

Dynamics of the geoeconomic balance of powers in Central and Eastern Europe in the face of Russian aggression against Ukraine

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Abstract

Introduction: *The analysis of Russia's aggression on Ukraine is most often analyzed from a geopolitical perspective. The article refers to the geoeconomic balance of powers in Central and Eastern Europe.*

Aim: *The aim of the article is to examine the geoeconomic strength of Central and Eastern European countries in relation to Russia. The research hypothesis analyzed in the article is that in the last decade Russia has lost its economic advantage in relation to the region of Central and Eastern European countries, which are located in its geographical proximity and until 1989 were in the sphere of its influence.*

Method: *The article presents a comparative analysis of the geoeconomic strength of the CEE-11 countries treated as one region in relation to Russia. An additional study was conducted for the Visegrad Group, the frontier (buffer) countries, and for Ukraine itself. All data used in the article comes from the World Bank database and covers the period from 2004 to 2020.*

Findings: *The analysis of Russia's declining geoeconomic potential compared to the CEE11 region shows that Russia is unable to formulate an attractive economic strategy. Instead of focusing on economic development, it replaces its weakness in this field with military aggression. With this in mind, the CEE countries, especially the frontier countries, must realize the need to strengthen their coalitions in the region.*

Key Words: *Goeconomics, geopolitics, CEE-11, the war in Ukraine, the Visegrad group*

Jel Codes: *E01, F51, F52*

1. INTRODUCTION

According to the democratic peace theory referring to the concept of «perpetual peace» by Immanuel Kant, which occupies a central place in the liberal paradigm, in a democratic world, there is no place for wars. In the competition between countries, instruments related to military power should be abandoned in favor of instruments related to

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economy or culture. Luttwak (1990) emphasized that military power in the foreign policy of states has ceased to be useful and that national strategies should focus on the sphere of the economy thus increasing their competitiveness. However, the literature (Halizak, 2012) clearly points out that this regularity is manifested within the countries of the developed West, as geopolitical thinking prevails in the areas beyond. Csurgai (2017) states that contemporary economic power rivalries are increasingly characterized by applying methods of non-military warfare.

The essence of geopolitics is the state's policy in relation to a given geographical area, and military power is the most important instrument of action (Halizak, 2012). Such an approach to state policy is focused on competing, which often leads to wars. It is often thinking in the win-lose category, where you gain only at the expense of others, and not in the cooperation category, where all parties are satisfied but do not always gain equally (win-win method).

However, the war in Ukraine showed that confrontational thinking based on the logic of gaining an advantage over other countries by means of force functions in the modern world also in relation to important actors on the global scene. The analysis of Russia's attack on Ukraine is most often analyzed from a geopolitical perspective. In the article, in turn, I would like to refer more to its geoeconomic aspect.

Luttwak (1990) in the article *"From Geopolitics to Geo-Economics. Logic of Conflict, Grammar of Commerce"* stated that *"Everyone, it appears, now agrees that the methods of commerce are displacing military methods — with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases"*. As can be seen from this quote, unlike geopolitics, geoeconomics is a state strategy focused on competition between states, pursued by economic goals, means, and methods (Halizak, 2012). Blackwill and Harris (2016) emphasize that while geopolitics is traditionally a zero-sum game, in geoeconomics the sum of benefits is positive, largely due to cooperation, and not a competition between states. It is worth emphasizing that in geoeconomics the state identifies itself with the economy. The goal of economic policy is the wealth and development of the country and, consequently, the prosperity of its inhabitants.

The aim of the article is to examine the geoeconomic strength of Central and Eastern European countries in relation to Russia. The research hypothesis is that in the last decade Russia has lost its economic advantage in relation to the region of Central and Eastern European countries, which are located in its geographical proximity and until 1989 were in the sphere of its influence.

Russia's potential loss of relative geoeconomic power in relation to the neighboring CEE-11 economies may have large internal and external consequences. A decline in the relative standard of living may lead to a reduction in satisfaction with the government's policy, which, in the case of democratic countries, results in a change in voting preferences, and in the case of non-democratic countries, may lead to political upheavals, often carried out by the military. External issues are related, among others, to the possibility of attracting foreign capital or technology, joining international organizations, conducting monetary, fiscal, and exchange rate policy, or to the direction of economic migration.

In the event of a failure of a cooperative geoeconomic strategy, there is a temptation — for economic gain and for the defense of the political status quo — to shift to a strategy aimed at the competition, and in extreme situations, to provoke a robbery war to acquire territories and resources of other countries and to weaken the economic strength of competitors.

2. RESEARCH METHODOLOGY AND DATA

The article presents a comparative analysis of the geoeconomic strength of the CEE-11¹ countries treated as one region in relation to Russia. An additional study was conducted for the Visegrad Group² and for Ukraine itself. Due to the current geopolitical situation, an additional study was carried out, in which the region consisting of the EU frontier (buffer) countries directly threatened by Russia³ was

¹ The CEE-11 region comprises Bulgaria (2007), Croatia (2013), Czech Republic (2004), Estonia (2004), Hungary (2004), Latvia (2004), Lithuania (2004), Poland (2004), Romania (2007), Slovakia (2004), and Slovenia (2004). The dates of joining the EU are shown in brackets.

² The Visegrad Group, or V4, is a political alliance of the Czech Republic, Hungary, Poland, and Slovakia.

³ These are countries bordering Russia or Ukraine and belonging to the European Union: Estonia, Latvia, Lithuania, Poland, Romania.

taken into account, plus Ukraine, which became a victim of Russia's aggression from 2014 onwards, with its escalation in 2022.

The following economic data were used to study the geoeconomic comparative strength/potential: GDP, GNI, GDP per capita, and GNI per capita. Additionally, the study took into account the comparative military potential, which will indicate the geopolitical strength of the analyzed countries, realized through military force. All data comes from the World Bank database and covers the period from 2004 to 2020.

The comparative study assumed that the relative geoeconomic potential [PGE] is the arithmetic mean of the relative internal geoeconomic potential represented by the indicators converted to international dollars using purchasing power parity rates in a given i -th country (or region) in relation to the j -th country (or region) [$PGE_{i/j}(int.)$] and the relative external geoeconomic potential represented by the indicators computed in current USD of the i -th country (or region) in relation to the j -th country (or region) [$PGE_{i/j}(out.)$].

$$PGE = \frac{PGE(int.) + PGE(out.)}{2}$$

where:

$$PGE_{i/j}(int.) = \frac{\frac{GDPpppUSD_i}{GDPpppUSD_j} + \frac{GNIpppUSD_i}{GNIpppUSD_j} + \frac{GDPpcappppUSD_i}{GDPpcappppUSD_j} + \frac{GNIpcappppUSD_i}{GNIpcappppUSD_j}}{4}$$

$$PGE_{i/j}(out.) = \frac{\frac{GDPcurUSD_i}{GDPcurUSD_j} + \frac{GNIcurUSD_i}{GNIcurUSD_j} + \frac{GDPpcapUSD_i}{GDPpcapUSD_j} + \frac{GNIpcapUSD_i}{GNIpcapUSD_j}}{4}$$

The definitions of individual macroeconomic categories that were used in the analysis of the relative geoeconomic strength are presented in the table [1].

Table 1: The definitions of macroeconomic categories used in the analysis of the relative geoeconomic strength

GDP (current USD) — GDP_{curUSD}
GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates.
GDP (PPP, constant 2017 international USD) — GDP_{pppUSD}
PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the country plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2017 international dollars.
GNI (current USD) — GNI_{curUSD}
GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Data are in current U.S. dollars.
GNI, PPP (constant 2017 international USD) — GNI_{pppUSD}
PPP GNI (formerly PPP GNP) is gross national income (GNI) converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GNI as a U.S. dollar has in the United States. Gross national income is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Data are in constant 2017 international dollars.
GDP per capita (current USD) — $GDP_{pcapUSD}$
GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars.

GDP per capita, PPP (constant 2017 international USD) — <i>GDPpcapppUSD</i>
PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the country plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2017 international dollars.
GNI per capita, Atlas method (current US\$) — <i>GDPpcapUSD</i>
GNI per capita (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies, although an alternative rate is used when the official exchange rate is judged to diverge by an exceptionally large margin from the rate actually applied in international transactions. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. This applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country, and through 2000, the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States).
GNI per capita, PPP (constant 2017 international USD) — <i>GNIpcappppUSD</i>
GNI per capita based on purchasing power parity (PPP). PPP GNI is gross national income (GNI) converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GNI as a U.S. dollar has in the United States. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. Data are in constant 2017 international dollars.

Source: www.databank.worldbank.org/metadataglossary/world-development-indicators/

For a comparative study of military potential in Central and Eastern Europe, a formula consisting of two elements was used. The first is human military potential measured as the arithmetic mean of total population and armed forces personnel, the second — technical military potential, which is expressed by the arithmetic mean of

military expenditure measured both in current USD and converted to international dollars using purchasing power parity rates:

$$PM = \left(\frac{\frac{AFP_i + TPOP_i}{AFP_j + TPOP_j}}{2} \right) + \left(\frac{\frac{MEcurrUSD_i + MEpppUSD_i}{MEcurrUSD_j + MEpppUSD_j}}{2} \right).$$

The definitions of the indicators that were used in the analysis of the relative military strength are presented in Table [2].

*Table 2: The definitions of categories used
in the analysis of the relative military strength*

Armed forces personnel, total — AFP
Armed forces personnel are active duty military personnel, including paramilitary forces if the training, organization, equipment, and control suggest they may be used to support or replace regular military forces.
Total population — TPOP
Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship. The values shown are midyear estimates.
Military expenditure (current USD) — EcurrUSD
Military expenditures data from SIPRI are derived from the NATO definition, which includes all current and capital expenditures on the armed forces, including peacekeeping forces; defense ministries and other government agencies engaged in defense projects; paramilitary forces, if these are judged to be trained and equipped for military operations; and military space activities. Such expenditures include military and civil personnel, including retirement pensions of military personnel and social services for personnel; operation and maintenance; procurement; military research and development; and military aid (in the military expenditures of the donor country). Excluded are civil defense and current expenditures for previous military activities, such as for veterans' benefits, demobilization, conversion, and destruction of weapons. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates or converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power as a U.S. dollar has in the United States.
Military expenditure, PPP (constant 2017 international USD) — MEpppUSD
Dollar figures for Military expenditures are converted from domestic currencies using single year official exchange rates or converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power as a U.S. dollar has in the United States.

Source: www.databank.worldbank.org/metadataglossary/world-development-indicators/

3. MEASURING COMPARATIVE GEOECONOMIC POTENTIAL

As mentioned earlier, economic data on GDP, GNI, GDP per capita, and GNI per capita were used to study the geoeconomic potential. The inclusion of these four measures is related to the attempt to take into account the following problems in the comparative analysis:

(i) Measure of economic potential related to location or ownership (GDP or GNI)

GDP measures the market value of all goods and services produced within a country. There is a downside to this measure, however, as it is location based rather than ownership based. Some goods and services may be provided by companies that are owned by non-residents. However, the income from their activities in the form of dividends or interest flows out of the country. Therefore, an alternative measure showing the economic strength of the economy is GNI. This measure is based on GDP adjusted for income earned by residents abroad and income earned by non-residents in the country. In short, GDP is based on location and GNI is based on ownership. In the comparative analysis, both measures should be used, due to the large presence of foreign investors in the analyzed countries.

(ii) Competitiveness of the country and the competitiveness of its citizens (aggregated or per capita measures)

Per capita measures provide information on the standard of living of citizens, as opposed to values such as GDP or GNI, which provide aggregate information. They are better measures of comparing personal well-being, as higher per capita ratios are generally positively correlated with, inter alia, better access to medical care or longer life expectancies. However, per capita measures have some drawbacks. Due to the fact that it is an average value, it does not take into account, inter alia, factors such as income inequality.

(iii) Purchasing power in the international arena or purchasing power in the country (current USD or PPP USD)

The purchasing power of the population can be considered in the internal and external context. Nominal GDP or GNI measured in current prices in international currencies inform about the possibilities of purchasing goods or services on the foreign market. On the other hand, GDP or GNI calculated according to the purchasing power

parity take into account the differences in prices between countries and generally inform about the standard of living in a given country. Nominal values can be highly influenced by the fluctuations in the currency exchange rates.

Figure [1] shows the dynamics of the external geoeconomic potential of the CEE-11 region in the international arena in relation to Russia [$PGE_{i/j}(out.)$].

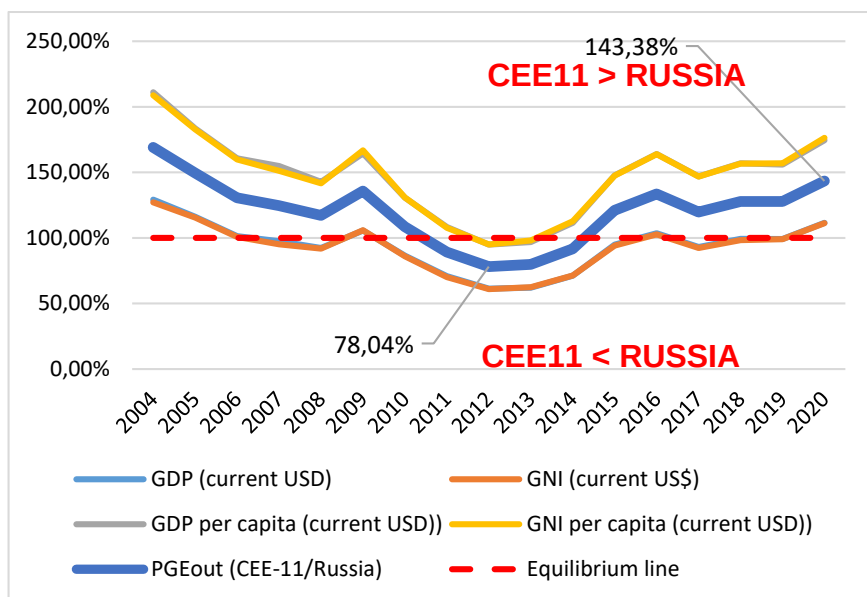


Figure 1: The dynamics of the external geoeconomic potential of the CEE-11 region in the international arena in relation to Russia (2004–2020)

Based on the chart analysis, you can find some interesting observations:

(i) $PGE(out)$: The geoeconomic potential of CEE-11 in the international arena in 2020 amounted to 143.38 % of Russia's potential and it has been growing in recent years, which shows that Russia's economic competitiveness is declining in relation to the former Eastern Bloc countries that are currently members of the European Union.

(ii) *GDP vs GNI*: Although Russia has a positive net international investment position (the difference between assets and foreign liabilities) in contrast to the CEE-11 region, there are no significant differences between the size of the national income calculated from the point of view of production location (GDP) or from the point of view of ownership (GNI). This is due to the fact that both Russia and the CEE-11 countries are net payers of dividends and interest on foreign investments invested in these countries, and their central banks remain the main domestic investors investing abroad in safe and liquid assets that are characterized by low profitability.

(iii) *GDP and GNI per capita*: In the period of the analysis, only in the years 2012–2013 Russian citizens did as well as the citizens of the CEE-11 region in the international arena. In the remaining years, the CEE-11 region had a greater economic potential than Russia. Importantly, from 2013 begins a period of increasing divergence in GDP and GNI per capita measured in current USD in favor of the CEE-11 region. In 2020, these aggregates were as much as around 80% higher than the corresponding values in Russia. This proves that the citizens of the CEE-11 region have a much greater economic strength in the international arena.

(iv) *GDP i GNI*: Due to the much larger population, the Russian GDP and GNI are relatively better than its GDP and GNI per person. In 2020, as measured in current prices, it was still lower than the corresponding values for the CEE-11 region by about 10%, despite the fact that in 2012 the GDP of the CEE-11 region was only 61.3% of the Russian GDP (61.0 % for GNI).

Figure [2] shows the dynamics of the internal geoeconomic potential represented by the purchasing power of CEE-11 citizens on their domestic markets in relation to the purchasing power of Russian citizens in their country [$PGE_{ij}(int.)$].

The analysis of the indicators showing the internal geoeconomic potential shows that:

(i) *PGE (int)*: In 2020, the CEE-11 region's geoeconomic potential, calculated in purchasing power parity, exceeded Russia's potential for the first time in the analyzed period and amounted to 101.72% of Russia's potential. Since 2012, it has been growing successively, which shows the growing attractiveness of the region compared to Russia, not only on the international arena, but also internally.

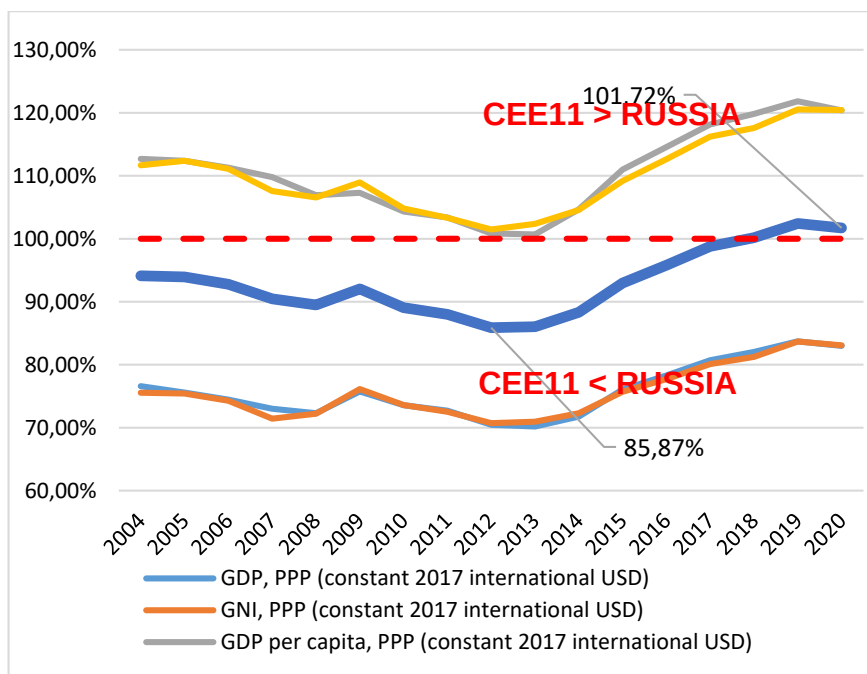


Figure 2: The dynamics of the internal geoeconomic potential of CEE-11 region in relation to Russia (2004–2020)

(ii) *GDP per capita and GNI per capita (PPP)*: The affluence of Russian citizens, taking into account the purchasing possibilities on the local market, remains much lower than that of citizens in the CEE-11 region. In each year of the analyzed period, the average standard of living in Russia was relatively lower than in the CEE-11 countries. In 2020, both GDP per capita and GNI per capita, measured with PPP in the CEE-11 region, amounted to approximately 120 % of the corresponding values in Russia.

(iii) *GDP and GNI (PPP)*: The Russian economic potential is higher only in the case of GDP and GNI calculated for the entire country, if we take into account the purchasing power in the territory of the Russian Federation, although since 2012 also in this respect its relative position in relation to the CEE-11 region has been gradually deteriorating. As mentioned before, this measure is of limited

importance. It does not show the strength of the economy in foreign markets, where imports have to be paid in foreign currency based on the market exchange rates.

The dynamics of the geoeconomic potential in the Central-Eastern Europe [PGE] is shown in Figure [3]. It takes into account the geoeconomic potential of the CEE-11 region, but also of Ukraine, as well as the potential of the Visegrad group and groups of frontier countries enlarged by Ukraine, (PLLERU).

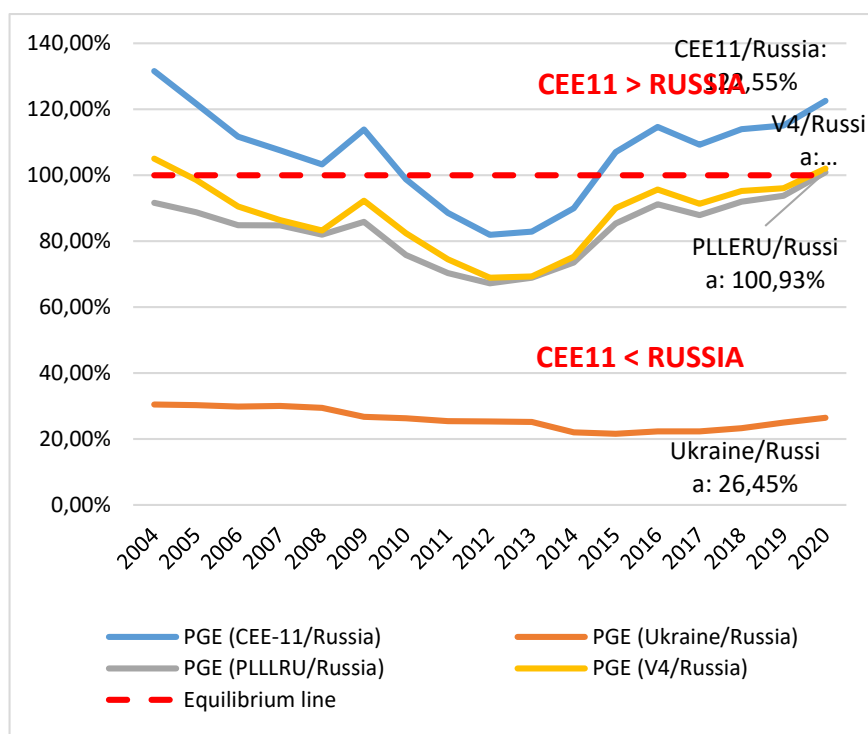


Figure 3: The dynamics of the comparative geoeconomic potential in the Central-Eastern Europe (2004–2020)

The analysis of the indicators showing the geoeconomic potential in the region of Central and Eastern Europe shows that:

(i) *CEE11/Russia*: Since 2012, Russia has been gradually losing its geoeconomic advantage over the CEE-11 countries treated as one region. In 2020, the ratio of the geoeconomic potential of the CEE-11 region was 22.55 % higher than that of the Russian Federation.

(ii) *V4/Russia and PLLERU/Russia*: A similar situation occurs in relation to the V4 Group, whose geoeconomic potential in 2020 was higher by 2.01 % than that of Russia. Importantly, especially in view of the conflict in Ukraine, in Central and Eastern Europe there is a chance of rapprochement between the frontier countries: Poland, Romania and the Baltic states, and Ukraine. The economic potential of this group is growing as a result of faster economic growth than in other CEE-11 countries, and in 2020 it approached the geoeconomic potential of the Visegrad group and slightly exceeded Russia's geoeconomic potential.

(iii) *Ukraine/Russia*: During the analysis period, the geoeconomic potential of Ukraine in relation to Russia reached its maximum level before Russia's aggression against Ukraine in 2014. In 2012–2013, it amounted to 28.11–28.56 % of Russia's potential. The war resulted in its gradual decline to the level of 19.56 % of Russia's potential in 2016, but by 2020 it increased to 21.14 %.

4. MEASURING COMPARATIVE MILITARY POTENTIAL

Four indicators were selected to measure the military potential: total population, , the armed forces personnel, the amount of military expenditure measured in current USD and the amount of these expenses expressed in purchasing power parity. The rationale for measuring military spending in two ways is similar to that for measuring geoeconomic potential. Military expenditures in terms of current USD show the purchasing power on international markets, those in terms of purchasing power parity show the purchase possibilities on domestic market, taking into account the prices in force there. Figure [4] shows the dynamics of the above-mentioned indicators for the CEE-11 region compared to the Russian Federation.

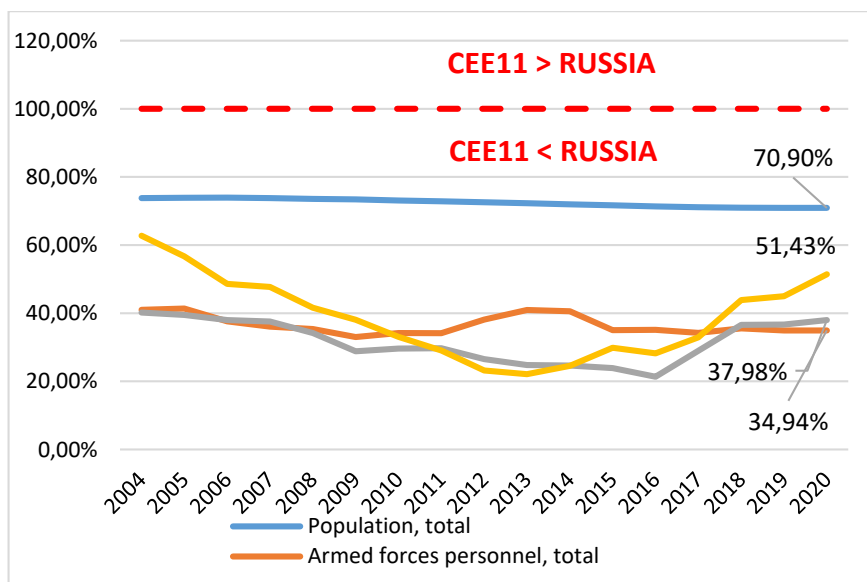


Figure 4: The dynamics of the military potential indicators for the CEE-11 region in relation to Russia (2004–2020)

The data analysis conclusions are as follows::

(i) *TPOL*: The total population of CEE-11 is 29.1 % lower than that of Russia and unfortunately it is falling. In 2004, the population of CEE-11 was 73.81 %, and in 2020 it was only 70.9 % of the population of the Russian Federation.

(ii) *AFM*: Armed forces in the CEE-11 region fare even weaker than its population potential compared to Russia. In 2019, armed forced amounted to only 34.94 % of the Russian Federation. As in the case of total population, this indicator dropped significantly compared to 2004, when it was nearly 41 %.

(iii) *ME(currUSD)* and *ME (pppUSD)*: Although the military expenditures in the CEE11 region relative to Russia in 2020 are lower than in 2004, both in terms of current USD (51.43 % vs 62.73 %) and in terms of PPP (37.98 % vs 40,19 %), in recent years the CEE11 region has significantly increased its military expenditures. The worst position of the CEE-11 countries in relation to Russia in this category, measured in current USD, was in 2013 (22.09 % of Russia's

expenditure), and in the category measured by PPP, in 2016 (21.36 %). The coincidence with the beginning of the conflict in Ukraine in 2014 and its continuation in the following years is not accidental here. As in the case of geoeconomic potential, the military expenditures of the CEE-11 region, compared to the Russian Federation per current USD, are more favorable than taking into account internal purchasing power. However, this does not change the fact that the CEE-11 countries spend too little in relation to their geoeconomic potential on the military security.

The dynamics of the military potential in the area of the analyzed countries [PM] is shown in Figure [5]. As in section [4] of the article, it takes into account the military potential of the CEE-11 region, Ukraine, the Visegrad Group (V4) and the group of frontier countries enlarged by Ukraine (PLLERU).

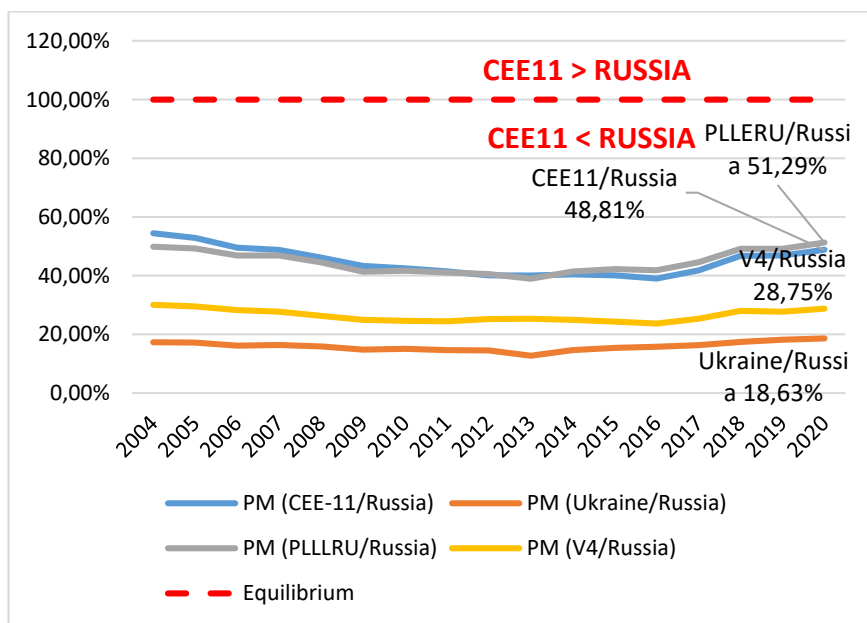


Figure 5: The dynamics of the military potential in Central and Eastern Europe (2004–2020)

The analysis of the indicators showing the military potential in the region of Central and Eastern Europe shows that Russia has a very large advantage over the countries of Central and Eastern Europe.

(i) *CEE11/Russia*: The military potential of the CEE-11 region in 2020 accounted for 48.81 % of Russia's potential. It is worth noting that in 2012–2016 it reached its lowest levels (39.02 % — 40.03 %), but starting from 2017 it has been growing year by year.

(ii) *Ukraine/Russia*: In 2020, Ukraine's military potential accounted for 18.63 % of Russia's military potential, but it has improved significantly since Russia's aggression towards Ukraine in 2014 (in 2013 it was only 12.76 %).

(iii) *V4/Russia and PLLERU/Russia*: The military potential of the Visegrad Group accounted for only 28.75 % of Russia's military potential in 2020. Contrary to the geoeconomic potential, which was at a similar level for the V4 and for the frontier group, the military potential of the PLLERU countries was 78.4 % higher than that of the V4 countries in 2020. Interestingly, the military potential of the f countries is also higher than that of the entire CEE-11 region. This is because the military potential of Ukraine is higher than the combined military potential of Hungary, the Czech Republic, Slovakia, Slovenia, Croatia and Bulgaria. This does not change the fact that although frontier countries had a similar geoeconomic potential as Russia in 2020, their military potential constitutes only 51.29% of the potential of the Russian Federation.

5. CONCLUSION

The analysis of Russia's declining geoeconomic potential compared to the CEE11 region shows that Russia is unable to formulate an attractive economic strategy. Instead of focusing on economic development supported by profits from the sale of natural resources, it replaces its weakness in this field with military aggression. So far, the essence of Russia's policy has been to gain advantage at the expense of other countries using economic means. The aggression against Ukraine initiated in 2014 showed that Russia in its strategy relies on confrontational thinking, based on the logic of gaining an advantage over other countries, also by means of force. In order to achieve this advantage, it strengthens its military potential,

maintaining an almost two-fold advantage over the region of Central and Eastern Europe in this respect.

With this in mind, the CEE countries, especially the frontier countries, must realize the need to strengthen their coalitions in the region. In the future, Poland and Ukraine could constitute the core of the Central European region due not only to the fact that they have the largest territory and the largest population in the region¹, but also because of their location, and geoeconomic and military potential. The comparison of the geoeconomic and military potential of the Visegrad Group with the potential of the frontier countries: Poland, Ukraine, Romania and the Baltic states shows that the latter group is of greater geopolitical importance. The more so as the frontier countries are developing much faster than other CEE-11 countries². The policy of the frontier countries should take this fact into account and result in the tightening of the coalition of these countries.

In a situation where Russia does not think in terms of trade, in which everyone benefits, and also applies the logic of war to economic relations with other countries, the time has come to revise geopolitical alliances, which must take into account not only the current geoeconomic and military potential, but also geoeconomic and military potential anticipated in the coming years. The countries of the buffer zone should deepen economic relations, the more so as, in view of Russia's aggressive stance, they are determined to increase their military potential in their alliance with NATO, using financial aid from their allies. The history of the economic miracle in Japan and South Korea shows that the situation of the frontier countries during the next Cold War between Russia and the democratic world, which undoubtedly takes place and will develop no matter when the war in Ukraine ends and how long it will last, maybe be a kind of springboard for their accelerated development. This includes the reconstruction of a modern, well-managed Ukraine.

¹ The territory of Ukraine (including Crimea) is larger than the combined territory of the Czech Republic, Slovakia, Hungary, Romania, and Bulgaria, while Ukraine has a similar population as the Czech Republic, Slovakia, Hungary and Romania combined.

² When comparing the GDP of CEE 11 in 2020 to its GDP in 1995, it is especially worth noting the increase in Romania's share in the region's GDP from 9.5 % to 15% and the Baltic States from 4,6 % to 7,3 %. The impact on the GDP of the region of the Western Balkans is declining: Slovenia (decrease from 5.4 % to 3.2 %) and Croatia (decrease from 5.8 % to 3.5 %), as in Hungary (decrease from 11.8 % to 9.4 %). Among 11 CEE economies, the region is dominated by the Polish economy with a 36 % share in the region's GDP both in 1995 and 2020.

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