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The system of factors affecting the intensity of Lithuanian-Polish cooperation

The paper analyses factors and conditions which determine the level of cooperation between Lithuania and Poland and which, according to their effect, are divided into driving forces and obstacles. The main driving forces are associated with the Euro-Atlantic objectives of both countries that affect the developmental trends and with the EU membership. They include different bilateral and multilateral agreements, participation in the institutions operating within the Baltic Sea macro-region, and in the pursued strategies, as well as the possibilities to benefit from the EU regional policy instruments. The obstacles for cooperation are associated with specific peculiarities of economic development of both countries. They cover the peripheral nature of Lithuanian economy as well as the inequality of economic potential of both countries. In addition, the “emotional charge”, hindering the realization of the idea of strategic partnership, is also considered as an obstacle for further development of the discussed cooperation.

System czynników wpływających na intensywność współpracy litewsko-polskiej

Celem niniejszego artykułu jest przeanalizowanie czynników i warunków determinujących poziom współpracy pomiędzy Litwą i Polską, a które, zgodnie z ich działaniem, podzielono na sprzyjające owej kooperacji i stające jej na przeszkodzie. Jej główne siły napędowe związane są z euroatlantyckimi celami obu tych krajów, które określają panujące w nich trendy rozwojowe, oraz z ich przynależnością do Unii Europejskiej. W ich skład wchodzi rozmaite bilateralne i multilateralne porozumienia, członkostwo w organizacjach działających na terenie mikroregionu morza Bałtyckiego oraz wdrażane strategie, a także możliwe korzyści z polityki regionalnej UE. Przeszkody stające na drodze tej współpracy wiążą się natomiast ze swoistymi cechami rozwoju ekonomicznego obu omawianych krajów – peryferyjnością litewskiej gospodarki i nierównością ich potencjałów ekonomicznych. Wspomniany „ładunek emocjonalny” utrudniający zawiązanie strategicznych, partnerskich stosunków, także stanowi przeszkodę na drodze dalszego rozwoju współpracy Polski i Litwy.

Keywords: Poland, Lithuania, cooperation, driving forces, obstacles.

Klasyfikacja JEL: F15, F53, F55

Introduction

Lithuania and Poland belong to the group of Central and East European countries, in which the transition from the communist to the democratic system with regulated market economy occurred free from major difficulties. Irrespective of some problems of the first years of the reconstruction, the societies and economies of both countries rapidly joined the developmental trend typical to West European countries. That, together with specific historical and cultural ties of both countries, formed the basis for further development of political and economic relations.

It is to be noted that, actually, the relations were being built anew, even though the governments of both Lithuania and Poland tried to communicate the idea of “renewal” or “updating”. The shared history of the inter-war period, however, hindered the process, and their mutual relations were, to say the least, tense [Kaczor, 2013, p. 1]. Despite that, due to the recent systemic changes, at the end of the 20th century a new vision of cooperation between Lithuania and Poland was formed, the basis of which was the shared aim of integration into the Euro-Atlantic structures. The membership in the EU and other international organizations has been the core condition for cooperation in different areas.

Like any other process, the cooperation between Lithuania and Poland has its own driving forces as well as obstacles which determine the present state of their relations – which could, possibly, be at a higher level. The driving forces are the factors (circumstances) of different nature and character creating pre-conditions for cooperation, and the obstacles are those factors which aggravate that cooperation. It is common knowledge that the essential determinants are, by their nature, market elements, i.e. supply, demand, competition, cost, profit, etc. In the modern stage of economic development, a major role is played by the factors of social and political nature created by people seeking to guide the development of cooperation in the desired direction, mainly in the direction of growth. This paper is specifically focused on the factors of that type.

Even though the issue of the cooperation between Lithuania and Poland has been comprehensively analysed in the scientific literature, a systemic approach to all the factors determining the intensity of that cooperation is nearly non-existent. This aggravates not only the analysis and evaluation of the existing situation, but also creates uncertainty around the forecasts necessary for adopting decisions at both macro- and micro-levels.

The systemic character (Fig. 1.) of the factors affecting economic cooperation between Lithuania and Poland is determined by the following circumstances:

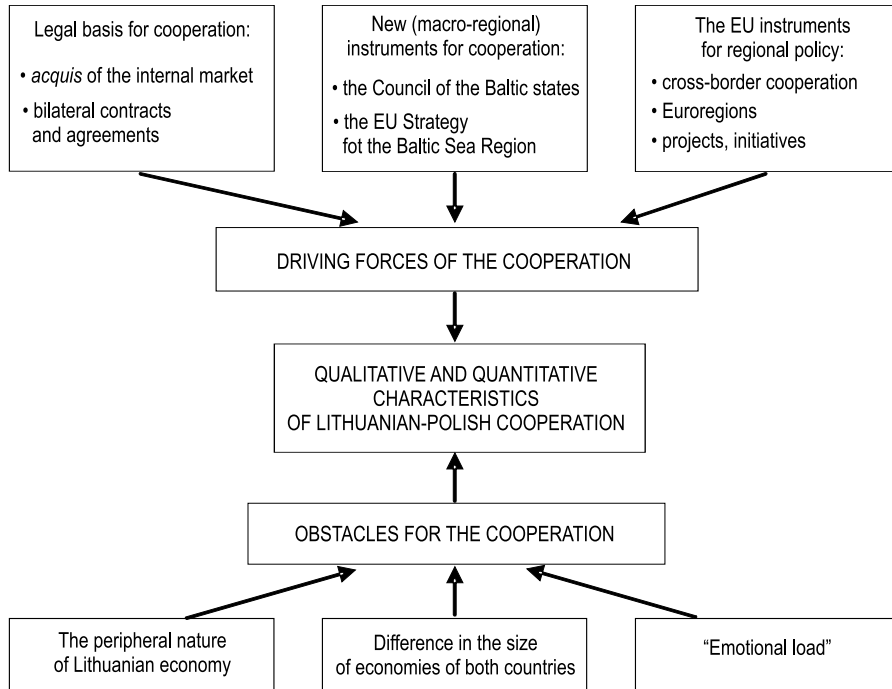


Figure 1. The system of the main factors affecting cooperation between Lithuania and Poland

Source: Own elaboration.

They are to be analysed in the context of global and, in particular, European integration processes. That context largely determines the nature of cooperation instruments.

Their operation is suppressed by a certain “emotional load” determined by the interrelations between both nations in a not distant past.

The aim of this paper is to expose that the present level of Lithuanian-Polish cooperation is the result of historically settled economic and cultural circumstances as well as these nations’ needs and willingness to strengthen their economic relations. To achieve this aim, two tasks are to be solved: firstly, to show how legal and political operations undertaken by people act as factors creating preconditions for Lithuanian-Polish cooperation, and secondly, to show the manifest obstacles for the cooperation between these countries.

The scope of the paper does not allow for a comprehensive analysis of this system; therefore, its content is reduced to highlighting and discussing only its essential elements. This can serve as the basis for further research.

1. Driving forces: factors creating preconditions for Lithuanian-Polish cooperation

This group of factors consists of a well-developed legal basis for the cooperation between the two countries, the international institutions operating in the Baltic Sea region, as well as strategies, programs, and initiatives pursued by the EU.

1.1. The legal basis for Lithuanian-Polish cooperation

The whole set of legal acts regulating the operation of the EU internal market should be considered as the main element of the legal basis for Lithuanian-Polish cooperation. While evaluating their effect on the development of economic cooperation, it should be kept in mind that the internal market is the aim of the European Community and a tool to resolve more comprehensive (not only economic) problems. Regional cooperation leads to the implementation of the idea of the internal market: the experience shows that where such cooperation exists (e.g. in Benelux or Scandinavian macro-regions), the degree of internal market implementation is considerably higher than in other EU areas [Szczołowski, 2008].

The countries of the Baltic Sea Region (including non-members of EU) have at their disposal additional instruments to promote closer cooperation. On the other hand, the framework of inter-regional cooperation produces better possibilities for exploiting the principle of free movement of goods, services, labour, and capital to the best advantage and the provisions of the joint trade agreement with the third parties.

The scientific literature [Ilzkovitz et al., 2007] identifies several other instruments for the European integration¹ functioning within the framework of the internal market which in the context of regional cooperation (not only in the Baltic Sea Region) operate as supplementary integrating factors. These are the application of mutual acknowledgement procedures, more comprehensive cooperation based on the Directive on Services, implementation of the IMI (Internal Market Information) system, appropriate application of the Directive on Delegated Employees, etc.

In terms of the economic integration theory, the internal market is a typical case of negative integration where the obstacles for cooperation are eliminated by liberalizing (more exactly, deregulating) the markets of the cooperating countries [Molle, 1994, p. 15]. In other words, it is when mutual agreements of the governments of two or more countries prohibit both the application of the existing re-

¹ The cases of negative and positive integration were identified by Jan Tinbergen in 1954. These concepts do not imply evolution; they only indicate the means of unification of economies.

strictions and the introduction of new ones against free movement of goods, services, labour, and capital. It is obvious that the measures of negative integration are designed for the regulation of economic relations and are clearly insufficient for the penetration of integration processes into other areas.

It is common knowledge that the EU legal acts ensuring free movement of goods, services, labour, and capital, as well as the establishment of enterprises in all the European countries, are binding for all EU Member States. In signing the EU accession treaty, Poland and Lithuania undertook to eliminate all the existing obstacles and not to create new ones which might hinder trade exchange, direct and other investment, free movement of specialists and labour force, as well as overall economic cooperation. The way that measure affected the scope of cooperation between both countries can be illustrated by the available import/export figures (Fig. 2). The volume of mutual trade between Lithuania and Poland has been permanently growing, but after 2004 the acceleration of this growth has been particularly considerable (Table 1) – which, according to the theory of economic integration, is regarded as one of the main outcomes of integration, i.e. trade creation [Molle, 1994, p. 19]. The fact that both countries belong to the EU internal market has led to the increasing – as compared to the earlier period – growth of mutual trade turnover after the year 2004.

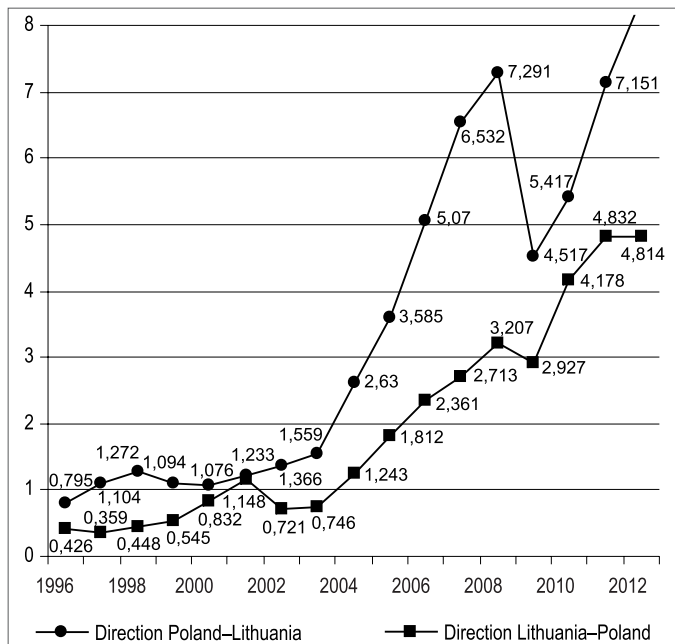


Figure 2. Goods turnover (in LT bn) between Poland and Lithuania in 1996–2012

Source: Own elaboration, based on: [SDL].

Table 1. Manufactured goods turnover dynamics between Poland and Lithuania

Turnover direction	Average annual growth until 2004 (%)	Average annual growth after 2004 (%)
Poland–Lithuania	11,0	22,0
Lithuania–Poland	5,8	27,8

Source: Own elaboration, based on: [SDL].

Alongside with the European Union *acquis communautaire*, which regulates the operation of both countries within the framework of the single market, the Lithuanian-Polish relations are defined by a number of mutual treaties and supplementary agreements (the basis of which is in compliance with *acquis communautaire*). Since 1992 as many as fifty legal acts have been signed. Some of them, such as the agreement on mutual trade and economic cooperation between the Republic of Lithuania and the Republic of Poland (February 1992) or the Free Trade Agreement between Poland and the Republic of Lithuania (in force since January 1, 1997, until June the same year) have, by this time, expired.

One of the bilateral treaties which made a great influence on the build-up of modern relations between Poland and Lithuania (including the economic ones) is the Treaty on Friendly Relations and Good Neighborly Cooperation of the Republic of Lithuania and the Republic of Poland, signed on April 26, 1994 and ratified by the parliaments of both countries on October 13, the same year. It covered all documents on Polish-Lithuanian relations. Alongside with general statements with respect to sovereignty and territorial integrity, the imposed ban on military aggression and interference into the internal affairs, the obligation for peaceful settlement of disputes, and the readiness of both countries to promote mutual relations, the above-mentioned Treaty aimed at settling the disputes of the shared past, i.e. the issue of the status of Vilnius, the capital of Lithuania, and the issue of national minorities in both countries [Szura-Olesińska, 2011]. The greatest achievement of the Treaty was the replacement of the policy of emotions by the policy of realism. Since that moment, a new stage of Polish-Lithuanian relations has been launched. Some authors [Kaczor, 2013, p. 4] suggest that the Treaty started a new phase of their cooperation, and their mutual relations acquired a normal shape characteristic of civilized countries. The priority of external policy of both countries was dedicated to the Euro-Atlantic integration, aimed at NATO and UE membership.

In the context of the change of political relations, the problems of economic cooperation of that time seemed of not very great importance; they were, however, included into the Treaty. Discussions on very practical and relevant issues, such as the international motorway “Via Baltica” and the European standard railway line “Rail Baltica”, or the construction of new borderline posts, were started. Solving

those and other problems brought about the growth of movement of goods, capital, and labour.

An especially important outcome of the Treaty was the idea of strategic partnership between Poland and Lithuania. Despite the fact that currently the conception of strategic partnership (i.e. level of its realization) is strongly criticized, it forms a solid base for development of mutual relations, including the economic ones. This idea was promoted by the Foreign Affairs Minister of Lithuania with regard to two facts: the geographical situation of the countries and the congruence of their political and economic goals. The idea got support from the Polish government and shortly afterwards a number of highest level agreements, aimed at creation of strategic grounds for partnership between Poland and Lithuania, were signed [Bukowiecka, 2009]. Moreover, bilateral institutions, set up for realization of partnership conception, were established [Kaczor, 2013, p. 5]. Presently, this strategic partnership covers the most important areas of bilateral cooperation, i.e. security, foreign policy, education, and culture, as well as economy.

1.2. Participation in international institutions, strategies, and programs

Acknowledging the positive impact of such global organizations as the WTO, NATO, and UNESCO on the development of mutual relations, this paper focuses on close cooperation of the countries in the Baltic Sea macro-region. The historical circumstances and dramatic differences in development among these states (further referred to in Section 2 of the article) determined that the classical negative integration measures in the Baltic Sea Region are strongly enhanced by the integrating factors of institutional character, i.e. by the elements of positive integration. One of such elements is the Council of the Baltic Sea States (CBSS).

Geopolitical changes that occurred in this region after the end of the Cold War created conditions for introducing integration processes into the Eastern states of the region. Due to certain reasons, the mechanical incorporation of these states into the Western political, economic, and social system by applying solely negative integration measures was impossible at that moment. It was necessary, therefore, to find new forms of cooperation among the states. Some authors maintain that this need occurred several years before the decision to advocate the ripening changes in the Baltic States (Lithuania, Latvia, Estonia) was made [Tassinari, 2004; Williams, 2005]. The first impetus for the new form of cooperation was the conference held in Ronneby, Sweden, in September 1990. It was there that the Declaration of the Baltic Sea States was adopted, on the basis of which the Council of the Baltic Sea States was established. It is based in Stockholm and its mission is to initiate and promote cooperation among the states of the Baltic Sea Region. To that end, six priority areas are provided with:

- support for new democratic institutions,

- economic and technological support and cooperation, seen as a development of a new level of European integration,
- social support and promotion of health care,
- cooperation in the areas of culture, education, tourism, and information,
- cooperation in transportation and communications.

The CBSS members are Denmark, Germany, Poland, Lithuania, Estonia, Finland, Sweden, Norway, Iceland, and Russia. The European Commission is also involved in its operations. Obviously, the actions of the CBSS reach far beyond the geographical borders of the EU; however, they keep within the scope of its interests. Consequently, in the conceptions of “new regionalism”² these actions are attributed to the measures of alternative integration. It is to be noted that the CBSS and other similar macro-regional institutions and their initiatives are not equally appreciated. On the one hand, integration processes in such macro-regions as the Baltic Sea Region or Benelux are over-coordinated. On the other hand, at the turn of the 21st century, integration processes develop in two opposite trends, i.e. expansion and deepening. They therefore require a flexible approach (more flexible than the one offered by the classical theory of integration) [Fratiani, 2003, pp. 7–26; Su, 2005] and more diverse control tools.

1.3. The European Union Strategy for the Baltic Sea Region

The main aims of positive integration include: modification of the existing instruments, development of new ones to achieve higher efficiency in economic cooperation among the states of integration group, and/or more ambitious political goals. The Strategy for the Baltic Sea Region is a typical example of such a process. It is the first EU’s initiative of that type, on the basis of which similar strategies designed for other European macro-regions are being developed.

On June 10, 2009 the European Commission published a communiqué on the European Union Strategy for the Baltic Sea Region, the first EU macro-regional strategy to provide a coordinated systemic response to the main problems of the Baltic Sea Region and to propose specific solutions [CEC, 2009]. The macro-regional strategy as a new EU policy formation and an implementation instrument provides possibilities to turn the peripheral Baltic Sea Region into a model of deeper integration. Eight EU Member States are involved in the implementation of this strategy: Lithuania, Latvia, Estonia, Poland, Germany, Denmark, Sweden, and Finland. This kind of regional cooperation within the EU, pursued by means

² In the conception of “new regionalism”, the European integration is seen not as a smooth process (uniform or monolithic integration), but rather as a one occurring at different times and with different intensity and speed, comprising different areas, etc. Due to that fact, following types of sub-integration are identified: differentiated integration, alternative integration, new integration [Groenendijk, 2011; Su, 2005].

of macro-regional strategies, is an experimental form of EU policy realization which is inapplicable to any cooperation forms of the past [ESTEP, 2011, p. 16].

The strategy identifies four goals of regional cooperation. The plan of action for their implementation is prepared, outlining seventeen priority cooperation areas and horizontal actions to consolidate them. The structure of the strategy is presented in Fig. 3.

The strategy for the Baltic Sea States, even though a new phenomenon, has received considerable attention from the analysts. Scientific works, EU institutional documents, and political discourse address its different aspects: as a new instrument for the EU policy and its implementation [Berjkan, Olsen, Tempel, 2009; Samecki, 2009; Mirwaldt, McMaster, Bechtter, 2010; Teska, 2011, pp. 139–152], as an instrument for resolving problems of the Baltic Sea Region [Bengtsson, 2009; Antola, 2009; Salines, 2010; Kisiel-Łowczyk, 2010; Stocchiero, 2011; CEC, 2011; Vanags, 2008], or its effect on specific areas of regional cooperation [Borg, 2009; Wiśniewski, 2008].

Irrespective of some negative aspects of the strategy for the Baltic Sea Region – such as a disregard for the principles of military security, sovereignty, territorial integrity, strict control of state borders important for the new EU Member States (Poland, Baltic states) and Russia, the absence of the possibilities for the outskirts of the eastern regions to directly express their national concerns regarding their relations with Russia, the absence of novelty, since the strategy agenda is concurrent with the areas of action of other organizations and agreements [e.g. the format of the Nordic-Baltic countries (NB8), the Baltic Sea Region Program 2007–2013, the Baltic Development Forum, etc.]³, and others – in the mentioned fields it is considered an important integrating instrument. It proposes a new model of cooperation, by which the regions of eight Member States, nearly 100 million people, will be able to plan, prioritize, and implement activities, confident that their neighbours are working in the same vein, towards the same goals. This will enable the Baltic Sea Region to enjoy a sustainable environment and optimal economic and social development [Ahner, 2009, p. 3]. The strategy also provides the Member States with a possibility to coordinate the implementation of their national priorities [Budzyńska, 2008].

The main advantage of the Strategy for the EU Baltic Sea Region is the added benefit attained by the Member States which pursue it. Several of the aspects of this benefit attained from cooperation of the Member States through macro-regional strategies [ESTEP, 2011, p. 18–19] are as follows:

- discussions carried out within a smaller circle of members provide faster and more efficient solutions. In addition, more flexible participation in implement-

³ This statement is referred to rather often. However, it is omitted that the strategy performs the coordinatory function as well [Antola, 2009].

- ing macro-regional strategies leads to the possibility of minimizing the number of participants in solving particular problems, and thus to enhance efficiency. The quoted source identifies four areas where the regional states are interrelated and cannot solve their problems by undertaking individual actions: division of the region into economically developed Western and developing Eastern states, environment protection, accessibility, and energetic exclusion;
- parasol cooperation – i.e. the joining of many and various organizations and institutions of different levels – ensures better results with the available resources and performs a cooperative function;
 - macro-regional strategies are by nature intersectoral and cover several administration levels. Extensive representation of different levels helps to reflect different interests and ensures their involvement in the solution of problems.

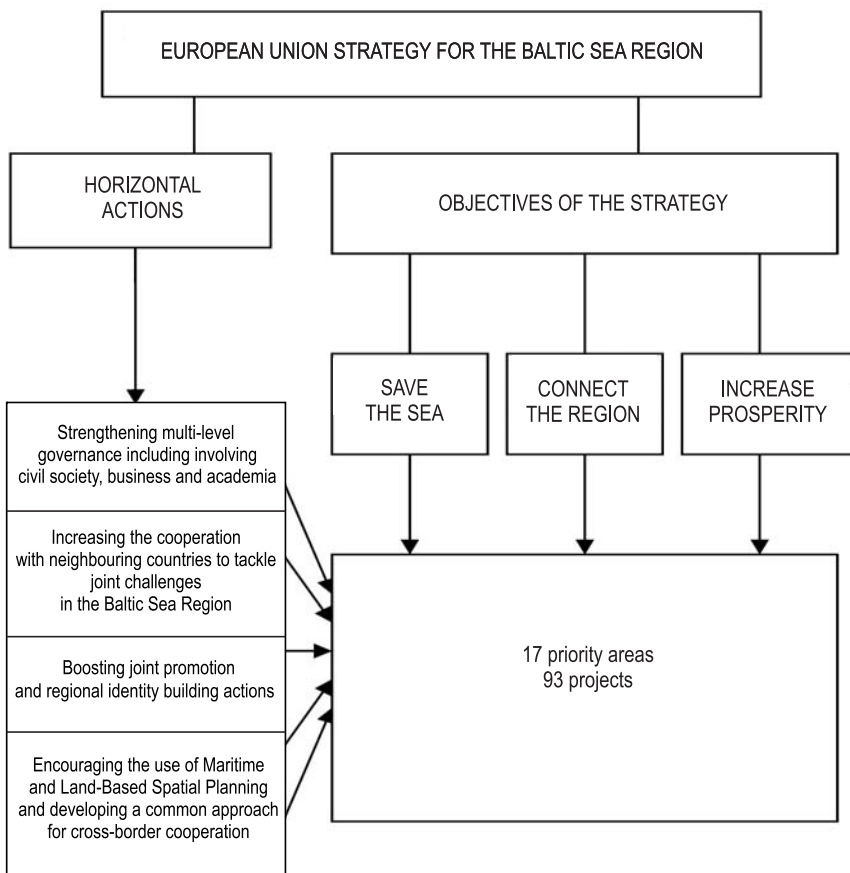


Figure 3. The structure of the European Union Strategy for the Baltic Sea States

Source: Own elaboration, based on: [CEC, 2013].

In the conception of the “new” regionalism, the development and realization of macro-regional strategies are attributed to the so-called differentiated integration [Groenendijk, 2011, pp. 478–487]. This term is currently replacing the unattractive notions of “multi-speed Europe” and “concentric circles”.

1.4. The realization of EU regional policy

Among the factors supporting the economic cooperation of Lithuania and Poland, the participation of both countries in different programs and initiatives pursued within the framework of EU regional policy plays a very important role. The impact of these factors, as well as of those discussed above, cannot be excluded from a much broader Euro-integration context. In other words, promotion of mutual cooperation is pursued with the view of essential goal of regional policy, i.e. reduction of regional inequalities. To this effect, a single Euroregion is formed out of two or more borderline regions, within which different projects and initiatives are to be developed.

A “Euroregion” is not a formal term, i.e. it is not used in the official EU documents (unlike the term “trans-border cooperation” or “border region”)⁴. Currently, this term denotes any initiative aimed at closer cooperation (closer than that imposed by the EU internal market regulations), for the realization of which permanent joint governmental institutions are formed. The term is widely used in everyday language and is equally appropriate in official regional and local documents related to the formalization of trans-border cooperation.

At the moment, a Euroregion is to be considered one of the forms of practical integration characterized by the entirety of the following features:

- it is a formal institutionalized agreement between the official governments or institutions of border regions or municipalities with the view to instigate or activate cross-border cooperation involving business partners and local communities;
- it is the institutionalization of local cross-border cooperation by fully recognizing and respecting the borders and the law of partner countries;
- it is a trans-border organization, the boundaries of which are defined by common problems, intertwined historical and cultural circumstances, as well as by preparation and willingness of local institutions for joint enterprise.

Physically, a Euroregion consists of territorial units at the borderline of at least two countries (not necessarily members of the EU). The existence of such unit is based on the possibility of local administration to operate independently of central (state) institutions and resources. The core of Euroregional activity is the coordination and promotion of the actions of borderline communities in line with the prin-

⁴ The term “Euroregion” is derived from the older cross-border cooperation initiative “Euroregis”, which was being realized since 1958 in the border region of Germany and Netherlands between the Rhine, Ems, and Isel rivers.

principle provision of the EU policy, i.e. the acknowledgement of benefit resulting from equal cooperation.

Presently, two joint Euroregions, i.e. Nemunas, established on June 6, 1997, and Baltija, established on February 22, 1998⁵, are in operation within the territories of Poland and Lithuania. It is to be noted that on April 24, 2003 several territorial units of Lithuania, Poland, and Russia (Kaliningrad Oblast) formed the Euroregion Šešupė, the fully contained within the borders of the bigger Euroregion Nemunas.

Regarding its activities, the Euroregion Nemunas is rather complex [Pociūtė, Baubinas, Daugirdas, 2009, pp. 95–104]. It aims at the promotion of cooperation of borderline territories in the following areas:

- differentiated economic development,
- spatial development, public infrastructure, education, health care, culture, sports, and tourism,
- environmental protection,
- elimination of effects of natural disasters,
- development of ties between municipality institutions and business entities.

The aims of the Euroregion Baltija are less elaborate. The activity of this region is limited to the cooperation in social and cultural areas:

- improvement of living conditions,
- development of contacts between communities,
- breaking of historical stereotypes,
- sustainable development of the territories, etc.

The main instrumental factor of Euroregions is of financial nature, i.e. it is the funds allocated to the implementation of the projects. They are cash flows derived from different EU funds, national budgets, Euroregion membership fees, programs and projects, subsidies, and other sources. The biggest financial aid comes from such programs as Phare CBC, Phare SPF, TACIS CBC, and INTERREG [Kenard, 2005, pp. 31–44; Zachowski, 2003, pp. 61–81].

From 2007 to 2013, the initiatives of INTERREG IIIA, called cross-border cooperation programs, were carried out within the framework of the territorial cooperation goal⁶. They are executed in the NUTS III level regions located on both sides of the borders of EU Member States. The projects carried out within the framework of these programs are dedicated to the development of ties between municipalities, research, educational, and cultural institutions, as well as of non-governmental organizations, including business entities. The main aim of these programs

⁵ Apart from Poland and Lithuania, the Nemunas Euroregion also includes the neighbouring territories of Belarus and Kaliningrad Oblast. The Baltic Euroregion is even more diverse: it includes, apart from Lithuanian sub-regions, a part of Kaliningrad Oblast and certain territories in Denmark and Sweden.

⁶ In 2007–2013 around EUR 72 bn, i.e. 0,8% of all the investment funds, were allocated to the goal of territorial cooperation.

is to activate cooperation and direct contacts in order to promote the development of communities, economy, and environmental protection in the border regions, as a rule characterized by lower (than average) development level. The concept of a “trans-border” initiative includes:

- promotion of free enterprise as well as of small and medium-size companies, tourism, culture, and local bilateral trade,
- protection of natural environment and cultural values,
- strengthening ties between urban and rural areas,
- enhancing the accessibility to transport, information, and communication networks,
- improvement of aquaculture, waste management, and power systems,
- development of health care, culture, education, sports infrastructure, and shared usage arrangements,
- integration of local communities and cooperation of administrative bodies.

The purpose of the Cross-border Cooperation Program Lithuania–Poland is to stimulate sustainable development of border regions by strengthening economic, social, and territorial cohesion of trans-border countries. The program aims to facilitate the integration of border regions into a wider European political and economic area by simultaneously protecting their national individuality and implementing objectives of the EU strategies [*Cross-Border Cooperation...*, 2013]. The program covers border regions of Lithuania and Poland and the neighbouring territories:

- in the Polish territory: Białystok-Suwałki and Elk subregions, as well as the neighbouring Łomża and Olsztyn subregions;
- in the Lithuanian territory: Marijampolė and Alytus regions, as well as the neighbouring Kaunas, Tauragė, and Vilnius counties (apart from the Vilnius City Municipality).

In 2007–2013 the budget of the program amounted to EUR 84,3 mn. It is estimated that in that period new infrastructure objects (i.e. roads, transport lines, IT, business, etc.) were created, employment was maintained at a reasonable level, the environment quality as well as the possibilities to make use of public services were improved, and tourism flows were boosted [LR, 2013].

2. Obstacles: situations aggravating the cooperation between Lithuania and Poland

2.1. The peripheral nature of Lithuanian economy

This is not only a geographical concept; presently, it is used to define the country’s insufficient degree of integration into bigger (geographically and economically) industrial networks encompassing economies of several countries [Baldwin,

2013]. In this respect, the economy of Poland is at the advantage, as since the early 1990s it has been incorporated into the German-Central European network [IMF, 2013], which also includes the Visegrad Group: Czech Republic, Slovakia, and Hungary. Due to that fact, the production output in these countries between 1996 and 2012 rose: in Slovakia by 170%, in Poland by 126%, in Czech Republic by 110%, and in Hungary by 66%. Apart from the output growth and its positive effect on employment, the incorporation of Central European countries into this network contributed to the transfer of technologies and the growth of high-tech sector.

Lithuania's involvement in the German-Central European production network is not considerable, even though Germany is Lithuania's main trade partner. There are several reasons for this. The first of them are the initial conditions for the transformation of Lithuanian economy. In 1995 the industries of machine building, electronics, and metal working accounted for only 13% of the whole of manufacturing industry, while in Czech Republic it was 42%, and in Hungary, Slovakia, and Poland – about 30%. The main potential of Lithuanian production (around 50%) was centred in the sector of textile industry, which was facing great difficulties, and in a hardly competitive food industry sector. Therefore, when a modern communication system was launched in Europe, the Lithuanian industry was not able to offer what the Visegrad Group countries could.

Secondly, Lithuanian economic ties with West European countries are “decomposed”. Despite the fact that Germany is Lithuania's main trade partner, figures of economic cooperation indicate certain division of Lithuania's economic ties between the German-Central European and Scandinavian (Sweden, Norway, Finland, and Denmark) supply chains (Table 2).

Table 2. Lithuania's economic ties with Germany and Scandinavian countries in 2012

Countries	Trading interchange (%)		Investment in Lithuania (%)	
	export	import	direct	banking sector
Germany	7,8	9,9	10,1	5,2
Scandinavian countries	6,4	6,0	20,6	89,5

Source: Own elaboration, based on: [SDL].

A division of that kind is a stumbling block for Lithuanian economy, making it difficult for it to exploit the important effects of specialization and scale economy under the conditions of globalization.

Thirdly, the geographical structure of Lithuania's export exhibits its rather close relations with the East. In 2012 the total share of Lithuania's export to Russia, Belarus, and Ukraine accounted for 26% of its whole export. For comparison, in

the case of its export to Germany it was 12%, and to Scandinavian countries – around 13% [Skiba, 2013, p. 1–2].

2.2. Unequal size of the economies

Irrespective of some similarities, such as GDP per capita, productivity, the level of employment, etc., the countries' markets measured by the absolute values (the country's GDP, number of consumers) are very different. That is the reason that Polish manufacturers and investors are not really enthusiastic about Lithuania's economic development: efforts of the same intensity in a bigger market generate greater revenue. The Lithuanian manufacturers, however, cannot successfully compete in the Polish market, where the local producers enjoy certain advantage due to the scale economy and to their awareness of local needs and business traditions. These suggestions are based on the fact that among Poland's business partners (in export) Lithuania takes only the eighteenth position, while among the Lithuania's business partners Poland is the third.

2.3. The formal nature of strategic partnership ideology

The third reason hindering the development of Lithuanian-Polish economic relations is the so far solely formal nature of the mutual cooperation ideology – which is supposed to be a partnership ideology – of these countries. The official statement is that the strategic partnership between both countries consists in intensive and close relations in different areas. It is to be acknowledged that this partnership has a considerably asymmetric nature formed by differences in political and economic potential between the countries. Bigger and more influential Poland has more alternatives in external policy than Lithuania, which by itself implicates the interest of the Polish elite in strategic partnership of the countries. This strategic partnership maintains but a formal character, i.e. it is partially declarative and is reflected in official documents and speeches. It must get rid of its declarative nature; it should be substantiated by concrete actions and realization of joint initiatives in different areas, particularly on a macro-economic level.

Hopefully, there exists a precondition that the situation is to a great extent determined by the "emotional load" felt in the mutual relations. The societies of both countries maintain certain thinking stereotypes formed by historic events and enhanced by the absence of political solutions of the present problems (especially from Lithuania's side). It is only natural that the explanation of the interrelations between purely psychological phenomena, such as the already mentioned "psychological charge", and the economic ones is rather difficult. With reference to the statistics of direct foreign investment (DFI) (Fig. 4.), it can be stated that both

Lithuanian and Polish investors feel some “psychological distance” between their countries. The DFI dynamics does not exhibit any change of that indicator.

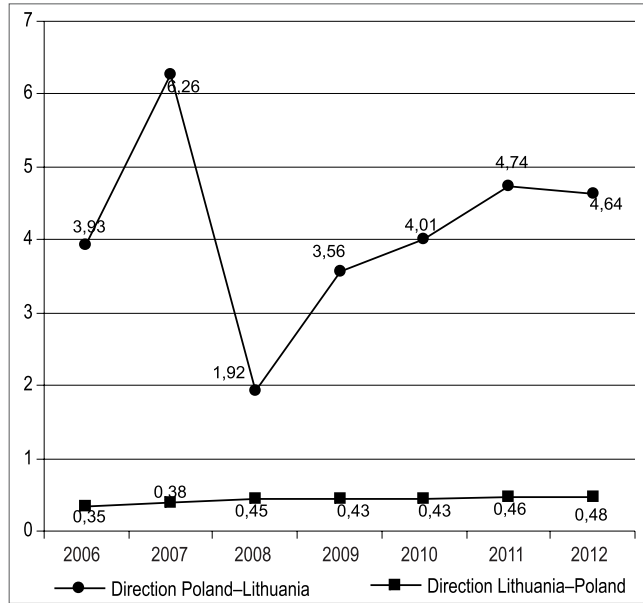


Figure 4. The dynamics of direct Lithuanian-Polish investment

Source: Own elaboration, based on: [SDL].

According to the internationalization theory of economic activity, a direct investment requires greater mutual confidence than ordinary cooperation, i.e. import or export. The Polish investors, however, maintain that even though investment conditions in Lithuania are quite favourable, tense political and diplomatic relations hinder the achievement of better results [Radzenko, 2012]. The Lithuanian investors are most likely of the same opinion.

Conclusions

The process of establishing bilateral relations between Lithuania and Poland is very dynamic, full of contradictions and periods of rise and fall. Despite that, among the factors and conditions influencing this process, one can clearly envisage its driving forces and obstacles. The factors of one or the other type are merged into a single system due to the fact that the cooperation between Lithuania and Poland occurs in the context of major developments in the international labour

division and European integration. Moreover, the cooperation of these countries takes place under the conditions of rather big “emotional charge” imposed by the shared historical events.

Among the driving forces of the cooperation process, factors related to the European integration are dominating. The EU requires from both countries to comply with the law of free movement of goods, services, labour, and capital, as well as with other requirements common to all EU Member States. This not only significantly contributes to the rapid growth of trade exchange between both countries, but also creates possibilities for involvement in other initiatives coordinated by the EU. The paper posits that this group of factors also includes the participation of both countries in the pursued strategies and institutions operating in the Baltic macro-region and the possibilities to make use of the instruments of the EU regional policy. An important driving force of Lithuanian-Polish cooperation is also the agreement on friendly relations and neighbouring cooperation which laid the foundation for modern trans-boundary relations, based not on emotions, but on political realism.

The obstacles for Lithuanian-Polish cooperation are determined by both economic and social-cultural-historical circumstances. Despite the fact that the economies of both countries joined the transformation process almost at the same time, the outcomes of that process, due to its initial differences, are somewhat different in both countries. Poland enjoyed rapid and successful access to the German–Central European industrial network, which gave it a strong impetus for economic development and formed an adequate economic structure. Lithuania, due to its weaker initial potential, strong relations with the Eastern neighbours, and the absence of strategic trends of economic development, exhibits the features of economic periphery. Significant inequality of economic potential of both countries is also to be regarded as a cooperation obstacle of economic nature.

A major obstacle for developing mutual cooperation is the fact that the idea of strategic partnership, due to the mentioned “emotional charge”, is not substantiated by concrete activity and implementation of mutual initiatives in different fields, in particular on macro-economic level.

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