ECONOMY AND ECOLOGY 28.04.2023 | Oleksandr Kraiev

New frontiers for Ukrainian grain

For Ukraine, the recent grain export blocks exposed the limits of ally support and are a lesson on responding to crises caused by close EU cooperation

Amid the active and unconditional political and military support for Ukraine, the recent news that some European states refused to import and redirect Ukrainian grain came as a surprise to many observers, which had predicted an increase in cooperation on all possible platforms. Obviously, this issue has both economic and political causes, and if it is not solved now, it may become systemic.

Throughout 2022, the supply of grain and agricultural products from Ukraine became the key issue of Kyiv's economic sustainability in resisting Russian aggression, as well as a geopolitically heavy issue. The long process of agreeing on a maritime grain corridor and Russia's further violation of its commitments forced Ukraine to reposition its exports and give preference to overland grain transportation. Thus, the top 10 destination countries for Ukrainian grain shipments have also changed. Whereas in 2021, only 30 per cent were European countries, in 2022, according to UN Comtrade, 7 of the top 10 importing countries were European. Countries such as Indonesia, Iran, Pakistan, Morocco and Tunisia have fallen out of the top 10, while China (previously the biggest importer) and Egypt (second biggest importer in 2021) have significantly reduced their supply volumes.

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Accordingly, the grain markets of Romania, Poland, Hungary and Slovakia have also undergone dramatic changes. Exports from Ukraine have increased astronomically for all the countries in the region; in Romania, for example, these figures increased from $2 million to almost $1.3 bn last year. Poland (from $14 million to $646 million), Hungary (from $8 million to $401 million) and Slovakia (from zero to $116 bn) have all seen similar growth. Since Ukrainian grain was taking up their own granaries (in some cases, local growers could not

use their own granaries because of Ukrainian exports), these countries have stopped delivering grain from Ukraine and transit through their territory.

Somehow, the fact that the crisis was caused by the refusal to redirect grain further to Africa was mentioned much less in the statements of these countries. At the same time, one should not overlook the fact that European countries continued to make money on Ukrainian shipments – which are massive, cheaper and still of high quality – and were generally in a surplus in foreign trade. This is why it is clear that in this case, we have a problem not only with the economic aspects of bilateral and bloc interaction but also with the political.

Countries under electoral pressure

Despite the common position and general warnings that have been expressed, the countries which blocked Ukrainian grain are pursuing their own interests.

The Orbán government's Ukrainian-sceptical policy, in particular, is stable in all its manifestations. This new Hungarian decision was only a continuation of the earlier course but in an export dimension.

For the Polish leadership and the ruling Law and Justice party, the question of re-election has become pressing – parliamentary elections are approaching, so there is a need to broaden and cement their own electorate. Farmers constitute a significant part of their voters, so playing up to their interests is a logical step, even if the main problems have been caused not only and not as much by Ukrainian grain but by the lack of adequate mechanisms for its redistribution.

The Slovak authorities are in a similar position. Early elections were called by a coalition decision on 30 September, and such abrupt statements and changes in government positions can also be considered part of the express course of flirting with voters.

In Romania and Bulgaria, the situation has been exacerbated by farmer protests. Although importing Ukrainian grain was economically profitable at the state level, it was difficult for small and medium-sized private farms to compete with Ukrainian products. This situation, again, was exploited by the authorities of both countries for their own political benefit.

What to can be done about the resulting chaos?

Firstly, favourable transit conditions need to be created: a concrete control mechanism that will prevent Ukrainian products from 'settling' in Europe and will promote them further (e.g. to markets in Africa). In this way, it would avoid unnecessary burdens on farmers and the infrastructure of Central European countries. The first steps in this direction are already being taken: Ukraine plans to ban, for a while, the export of grain to companies that would unload it in Poland.

The second important aspect is subsidising local farmers. It is a well-known joke that the European Union is a collective support mechanism for French farmers, but the revision of the subsidy system, with a greater emphasis on Central European countries, has been long overdue. By restricting Ukrainian exports, the governments of Poland, Slovakia, Hungary, Bulgaria and Romania are not only raising the issue of additional financial support, they are also triggering a much-needed debate that can only be exacerbated as Ukraine approaches EU membership.

And that brings us to the third point – the agrarian crash test. In fact, those conditions that were imposed on Ukrainian exports by the European Union as early as last spring have *de facto* placed Ukrainian farmers within the boundaries of the EU single market. Ukrainian grain flooded into Europe without any restrictions. Thus, we have almost reproduced an approximation of what will happen at the time of Ukraine's full accession to the EU. Accordingly, we have already seen the reactions of other states in the region, and we can now prepare more effectively for such cases in the future.

A fourth point, which is also an opportunity for Ukraine, is a closer institutional rapprochement with Brussels. The conduct of Central European states in imposing their own restrictions and preventing Ukrainian products from entering the EU common market is in violation of EU foreign policy and trade regulations, because unilateral action is unacceptable in such a unified system.

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On the whole, it is obvious that the ban on the import of Ukrainian grain is aimed not so much at protecting farmers as at obtaining subsidies from Brussels on the eve of the election. The EU leadership is prepared to make compromises – Brussels' decision to open up crisis funds to support

affected farmers has been a reassurance to Central European countries. But in all cases political interest has taken precedence over international security and economic motives.

For the Ukrainian economy and diplomacy, the grain export situation was a signal that ally support has its limits, as well as a stress test of how to respond to crises of closer cooperation with the EU. Undoubtedly, such restrictions and contradictions will occur during Ukraine's accession negotiations with the EU, so Ukrainian authorities and the diplomatic community need to prepare for this today.

The Ukrainian government should draw a lesson for its part about the need to reinforce its engagement in foreign affairs. Security and foreign policy are obvious priorities for the country today, but it should be kept in mind that EU allies will protect their own interests first and foremost, especially in the sensitive agricultural sector. The only option that will preserve markets and normal relations with partners is compromise and mutual concessions. Only in this way can chaos be the beginning of a new order.



Oleksandr Kraiev
Kyiv

Oleksandr Kraiev is the director of the North America Programme at the Ukrainian Prism Foreign Policy Council. As well as the director of the Transatlantic Dialogue and NATO Relations Research Programme of the Strategic and Security Studios Group. He teaches international politics at the Institute of International Relations (IMO KNU) and the Kyiv-Mohyla Academy (NaUKMA).