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Mutual Trade and Cross-Border Economic Interaction of Ukraine and Slovak Republic

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Abstract. The Slovak-Ukrainian border, as well as the mutual economic interaction has been changing in the course of the following periods: a) 1993-2004: the bilateral intergovernmental regime of the border; b) 2004-2016: the community regime of the border between the EU and Ukraine, and c) the new border regime after the signing and subsequent implementation of the Association Agreement between the EU and Ukraine, including the Deep and Comprehensive Free Trade Area Agreement (DCFTA), as well as an agreement on visa-free regime between the EU and Ukraine. Within the outlined context, the paper seeks to explore the history and dynamics of Slovak-Ukrainian mutual economic interaction, as well as the recent conditions in the CBC area, the understanding of which may contribute to building capacities of CBC actors to make best use of opportunities brought by AA/DCFTA and thus consequently boost economic development of the Slovak-Ukrainian borderland regions.

Keywords: Ukraine, Slovakia, DCFTA, trans-border regional development, cross-border economic interaction

JEL Codes: F20, F53, R11

1. Introduction

The Slovak-Ukrainian border has been changing in the course of the following periods: a) 1993-2004: the bilateral intergovernmental regime of the border; b) 2004-2016: the community regime of the border between the EU and Ukraine, and c) the new border regime after the signing and subsequent implementation of the Association Agreement between the EU and Ukraine, including the Deep and Comprehensive Free Trade Area Agreement (DCFTA), as well as an agreement on visa-free regime between the EU and Ukraine. Recently, we can identify two key exogenous factors determining political opportunity structure for CBC and trans-border regional development on Slovak-Ukrainian border as a part of the external border of the EU: 1) EU CBC programmes, including the programmes of the European Neighbourhood Policy; and 2) the national policies of Slovak Republic as an EU-member country and Ukraine as a neighbour country sharing an EU external border. As it was documented by results of the research projects EXLINEA, EUDIMENSIONS and EUBORDERREGIONS, the understanding of the particular political opportunity structure may contribute to building capacities of CBC actors to make best use of opportunities brought by AA/DCFTA and thus consequently boost economic development of the Slovak-Ukrainian borderland regions.



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2. Slovakia-Ukraine economic interaction before 2004

Transition economies of Central and Eastern Europe faced at the beginning of their transition process a difficult task. Background of economic processes often based on the trade-off (or “quid pro quo”) type of relationships required a number of compromises. This included also the shift of international trade from east to west, resulting in loss of some positions in the markets of the former Soviet Union countries. In the early 1990s, the Czechoslovak political elites made a concentrated effort to shift foreign trade away from the former Soviet Union and former Soviet Bloc countries and to the European Union and the United States. The split of Czechoslovakia into two independent states further shaped the conduct of economic policy in Slovakia. The first changes of the federal transition strategy started to be implemented at the end of 1993 and besides economic objectives, the strategy declared the intention for integration into EU and NATO. Although becoming a part of the European integration was one of the most important declared priorities of Slovak government, the actual outcome was in the beginning quite the opposite.

There were two major issues inherited from the Soviet period that have troubled mutual Slovak-Ukrainian trade and economic relations. The construction of a metallurgic complex in Ukraine (Kriviy Rih – Dolinska, thereafter KŤUK) was initiated by the governments of countries associated in former COMECON. Liabilities arising from contractual relations were not met since 1992, when construction was interrupted by all parties involved, resulting in a long lasting and complicated series of negotiations regarding the method of settlement of mutual rights and obligations of unfinished KŤUK construction.

Much more important was another problem of Slovak-Ukrainian relations, which is not just a legacy of the Eastern bloc past in terms of its political importance, but it is rather a product of last decades, affecting the “living interests” of both actors. This conflict has stemmed from the different positions of Ukraine and Slovakia on the issue of the transit of Russian energy raw materials through Ukrainian and Slovak territories to Europe (Duleba, 2005).

The Slovak attitude toward Ukraine during 1993 – 1998 might be characterized like an “indifferent neighbourhood”. In fact, the then Slovak government led by PM Vladimír Mečiar were viewing Ukraine rather as a “gate to Russia”, than a partner worthy of attention for itself as they were performing an unbalanced eastern policy preferring one-sided relations with Moscow. The then priorities of Slovak foreign policy toward its Eastern neighbours and beyond are clearly illustrated by the intensity and weight of mutual agenda. From gaining independence in January 1993 till 1998 Slovakia has concluded more than 90 new agreements with the Russian Federation. At the same time, it has concluded around 40 agreements with Ukraine. The principal treaties signed on the intergovernmental level that regulated Slovak-Ukrainian economic and trade cooperation in the aforementioned period were: Agreement on trade, economic, scientific and technical cooperation (signed on 26th of August 1993), Agreement on support and reciprocal protection of investment (22nd of June 1994), Treaty on cooperation and mutual aid in the field of customs issues (15th of June 1995), Agreement on principles of cooperation and conditions of mutual relations in the field of transport (15th of June 1995), Treaty on border regime, cooperation and mutual aid in the border-related issues (14th of October 1995), Treaty on preventing double taxation and tax evasion in field of income-tax and property-tax (23rd of January 1996), Agreement on reciprocal employment of citizens (7th of March 1997), Agreement on protection of classified information (1st of June 1998).



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In contrast to the period of Vladimír Mečiar's government, the Mikuláš Dzurinda's government elected in 1998 began to actively encourage the shift of foreign trade in an effort to improve Slovakia's chances for entry into the European Union. Trading patterns since then show increased volume in trade with the European Union and the United States and decreased volume with other eastern European countries and the former Soviet Union. As one result of this shift, trade with Ukraine should have been in decline during the Slovakia's pre-accession period. Thus the history of mutual trade between Slovakia and Ukraine has its own story. While Ukrainian trade with Hungary, Poland and Russia has been increasing in the course of 1993-1995, Slovak-Ukrainian trade has been stagnating. The values of Slovak-Ukrainian trade according to the Slovak statistics were, as follows: \$ 273 million in 1993; \$ 240 million in 1994; and \$ 310 million in 1995. The announced massive increase in trade dynamics forecasted by both then prime ministers of Ukraine and Slovakia after the governmental meeting in Štrbské Pleso (High Tatras in Slovakia) came not to be a reality and reached the sum of \$ 418 million in 1996. Another meeting of the governmental delegations took place in Uzhgorod in March 1997. Both sides focused first of all on problems associated with a mode of payment, which they identified as the biggest obstacle for developing bilateral trade. Almost 25% of Slovak exports to Ukraine and 33% of Ukrainian exports to Slovakia at that time has been realized via barter exchange. In Uzhgorod, both sides concluded seven bilateral intergovernmental and inter-ministerial agreements, e.g. agreement on mode of payments in bilateral trade, reciprocal employment of citizens, transport cooperation, etc. Among others, both sides signed also the "Memorandum on steps leading towards liberalization of bilateral trade", in which Slovakia declared its support of Ukraine concerning Ukraine's accession to WTO and CEFTA (Duleba et al., 2017).

Whereas under the Mečiar rule Ukraine has been overshadowed on the foreign policy map of Slovakia by Russia, at the beginning of Dzurinda governance it was in a shadow of the West in the course of 1998 – 2002. The Slovak-Ukrainian trade turnover topped at the level of \$ 520.7 million in 1997, while in the next two years a significant decline in mutual trade dynamics has been caused by the impact of the Russian financial crisis. Starting from 2000, the Slovak-Ukrainian trade exchange shows a slight growth, corresponding to the slow recovery of Ukrainian economy and the changing character of the legal and institutional framework for mutual trade. The Slovak-Ukrainian treaties including the bilateral legal arrangements in the field of trade and economic cooperation signed in the course of 2000 – 2003 corresponded to the EU acquis which Slovakia was obliged to follow in its relations with the third countries, while the bilateral legal documents signed before 2000 had to be revised and consequently adjusted to the EU acquis (Benč et al., 2006).

Table 1 History of Slovak-Ukrainian mutual trade in 1993 – 2003 (\$ million)

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Import	142.4	121	188.7	241.3	250.7	181.2	144.8	189	194.1	186.9	233.5
Export	130.9	119.1	121.7	177	270	229.2	136.2	147.1	145.5	155.8	221.7



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Turnover	273.3	240.1	310.4	418.3	520.7	410.4	281	336.1	339.6	342.7	455.2
Balance	-11.5	-1.9	-67	-64.3	19.3	48	-8.6	-41.9	-48.6	-31.1	-11.8

Source of data: Ministry of Economy of the Slovak Republic

It should be noted that the Slovak and Ukrainian statistical data on bilateral trade differ significantly in this period, especially when it comes to the Ukrainian exports to Slovakia. As to the Ukrainian statistics, the bilateral trade turnover for 9 months of the year of 2002 in comparison with the equal period of 2001 grew out with 9,1% and presented the sum of \$316.6 million, exports to Slovakia went up by 16,2% (\$219.6 million) and imports from Slovakia declined with 4.2% (\$97.1 million). On the other side, the following are Slovak data for the same period: the total turnover dropped by 3.2% presenting the sum of \$245.0 million, Slovak imports from Ukraine declined by 12.0% (\$133.9 million) and exports to Ukraine grew out with 7.3% and reached the sum of \$111.6 million. As to the Ukrainian statistics, the passive trade balance of Slovakia in bilateral trade was \$122.5 million while according to the Slovak evidence – \$22.0 million for the same period. According to the representatives of the Slovak Ministry of Economy, the statistical evidence on bilateral trade differs not much in the case of Ukrainian imports from Slovakia, but quite significantly in respect of Ukrainian exports following the fact that Ukrainian statistics does register some exports to the Czech Republic as exports to Slovakia, because the customs union between Slovakia and the CR, in fact those exports only transited the Slovak territory.

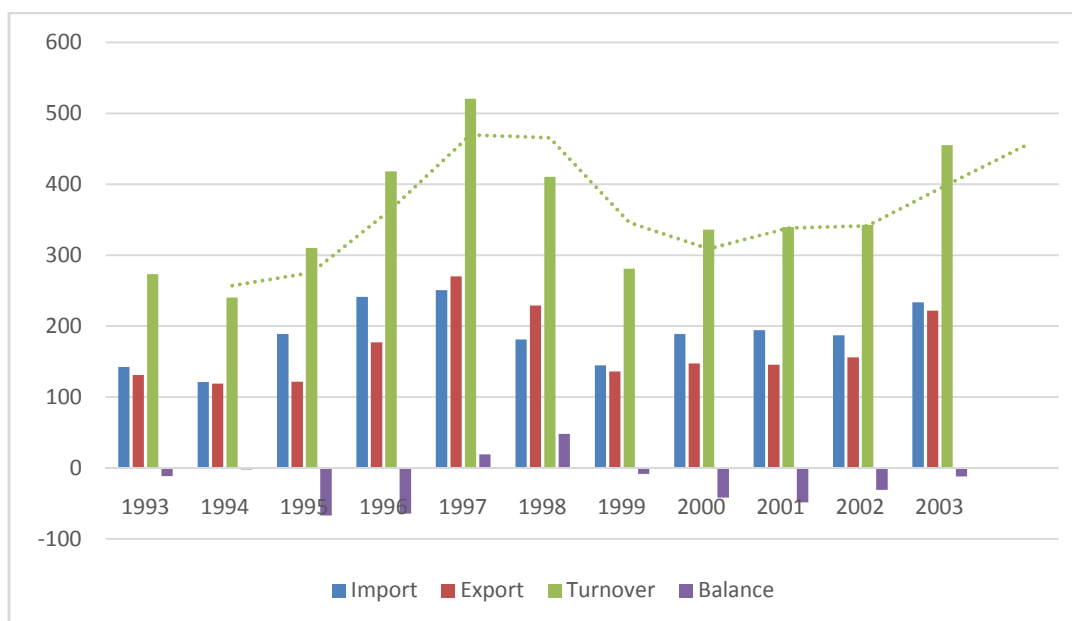


Fig. 1: Dynamics of mutual trade SR - UA in 1993 - 2003 (\$ million)

Source of data: Ministry of Economy of the Slovak Republic



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3. Economic interaction after Slovakia's EU accession

In the wake of Slovakia's EU accession in May 2004 and the rapid growth of both Ukrainian and Slovak economies, we can consider a dynamic upward trend in mutual trade in 2004-2008, especially when it comes to the volume of Slovak export to Ukraine, which has almost tripled within this short period. This scenario did not fully repeat after the crisis, where we can see higher volumes of imports from Ukraine than ever before, but the amount of Slovakia's export has not reached the level from 2007-2008. The significant impact of Russian-Ukrainian conflict on foreign trade is apparent since 2014 also in case of the Ukraine's mutual trade with Slovakia.

Ukraine has been a member of the WTO since May 2008. Prior to the DCFTA introduction more than 70% of Ukrainian exports to the EU (engineering products, vegetable products, oils, metals, chemical industry products, textiles) benefited from reference tariffs within the Generalised System of Preferences (Benč – Mytryaeva, 2011). The AA/DCFTA aims to boost trade in goods and services between the EU and Ukraine by gradually cutting tariffs and bringing Ukraine's rules in line with the EU's in certain industrial sectors and agricultural products. Ukraine has committed to adapt norms and standards relating to market competition, government procurement, trade facilitation, intellectual property protection, investment and transport. Due to Ukraine's production potential, the DCFTA constitutes a great opportunity to enhance the competitiveness and modernization of the Ukrainian economy and the diversification of the Ukrainian exports. Small and medium sized enterprises (SME) in Ukraine can receive support from the EU's SME Flagship Initiative, which allows SMEs in Ukraine, Georgia and Moldova to access approximately € 200 million of EU grants. This funding adds to the new trade opportunities with the EU, including Slovak market, that have been created by DCFTA. Nevertheless, despite the DCFTA implementation from January 1st, 2016, the preliminary data from 2016 do not show any dramatic turn of trends in mutual Slovak-Ukrainian trade volumes so far. The reasons include that the DCFTA implementation has found Ukraine underprepared when it comes to the necessary changes in legislation and institutional framework. On the other hand, the current lower performance of Ukrainian economy still results from an economic downturn caused by the Russian-Ukrainian conflict.

Table 2 History of Slovak-Ukrainian mutual trade in 2004 – 2016 (€ million)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Import	340.3	417.6	500.2	448.4	524.2	250.7	445.5	607.8	593.4	622.5	555.8	469.1	406.2
Export	245.4	317.3	464.7	571.8	691.7	291.8	368.8	471.9	442	479	326	312.5	336.4
Turnover	585.7	734.9	964.9	1020.2	1215.9	542.5	814.3	1079.7	1035.4	1101.5	881.8	781.6	742.6
Balance	-94.9	-100.3	-35.5	123.4	167.5	41.1	-76.7	-135.9	-151.4	-143.5	-229.8	-156.6	-69.8

Source of data: Statistical Office of the Slovak Republic

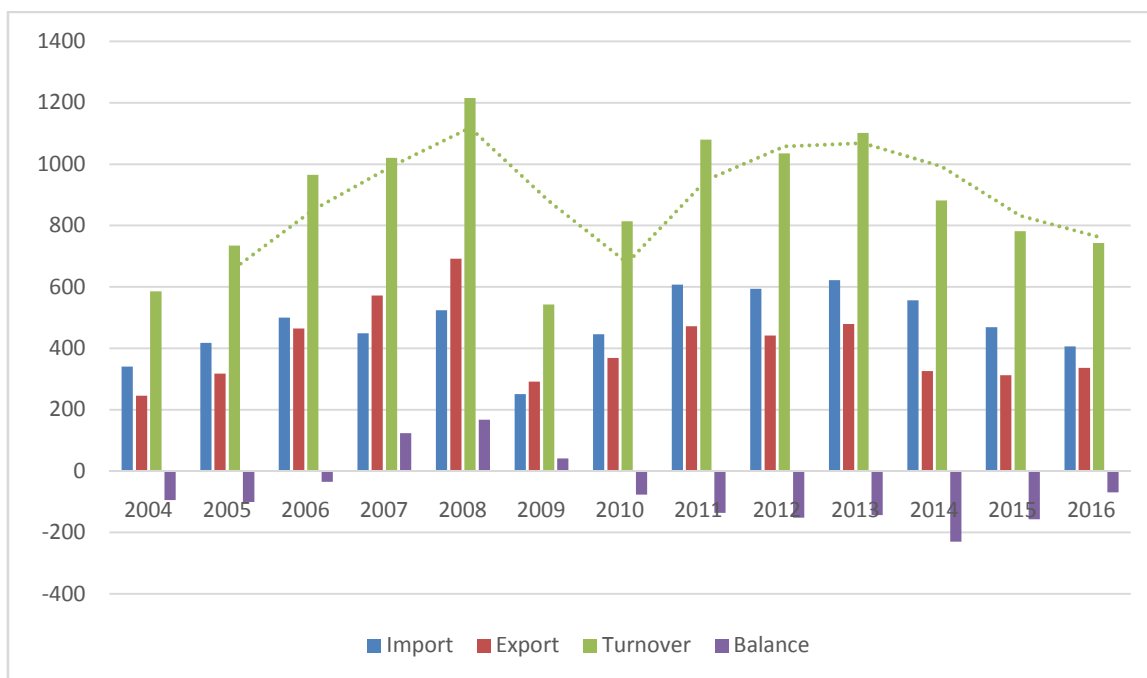


Fig. 2: Dynamics of mutual trade SR - UA in 2004 – 2016 (€ million)

Source of data: Statistical Office of the Slovak Republic

It should be noted that in the long run the share of Slovak mutual trade with Ukraine on the country's total foreign trade turnover moves around 1% and more or less the same we can say vice versa as we look at the Ukrainian foreign trade statistics. In general, the abovementioned figures show that the current state of affairs in the bilateral Slovak-Ukrainian trade does not consist with their foreign trade potential and first of all with the fact of their geographical proximity. Neither the projected trends of Slovak foreign trade until 2020 do not mention Ukraine among the top ten trade partners of Slovakia, though Czech Republic, Poland, Austria and Hungary rank in top ten both in case of predicted import and export of Slovakia (Ministry of Economy of the Slovak Republic, 2016).

One of the important characteristics of the trade between Slovakia and Ukraine is the long lasting commodity concentration of Ukrainian exports to Slovakia, where vast majority of trade volume is represented by supplies of raw materials and blanks for further processing in the Slovak Republic (as in 2015: iron ores and concentrates – 34.12%; wires and cables – 13.70%; flat-rolled products of iron or non-alloy steel – 9.25%; black coal – 8.21%; petroleum gases and other gaseous hydrocarbons – 4.78%; ferroalloys – 3.03%; raw aluminium – 1.81%). Ukraine has traditionally exported to Slovakia mainly raw materials, mineral fuels and lubricants, industrial products, machinery and transport equipment. We can assume that the export of Ukraine to Slovakia is in its sectoral cross-section considerably close to the overall structure of Ukraine's export to the EU (Statistical Office of the Slovak Republic).

When it comes to the ratio of the gross value added, there is a different situation regarding the commodity structure of Slovakia's exports to Ukraine, which is recently dominated by machinery and



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transport equipment, industrial products, chemicals and raw materials (the most important export items in 2015 were: flat-rolled products of iron or non-alloy steel – 11.3%; magnesite – 8.44%; cars and other motor vehicles – 6.31%; polymers of propylene or other olefins – 6.28%; uncoated paper and paperboard – 5.1%; telecommunications equipment – 3.57%, limestone and other calcareous stones – 2.09%; washing machines – 1.79 %; central heating boilers – 1.77%; etc.). The less significant share of Slovak exports to Ukraine is represented by mineral fuels and lubricants, food and live animals. The shift toward the strengthening of the technological components of Slovak exports occurred in 2007 – 2008 in connection with the launch of production in several industrial branches after the FDI arrival (Deák et al., 2016). Within this period, we can consider a significant increase of the share of machinery and transport vehicles on Slovak exports to Ukraine. The dynamic growth in exports of engineering production to Ukraine was later dampened by the symptoms of economic crisis, which in 2009 caused a fall in incomes and demand in the Ukrainian market and a decline in the Slovak industrial production. All things considered, the impact of the economic crisis on the development of the Slovak-Ukrainian trade was mainly of a financial and not of a structural nature, which is being confirmed by no dramatic changes in the commodity structure of mutual trade in the recent years.

Penetration of Slovak companies on the Ukrainian market is at present important not only due to the size of the market, its relative unsaturation, geographical and linguistic proximity, but also with respect to the expected future consolidation of this market, the prospect of Ukraine's European integration, and finally due to the gradual occupation of the Ukrainian market by domestic and foreign companies. Ukrainian market represents a considerable potential for Slovak companies, while the taking of full advantage depends on the implementation of economic reforms by the Ukrainian government, the pace of standardization of the business and investment environment, as well as the progress of European integration. The prospective areas of mutual Slovak-Ukrainian cooperation include: energetics (reconstruction of power supply systems, improvement of energy efficiency, and use of alternative energy sources), infrastructure, agro-food sector (processing of agricultural products), area of ecology, machine industry, metallurgy, chemical industry and tourism.

Since 1990s, the Ukrainians represent a significant clientele for the Slovak spa facilities, as well as for winter holidays in Slovak ski resorts. Apart of minor changes, in the long run there is no high dynamics in tourism between Ukraine and Slovakia. Recently, in 2016, 52,850 Ukrainian visitors arrived to Slovakia (102.6% compared to 2015), which have spent 173,228 overnight stays (108.5% compared to 2015). Ukrainian visitors spent on average 3.3 nights, i.e. 0.2 nights more than in 2015. This slight increase of Ukrainian tourists in Slovakia ranked the country's position in Slovakia's foreign traffic in 2016 to seventh place. Nevertheless, the share of Ukraine in the foreign traffic in Slovakia has shrunk from 2.9% in 2015 to 2.6% in 2016 (Statistical Office of the Slovak Republic, 2017).

As stated in the official analysis outcomes (Ministry of Foreign and European Affairs of the Slovak Republic, 2016), the most serious obstacles of doing business in Ukraine are the still existing large gaps in Ukrainian legislation, as well as the fact that, in the long run, the legislation is awkward to adapt the standard international conditions. The entrepreneurs coming to Ukraine complain about problems with VAT refunds from the state, persistent high level of corruption and frequent violation of negotiated contracts. The specifics of Ukrainian market are associated also with prevailing supply over demand, low purchasing power of the population, as well as with minor and weak middle class population.



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According to the State Statistics Committee of Ukraine, Slovak companies have invested, cumulatively, in Ukraine until the 31st of December 2013 the amount of \$ 99.7 million, while until the 31st of December 2015 – \$ 73.1 million, which is surely not one of the highest FDI inflows to the Ukrainian economy. Nevertheless, the amount of Slovak investment is higher, respectively comparable to the FDI coming e.g. from Spain, Belgium, Ireland and Czech Republic. Despite the hindrances, Ukraine is nowadays becoming an interesting investment destination for Slovak entities, in several respects: the devaluation of the Ukrainian hryvnia against the euro, relatively high cost of domestic capital, significant investment demand in Ukraine, the efforts of the new Ukrainian government to improve the investment and business climate, as well as Ukraine's cooperation with international financial institutions.

A different story is that of the Ukrainian direct investment in Slovakia. According to the Slovak National Bank, the Ukrainian FDI in Slovakia have amounted to minus € 5,638 million (represented by the debt instruments) until the 31st of December 2014, thus the figure does not reflect the reality perfectly, since the Ukrainian companies can invest in Slovakia through their subsidiaries abroad or in the Slovak Republic.

4. Economic interaction in the Slovak – Ukrainian CBC Area

Regional economies of border regions on both sides of the Schengen border function as specific parts of national economies in the context of their internal links into the national economy and specific external linkages to international surroundings – especially the geographically close environment. Functional diversity of regional economies within the national economy causes that various regions not to have the same needs and priorities and not to respond to external stimuli in the same way (Varadzin, 2005). In the case of border regions of Ukraine and the neighbouring EU countries, we can typically consider as regions having the character of peripherals, which are not the most important centres of economic activity. Their development potential depends largely on the nature of the border and the conditions for mutual trade and cross-border cooperation (Liikanen – Scott – Sotkasiira, 2016).

According to the Regional Economic Performance Index (REPI) ranking, measuring the performance level of NUTS-2 EU border regions, there are significant differences when it comes to the border regions of Zakarpattia and Eastern Slovakia. This composite index is built with the variables listed in dimensions, appropriate to measure the economic strengths and potential of a region. Crucial importance in terms of economic potential and international competitiveness have the factors including regional economic assets (labour availability and skills, capital stock and infrastructure, factor productivity, living conditions), significant impact on the development potential of regions however show also the intangible factors such as proximity to universities, access to health care, the length of time required to start a business, the perception of corruption, factors of personal safety and the safety of transport, etc. In the recent Regional Economic Performance Index benchmarking analysis, the NUTS-2 region of Eastern Slovakia ranked at the 49th position, which is a result approximate to the neighbouring Polish region Podkarpackie at the 53rd, as well as the neighbouring Hungarian region Northern Great Plain at 48th position, while there is a much different situation in the neighbouring Ukrainian Zakarpattia region which ranked at the 119th position, Ivano-Frankivsk at the 107th and the Lviv region at the 98th position (Grozea-Helmenstein – Berrer, 2015, pp. 48-51).

The subsequent cluster analysis revealed different regional development patterns and industrial profiles among the EU and the non-EU border regions, which have been classified in nine different clusters.



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In the case of Zakarpattya and Eastern Slovakia it pointed at different prospective of regional development. A total of 13 indicators available at the regional level (persons aged 25-64 with upper secondary education attainment, persons aged 25-64 with tertiary education attainment, available beds in hospitals, physicians or doctors, economic activity rates, employment in industry, employment in services, fertility rate, population growth, population density, GDP per capita, growth rate of gross value added, unemployment rate) and 4 indicators available at national level (workers' remittances, total tax rate, corruption perception index, cost of business start-up procedures) have been used for clustering. Zakarpattya fell in the Cluster G (with the average REPI score of 53.33), together with other Ukrainian border regions (Volyn, Ivano-Frankivsk, Lviv, Odesa, Chernivtsi), Belarussian and Russian border regions. Based on common characteristics, the region of Eastern Slovakia is included in Cluster E (with the average REPI score of 66.0), which comprises NUTS-2 border regions belonging to the new EU member states in Central and Eastern Europe (Bulgarian, Estonian, Latvian, Lithuanian, Hungarian, Polish, Romanian, Slovenian and Croatian regions), plus the Serbian border region Pokrajina Vojvodina (Grozea-Helmenstein – Berrer, 2015, pp. 53-57).

Production branches typical for both Zakarpattya and Eastern Slovakia border regions include mainly medium and low manufacturing technology and agriculture. From their mutual proximity and connections, they can draw productive advantages and learn to build on their strengths and economic development opportunities. When compared at the level of selected partial indicators, the Eastern Slovakia and the Zakarpattya regions report approximately the same share of services on employment (both at the level cca 55%), but in case of Zakarpattya, there is a higher share of employment in agriculture (cca 20%) in comparison with the Slovak border region. Both border regions have roughly the same share of qualified workforce, though the other important difference between the two border regions consists in the rate of population growth, which is cca 2% in case of Eastern Slovakia, but cca minus 5% in case of all Ukrainian regions bordering with the EU. When it comes to the infrastructure, there is cca 100 km of roads per 100 km² of land area available in Slovakia, while this indicator reaches only a value of 20-30 on the Ukrainian side (Grozea-Helmenstein – Berrer, 2015, pp. 17-41).

Slovakia ranks among the top five export destinations for the Zakarpattya regional economy. As in 2015, the main export destinations were as follows: Hungary (48%), Germany (7.3%), Slovakia (7.2%), Austria (6%) and Poland (5.4%). Exports of goods to Slovakia in 2013-2015 consist of three product groups, share of which ranged from 89.2% to 92%, indicating a steady Slovak demand for mechanical and electrical equipment, textiles and textile goods, wood and wood products from Zakarpattya. Although the raw material and the technological potential of Slovakia in these areas is much higher than in Ukraine, the commodity structure of imports from Slovakia to Zakarpattya is dominated by supplies of mechanical and electrical equipment, mineral products, textiles and textile products, polymeric materials, plastics and articles thereof (the share of these product groups amounts to 81.2% of total imports). Slovakia achieves also the largest share on total imports of services to Zakarpattya (16.2%). Nevertheless, in case of the mutual trade in Slovak-Ukrainian CBC area we are speaking only about a fraction of mutual Slovak-Ukrainian trade turnover (Kardash – Lačný, 2017).

The conclusions may take the form of policy recommendations both for the Ukrainian, as well as for the Slovak institutions and CBC actors. In order to maximize the opportunities for boosting economic



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cooperation and trans-border regional development, as well as expanding foreign trade, they should focus on the following priorities:

- prompt and efficient implementation of necessary changes in Ukrainian legislation and institutional framework, related to the AA/DCFTA introduction (regarding market competition, government procurement, trade facilitation, intellectual property protection, investment and transport);
- optimize the insufficient legislation dealing with legal protection of business;
- resolve the inadequate institutional setup (hampering and non-transparent practices at the local public administration offices, police and courts);
- improve the management of Ukrainian-Slovakian border by speeding and streamlining border and customs control, to resolve the inefficiency of custom offices that paralyze small local businesses;
- enhance co-operation in customs and customs-related matters and simplify customs requirements and formalities, while at the same time preventing customs irregularities and fraud;
- improve the insufficient infrastructure (number of border crossings, availability and quality of transport infrastructure) on both sides of the border;
- maintain smooth cooperation with investors at every level (government, municipality, company) and assure the requisite institutional capacities;
- create an economically attractive environment for investments in border regions;
- the practical application of the OECD's corporate governance principles may serve as a tool for achieving better accountability and improved relationship with investors, spurring investments into technologically advanced assets;
- the investment incentives should be targeting both local businesses and foreign investors with a better tax system, a better educated workforce and a good transport infrastructure rather than tax holidays, duty free zones, or other political promises;
- work out joint solutions to restore and boost Slovak-Ukrainian trade turnover, including the promotion of trade and investment opportunities for local businesses in border regions and promotion of tourism;
- support and promote innovation and technological progress in the border regions;
- following the identification of a regional cluster's strengths and competitive advantages, regional policy makers may engage in developing a regional cluster strategy.

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