

## **IMPACT OF LOCAL BORDER TRAFFIC WITH THE KALININGRAD DISTRICT OF THE RUSSIAN FEDERATION IN SCOPE AND LEVEL MARKETING OF GOODS AND SERVICES**

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**Abstract.** The special significance of the market of the Russian Federation as a partner Polish entrepreneurs and convenient location of Kaliningrad District to the organization promoting and selling Polish products, in gaining importance in the context of the agreement on local border traffic between the Kaliningrad District and part of Warmia, Mazury and Pomerania, in force since July 2012. There are new lower demand and new opportunities for the development of Polish-Russian economic cooperation. The article contains the results of studies aimed at assessing the impact of local border traffic with the Kaliningrad District in the form of cross-border cooperation. Examined the degree of its impact on trade in goods and trade in services between the Warmia and Mazury Voivodship and Kaliningrad District. Studies carried out among buyers of the Kaliningrad District were designed to identify the most frequently purchased products from Poland and examined the availability to them. Determined the impact of selected factors on the reduction of trade in goods and services between the Warmia and Mazury Voivodship and Kaliningrad District.

**Key words:** small border traffic, cross-border cooperation, trade in goods and services, factors limiting cross-border cooperation

### **INTRODUCTION**

During the global crisis, Kaliningrad District of the Russian Federation is recognized by economists as being of great economic potential and investment. The special significance of the market of the Russian Federation as a partner Polish entrepreneurs and convenient location Kaliningrad District to the organization promoting and selling

Polish products, in gaining importance in the context of the agreement on local border traffic between the Kaliningrad District and part of Warmia, Mazury and Pomerania, in force since July 2012. There are new lower demand and new opportunities for the development of Polish-Russian economic cooperation. Increased activity in the region and are interested in cooperating Polish contractors should be a priority in the development of Polish-Russian economic cooperation. Regional markets have a greater potential for growth and are not penetrated by the competition.

The development of cross-border cooperation is not a competition for the regions, but a complement or economic conditions create the basis for their operation. This cooperation allows for close-up and associate business partners, finding new markets for Polish products, and thus the increase in trade [Białobrzaska and Kisiel 2003]. One form of cooperation is the Euroregion, which is important, bottom-up plane. A positive example of an active and multifaceted cross-border cooperation is Euroregion Bałtyk. An important function of the Euroregion is to develop local and regional activities. Euroregional cooperation is a cooperation between border communities and local governments [Koszyk-Białobrzaska and Kisiel 2008]. Dynamic development of transborder relations triggered the downfall of barriers and prejudice, the developing of official and unofficial interpersonal relations, especially between members of local societies [Palmowski and Kondratowicz 2009].

In order to use existing and emerging opportunities for Polish-Russian economic cooperation should be increased activity at three levels: macro-economic, regional and businesses. Macroeconomic level are various instruments of foreign economic policy, including bilateral relations treaty, multilateral cooperation in international organizations and the internal system of export support. The development of regional cooperation between Polish and Russia requires detailed exploration of current and future economic opportunities of individual regions, including special economic zones. The Polish-Russian trade relations in the future more and more important role should exchange services. Poland could become an exporter of services to the population of Russia, particularly in the service sector: tourism, construction, transport and health [Batyk and Semenova 2013].

One form of cross-border cooperation, which is conducive to the development and strengthening and improving the living conditions of the inhabitants of border regions is cross-border trade. The importance of trade with neighboring countries for the local economy can be expressed by:

- export of products manufactured are made in the spatial unit to the markets of neighboring countries,
- providing service for the needs of transit traffic, including in particular the freight traffic generated by Polish foreign trade,
- small unregistered cross-border trade.

All of these elements have the potential to positively affect the local economy (especially on the local labor market). At the same time, they may also cause the economy to certain risks. Excessive concentration of exporters in the market of neighboring countries increases the risk of imported crisis. Transit trade affects the environment and road

safety. Cross-border trade (especially of goods subject to excise duty) is unfair competition for local businesses, and by criminalizing activities undertaken favors exclusion of certain cross-border groups [Komornicki 2010].

Specific forms of economic relations on a local scale are cross-border trade and services. This phenomenon is considered both on tourism research, as well as in the economic analysis. The importance of traditional trade was enhanced by new associations and unions of merchants and traders. Diminishing differences in prices of similar goods in the neighbouring countries caused the number of cross-border shoppers to decrease. As a result, the incomes of the vendors declined; however, new organizational changes introduced at a local level increase the revenues of territorial self-government units. This enabled the people to conduct activities which were directed towards the creation of a new structure accomplishing more and more complex functions. In particular, this was carried out through the expansion in the realm of operation of retail trade. In many shops and stores located in border regions, in addition to the re-distribution of goods, services were also offered, and trade performed a number of social and economic functions, including those pertaining to the process of local development. The implementation and enforcement of new laws regulating the flow of persons across borders and the differentiated pace of social and economic processes in the neighbouring countries as well as increasing unemployment resulted in changes in the intensity of retail trade in border zone areas [Powęska 2013].

Trade turnover shows a steady, upward trend. The Polish products dominating in the import to the Kaliningrad Oblast include foodstuffs, household detergents, construction and finishing materials, machines, furniture, footwear, and other consumer goods and plastic products. It is estimated that 20% of the Polish exports to the Oblast come from the Polish-Russian border region. There are approximately 80 Polish small and medium-sized enterprises operating in the Kaliningrad Oblast. Some of them are seated in Warmia and Mazuria Voivodship [Palmowski 2010].

As a result of leveling of prices and changes in tariff policy has decreased the importance of cross-border trade in the western and southern borders. Trading on these borders were mainly retail and did not create economic links, but had a significant impact on mass-border traffic. There is currently an increased cross-border trade on the border with the Kaliningrad District, which is for residents of border areas unofficial economic activity. Despite the heavy traffic it involves relatively few people who frequently cross the border. Kaliningrad residents come to the Warmia and Mazury Voivodship mainly in trade and purchase food products, shoes, clothing, household goods, electronics and furniture. Residents of Warmia and Mazury from communities of small border traffic travel to Kaliningrad District only for fuel.

Results of the Stefan Batory Foundation conducted in 2007 indicate that one of the main purposes of crossing borders between the European Union and Russia was shopping in neighboring countries. A few years ago European citizens interested in buying cheaper alcohol and tobacco products in Russia. However, due to rising prices of goods in Russia, the Russians are more interested in shopping in the European Union, and not vice versa [Monitoring of border crossings in the European Union 2008].

With the introduction of local border traffic between the Kaliningrad District and part of Warmia, Mazury and Pomerania, in the fourth quarter of 2012 there was a sharp increase in the Polish citizens crossing the border with Russia by 27.3%. Changes in provisions for crossing the border affect the changes in the intensity of cross-border traffic and border trade. Following the example of the local border traffic operation since July 2009 in the Polish-Ukrainian border which had a positive effect on the activation of the border area, as evidenced by a higher rate of increase in the number of commercial companies with foreign capital in this area, we can expect a similar recovery in the Polish-Russian border area [Cross-border movement and transport of goods and services... 2013].

Expenditure incurred on the purchase of goods by foreigners in Poland declared as the country of residence of Russia amounted to 470.5 mln zł, and exports of Polish goods to Russia amounted to 32.3 mld zł [The study trading of goods and services... 2013]. The value of exports of agri-food products from Polish to Russia in 2011 amounted to over \$1 mld. In 2012, there was an increase in exports of agri-food products by almost 30%, including dominant in this group of edible fruits and nuts as much as 46% [Polish trade turnover with foreign countries... 2012].

The results of the study trading of goods and services at the external border of the European Union in the Polish indicate that the vast majority of people go abroad and back in one day, mainly in order to make purchases. The structure of expenditures outweigh the funds allocated for the purchase of goods, and a small part is spent on services [The study trading of goods and services... 2013a, b].

Research carried out by the Statistical Office in Rzeszów in the second quarter of 2013, indicate that the highest growth crossing the external border of the European Union on Polish territory, reported the Polish-Russian border. The local border traffic increased arrivals of foreigners (of whom 93.6 % were Russians) – by 60.3%, and Polish citizens – an increase of 56.9%.

In the second quarter of 2013, the expenses of foreigners stood at 2,036.1 mln zł, while Polish citizens – 178.8 mln zł, and were higher compared to the same period of 2012, respectively 34.5% and 14.4%. The largest increase in expenses incurred in Poland included both foreigners (54.8%) and Polish citizens (47.2%) in excess of the Polish-Russian border.

The estimated value of the expenditure incurred in Poland by foreigners crossing the Polish-Russian border under the local border traffic in the second quarter of 2013 amounted to 39.9 mln zł and was higher compared to the previous quarter of 121.6%. The value of expenses incurred abroad by Polish citizens crossing the Polish-Russian border under the local border traffic was 42.1 mln zł, which accounted for 48.1% of the expenditure this border. These expenses were higher as compared to the first quarter of 2013 by 6.3%.

The individual sections of the border were differences in the pattern of expenditure. Expenditure of foreigners as a crossing the Polish-Ukrainian and Polish-Belarusian borders on non-food goods (respectively 87.1% and 81.5%) was significantly greater than in the case of the Polish-Russian (55.9%). The share of foreign spending on food

products was higher in the case of the border with Russia (33.3%) than the border with Belarus (15.3%) and Ukraine (11.7%). Russians are far more being spent on services (10.9%), Belarusians (3.2%) and Ukrainians (1.2%). This was mainly catering services and accommodation. Foreigners in excess of the Polish-Russian border under the local border traffic at the most released: meat and meat products (20.3%), other food products (15.6%), clothing and footwear (15%), cleaning products and cosmetics articles toiletries (11%) and dairy products and oils (9.9%). Structure of foreigners crossing the border by the visit to Poland was different in the Polish-Russian border. The most Russians traveled to shopping (53.8%). There was a much higher percentage of foreigners crossing the border with Russia as tourists (18.9%), transit (17.3%) and work (3.4%) [The study trading of goods and services..., 2013a, b].

The article contains the results of studies aimed at assessing the impact of local border traffic between Warmia and Mazury and Kaliningrad District in the form of cross-border cooperation. Examined the degree of influence of local border traffic at trade in goods and trade in services between the regions. Studies carried out among buyers of the Kaliningrad District were designed to identify the most frequently purchased products from Poland and examined the availability to them. Determined the impact of selected factors on the reduction of trade in goods and services between the Warmia and Mazury Voivodship and Kaliningrad District.

## **MATERIAL AND METHODS**

The basis for the analysis of the impact of local border traffic with the Kaliningrad District of the Russian Federation on the scope and level of trade of goods and services are the results of the survey conducted in 2012. The presented results are part of the extensive research carried out among residents of the Kaliningrad District and the people living in 13 districts in the Warmia and Mazury Voivodship (including Olsztyn and Elblag) who can use the small border traffic.

Results presented in this article are empirical studies carried out by questionnaire interviews of 200 residents of Kaliningrad District. Authors used a questionnaire containing questions: alternative, disjunct (which require the application of one of several responses) and questions conjunctive (allowing indicate more than one response).

Respondents have been selected by purposeful selection. Selected 10 towns and villages located in Kaliningrad District, and then conducted a survey among residents of each of them representing different social groups. The samples for research was to obtain information from respondents varied in terms of gender, age, place of residence, education, and the average monthly income per family member.

Statistical analysis was performed using Statistica PL. In the statistical analysis used the analysis of the frequency.

Characteristic of respondents are shown in Table 1.

Table 1. Characteristic of respondents

Characteristic	Specification	Percentage of respondents
Gender	female	50
	male	50
Age	18–25 years	25
	26–35 years	17.5
	36–45 years	25.5
	46–55 years	22
	more than 55 years	10
Education	basic	9
	vocational	19
	secondary	21
	bachelor's degree	21
Social status	higher	30
	self-employed	20
	working	30
	government employee	14.5
	unemployed	9
	student	20
Place of residence	pensioner	6,5
	city 250–500 thousand residents	25
	city 100–250 thousand residents	20
	city 50–100 thousand residents	20
	city for 50 thousand residents	20
The average monthly income per person	village	15
	to 5 000 rubles (500 zł)	18.5
	5 001–10 000 rubles (501–1 000 zł)	13.5
	10 001–15 000 rubles (1 001–1 500 zł)	25.5
	15 001–20 000 rubles (1 501–2 000 zł)	21
	more than 20 000 rubles (2 000 zł)	21.5
	more than 20 000 rubles (2 000 zł)	21.5

Source: Author's research.

## RESULTS AND DISCUSSION

Research has shown that effective from July 2012 the small border traffic between the part of the Warmia and Mazury Voivodship and Kaliningrad District affects cross-border cooperation in a wide range. Among the three most important activities associated with the functioning of the local border traffic, the majority of respondents pointed to the increasing circulation of goods (97%) and the development of tourism (79%). Residents of the Kaliningrad District sees an opportunity to develop the region and raise the standard of living, by being able to exchange labor and services (both at 45%) – Figure 1.



Fig. 1. Effect of local border traffic at the development of cooperation between the Warmia and Mazury Voivodship and Kaliningrad District in selected activities

Source: Author’s research.

Local border traffic in the opinion of the majority of respondents to a large extent, affects both trade in goods and trade in services between the Warmia and Mazury Voivodship and Kaliningrad District (Fig. 2).

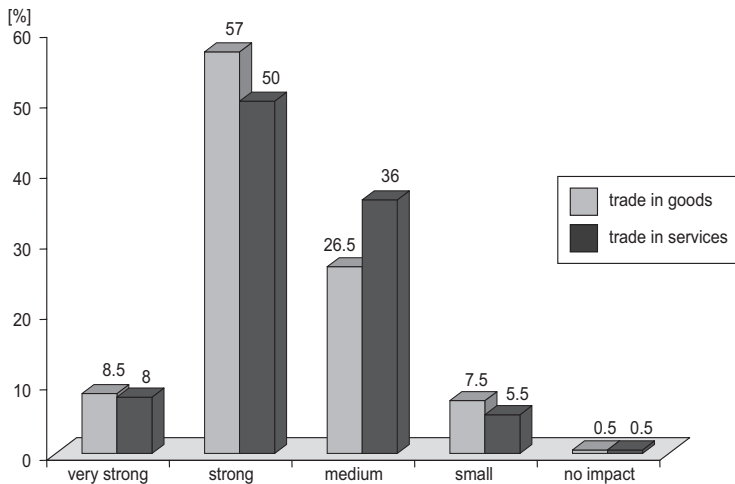


Fig. 2. The degree of the impact of local border traffic at trade in goods and services between the Warmia and Mazury Voivodship and Kaliningrad District

Source: Author’s research.

Most respondents availability of products from Poland identified at a very good (8%) and good (76%). Only 3.5% of residents of Kaliningrad District considered it as small and 12.5% as medium.

Polish products the Polish were purchased at most street vendors (40.5%), in supermarkets (28.5%) and in the bazaars (27.5%). Only 3.5% of respondents declared that purchases of these products in small shops.

Respondents were able to indicate the three best-selling industrial Polish products (Fig. 3). The greatest interest of Kaliningrad's inhabitants enjoyed: shoes (69%), clothing (66%), cosmetics (50%) and electronics (38%).

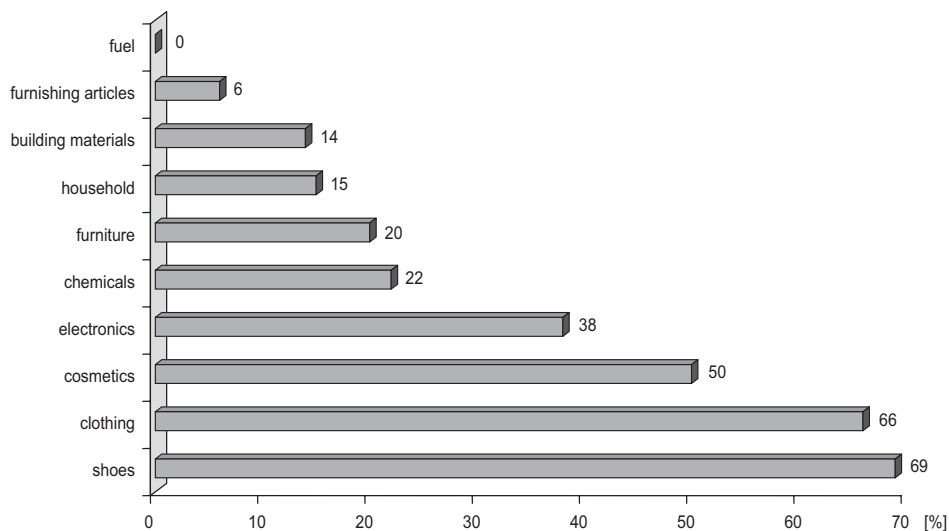


Fig. 3. Industrial products most frequently purchased by residents of the Kaliningrad District

Source: Author's research.

The study made it possible to know the impact of selected factors on the reduction of trade in goods and services between the Warmia and Mazury Voivodship and Kaliningrad District (Table 2).

Respondents acknowledged that the lack of an attractive range of goods and services, cultural differences, lack of security, language barriers or insufficient information only slightly affect the reduction of trade in goods and services. Purchasers of Polish products and customer services provided by Polish companies pay attention to their low price and high quality. Therefore, products and services are very popular and the price of the Kaliningrad District encourages residents to buy them.

Among the factors the greatest impact on reducing the trade in goods and services include: visa procedures, complicated border control procedures, long time to wait for border checks, complicated legal and administrative procedures, bad roads and small number of public transport. Recently, following the introduction of restrictions for residents of Warmia and Mazury for 10 trips a month on the territory of the Kaliningrad District, has significantly reduced the waiting time at border checks.



Table 2. The impact of selected factors on the reduction of trade in goods and services between the Warmia and Mazury Voivodship and Kaliningrad District

Selected factors	The impact				
	no impact	small	medium	strong	very strong
	% of responses				
Visa procedures	0.5	0.5	6	48.5	44.5
Complicated border control procedures	0	2.5	13.5	73	11
Long time to wait for border checks	0	2.5	6.5	38	53
High taxes and duties	8.5	5.5	62	15.5	8.5
Complicated legal and administrative procedures	1	14	21.5	61.5	2
Lack of attractive offers of goods and services	55	21	16	6	2
No certificates confirming compliance with quality standards	6	25.5	32.5	32.5	3.5
Poor quality products	4	72.5	8	10.5	5
High prices of products	4.5	61	11.5	16.5	6.5
Expensive service	3.5	63.5	9	18	6
Poor quality of service	3.5	62.5	18.5	9.5	6
Low availability of public transport	3.5	15.5	10.5	13.5	57
Bad roads	10	11	7.5	60.5	11
Insufficient information	21.5	26	24	20	8.5
Insecurity	28.5	26.5	31.5	10	3.5
Language barriers	25.5	21.5	38.5	14	0.5
Cultural differences (mentality)	33.5	40	24	1.5	1

Source: Author's research.

## CONCLUSIONS

Rank interact with the Kaliningrad District is increasing mainly due to the location of the region, as enclaves within the European Union. Economic exchanges with the Kaliningrad District should be treated as a great opportunity and a great challenge. Border traffic exchanges is conducive to the development of commercial, service and regional cooperation on many levels. It consistently build business networks in the Russian Federation, using the direct vicinity of the Kaliningrad District.

Polish products are very popular among the residents of the Kaliningrad District and constitute a major competition for domestic products. There is a high availability for Polish products that can be purchased not only at street vendors but also in supermarkets and retail chains. You have to use the advantages of the position of the Kaliningrad District and seek competitive advantages that can be Polish goods and services. Economic cooperation with the Kaliningrad District can be an opportunity for many Polish companies in opposition to the economic crisis.

Although the situation with regard to market access Kaliningrad District and commercial and service activities is gradually improving, but there are still quite significant difficulties arising mainly from a variety of procedures: visa, border control, administrative and long waiting times at border checks and the lack of stability of the law.

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**WPLYW MAŁEGO RUCHU GRANICZNEGO Z OBWODEM  
KALININGRADZKIM FEDERACJI ROSYJSKIEJ NA ZAKRES  
ORAZ POZIOM OBROTU TOWARÓW I USŁUG**

**Streszczenie.** Szczególne znaczenie rynku Federacji Rosyjskiej (FR) jako partnera handlowego przedsiębiorców polskich oraz wyjątkowo dogodna lokalizacja obwodu kaliningradzkiego dla organizacji promocji i sprzedaży polskich produktów, dodatkowo zyskują na znaczeniu w świetle umowy o małym ruchu granicznym między obwodem kaliningradzkim a częścią Warmii, Mazur i Pomorza, obowiązującej od lipca 2012 roku. Pojawiły się nowe nisze popytowe i nowe możliwości rozwoju polsko-rosyjskiej współpracy gospodarczej. Opracowanie zawiera wyniki badań mających na celu ocenę oddziaływania małego ruchu granicznego z obwodem kaliningradzkim FR na formy współpracy transgranicznej. Zbadano stopień jego wpływu na obrót towarów i wymianę usług między województwem warmińsko-mazurskim a obwodem kaliningradzkim. Badania przeprowadzone wśród nabywców z obwodu kaliningradzkiego pozwoliły na zidentyfikowanie najczęściej kupowanych produktów pochodzących z Polski oraz zbadanie dostępności do nich. Określono siłę oddziaływania wybranych czynników na ograniczenie wymiany towarów i usług między województwem warmińsko-mazurskim a obwodem kaliningradzkim FR.

**Słowa kluczowe:** mały ruch graniczny, współpraca transgraniczna, obrót towarów, wymiana usług, czynniki ograniczające współpracę transgraniczną

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