and unequivocally gives goods originating from third countries (which is Ukraine), after their customs clearance when imported into the customs territory of the EU, the same status as goods of European origin. This very norm, in fact, demonstrates the absurdity of any attempts by these countries to divide the import and transit of Ukrainian goods to other EU countries, since the regime of the EU customs union does not allow the existence of separate national customs territories.

Thus, the Treaty on the Functioning of the EU (Article 26) enshrines exclusively for the EU institutions the right to adopt normative acts that ensure the freedom of movement of goods as one of the four economic freedoms on which the functioning of the EU internal market is based.

It is necessary to mention that the decision of individual EU countries completely ignores the mechanism of protective measures provided for by the EU legislation, which can be temporarily introduced in the event of an unpredictable, sharp increase in the imports of goods from the third countries and the appearance of significant losses or the threat of losses to the European producers. But in order to use this mechanism, it is necessary to prove the fact and the relationship between imports and significant damage to the majority of European producers.

Thus, the decisions of individual EU countries lay the foundation for an institutional crisis in the EU. So, the integrity and efficiency of the EU internal market is questioned, both from an economic point of view – the ability to ensure the operation of market mechanisms to balance supply and demand imbalances, and from a legal point of view – the readiness to counteract violations of the regulatory framework of the internal market.

The institutional crisis may even intensify if in the near future there is no decisive and effective reaction of the European Commission to the steps taken by individual EU countries that resorted to unilateral steps to restrict exports from Ukraine. Therefore, the solution to the current problem should quite logically be found in the course of negotiations with the participation of Ukraine, the five EU countries and the European Commission.

### **The consequences of the measures taken and Ukraine's potential losses**

The first consequence was that on April 19, 2023 the EU was unable to extend duty-free trade with Ukraine until June 2024 (the current EU decision is valid until June 5, 2023), and initially postponed the decision on this issue to April 26, 2023 and then to April 28, 2023.

At the same time, on May 2, 2023, the European Commission adopted exceptional and temporary precautionary measures regarding the imports of certain agricultural

goods from Ukraine. The imports ban concerns four agricultural products – wheat, corn, rapeseed and sunflower seeds – originating from Ukraine. It is aimed at “eliminating logistical problems” related to these goods in Bulgaria, Hungary, Poland, Romania and Slovakia.

The measures entered into force on May 2 and will last until June 5, 2023. During this period, the mentioned goods can be imported into all EU states, except for the mentioned five. At the same time, Ukrainian products can be transited through their territory.

It’s important to underline that Bulgaria, Hungary, Poland, and Slovakia have committed to cancel their unilateral measures on wheat, corn, rapeseed and sunflower seeds, as well as on any other products originating from Ukraine.

### Ukraine’s potential losses

In order to determine the amount of potential losses that Ukraine may incur because of this decision, it is essential to extrapolate from the numbers obtained from trade with Poland, Slovakia, Hungary, Romania, and Bulgaria in the first quarter of 2023 for the period until June 30, 2023 (i.e. for the second quarter), shown in table 3.

Table 3

#### The value of Ukraine’s exports of certain goods to Poland, Slovakia, Hungary, Romania, and Bulgaria in the first quarter of 2023, million USD

<b>Poland</b>	
Foodstuffs and agricultural products	652.7
– Wheat	63.1
– Corn	98.5
– Rapeseed seeds	47.6
– Sunflower seeds	11.7
<b>Slovakia</b>	
Foodstuffs and agricultural products	87.5
– Wheat	6.1
– Corn	36.1
– Rapeseed seeds	3.1
– Sunflower seeds	0.4
<b>Hungary</b>	
Foodstuffs and agricultural products	267.9
– Wheat	12.4
– Corn	149.1
– Rapeseed seeds	3.0
– Sunflower seeds	32.0
<b>Romania</b>	
Foodstuffs and agricultural products	828.2
– Wheat	158.8
– Corn	341.1
– Rapeseed seeds	15.9
– Sunflower seeds	67.0

<b>Bulgaria</b>	
Foodstuffs and agricultural products	120.0
– Wheat	0.09
– Corn	0.8
– Rapeseed seeds	3.0
– Sunflower seeds	42.5

**Source:** *State Customs Service of Ukraine, 2023.*

Thus, if Ukraine fail to export food and agricultural products, then Ukraine may lose approximately 2 billion USD. In the first quarter of 2023, exports of food and agricultural products to Poland, Slovakia, Hungary, Romania, Bulgaria accounted for 19% of Ukraine's total exports.

If the restrictions affect wheat, corn, rapeseed and sunflower seeds, then potential losses in exports may amount to 1.1 billion USD or 10.6% of Ukraine's exports in the first quarter of 2023.

However, it should be noted that in the case of such a decision, Ukraine may demand compensation from the EU institutions for the losses of its economic operators due to the violation of the Association Agreement. And then Ukraine has every opportunity to seek such compensation within the framework of the arbitration mechanism provided for in the Agreement.

## Conclusions

In summary, the study, based on the analyzed data on Ukraine's trade with the Central and Eastern European countries, reveals that the political step of the EU, aimed at supporting the economy of Ukraine in the conditions of a full-scale war, put huge pressure on the farmers of the Central and Eastern European countries since the warehouse system of these member-states was not ready for such a significant increase in supplies from Ukraine.

In particular, the physical volumes of Ukraine's grain exports increased within the range between 5-6495 times depending on the country during 2021–2023, resulting not only in the EU farmers' complains on volumes, but also on the price of Ukrainian grain since the significant part of the exported grain settled on the EU member-states domestic markets because it appeared to be cheaper in comparison with the domestic grain.

It has been shown that among the countries of Central Europe, Poland, Slovakia, Hungary, Romania, Bulgaria have adopted unilateral restrictions against certain agricultural goods from Ukraine. At the same time the Czech Republic refrained from such actions. Subsequently, this decision was supported at the level of the European Commission.

This above mentioned action led to a significant reduction in the supply of agricultural goods from Ukraine to the countries that introduced this restriction.

The analysis of the regulatory framework has demonstrated that the steps taken by the governments of Poland, Slovakia, Hungary, Romania and Bulgaria (and sub-

sequently supported at the level of the European Commission) ran counter to their obligations as EU members, as well as violated the Association Agreement between Ukraine and the EU. It is underlined that the EU Treaty directly and unequivocally gives goods originating from third countries (which is Ukraine), after their customs clearance when imported into the customs territory of the EU, the same status as goods of European origin: this very norm demonstrates the absurdity of any attempt by these countries to divide the import and transit of Ukrainian goods to other EU member-states, since the regime of the EU customs union does not allow the existence of separate national customs territories. Also the analysis allowed to underline that the above mentioned situations created the preconditions for an institutional crisis in the EU.

The calculations revealed the potential corridor of losses for Ukraine from the introduction of restrictions by Poland, Slovakia, Hungary, Romania and Bulgaria showing its range within 1.1–2 bln USD.

Avoiding similar problems in the future requires a solution in the triangle Ukraine-European Commission-individual EU members.

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### Summary

The paper focuses on grain issue in relations between Ukraine and the EU. The objective of the study is to reveal the reasons for the complication of relations between Ukraine and the countries of Central and Eastern Europe in the spring of 2023. To achieve the objective, the authors: 1) analyze which EU countries themselves have introduced separate restrictive measures against Ukraine; 2) reveal the dynamics of the physical volumes of grain exports from Ukraine; 3) consider the legal aspect of the application of restrictive measures; 4) determine the consequences of measures, and 5) calculate Ukraine's potential losses. It is underlined that the political step of the EU aimed at supporting the economy of Ukraine in the conditions of the war created additional pressure on the farmers of Central and Eastern European countries, because the warehouse system of these countries was not ready for a significant increase in supplies from Ukraine. The steps taken by the governments of some Central and Eastern European countries ran counter to their obligations as EU members and violated the Association Agreement between Ukraine and the EU. In addition, these steps created the preconditions for an institutional crisis in the EU. It is concluded that avoiding similar problems in the future requires a solution in the triangle Ukraine–European Commission–individual EU members.

**Key words:** grain exports from Ukraine, the countries of Central and Eastern Europe, the EU institutional crisis, Ukraine's potential losses

### Ekspert zboża a stosunki między Ukrainą a UE

#### Streszczenie

Artykuł koncentruje się na problematyce zbożowej w stosunkach między Ukrainą a UE. Celem opracowania jest wskazanie przyczyn komplikacji stosunków między Ukrainą a państwami Europy Środkowo-Wschodniej wiosną 2023 roku. W tym celu autorzy: 1) skoncentrowali swoją uwagę na państwach UE, które arbitralnie wprowadziły odrębne środki ograniczające eksport ukraińskiego zboża; 2) przeanalizowali dynamikę fizycznych wielkości eksportu zboża z Ukrainy; 3) rozważyli prawne aspekty zastosowania środków ograniczających; 4) określili konsekwencje działań oraz 5) obliczyli potencjalne straty Ukrainy. W efekcie, ustalono że polityczny krok UE mający na celu wsparcie gospodarki Ukrainy w warunkach wojny wywołał dodatkową presję na rolnikach państw Europy Środkowo-Wschodniej. Spowodowane to było faktem niedostatecznego przygotowania systemów magazynowania tych państw. Podkreślić przy tym należy, że działania podjęte przez rządy niektórych państw Europy Środkowej i Wschodniej

były sprzeczne z ich zobowiązaniami jako członków UE i naruszyły układ stowarzyszeniowy między Ukrainą a UE. Ponadto kroki te stworzyły warunki wstępne do wystąpienia kryzysu instytucjonalnego w UE. Uniknięcie podobnych problemów w przyszłości wymaga rozwiązań wypracowywanych w trójkącie Ukraina–Komisja Europejska–poszczególni członkowie UE.

**Słowa kluczowe:** eksport zboża z Ukrainy, państwa Europy Środkowo-Wschodniej, kryzys instytucjonalny UE, potencjalne straty Ukrainy