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UKRAINIAN INVESTMENTS IN POLAND IN YEARS 2004 – 2007

Abstract

The main aim of the article is to present the structure and changes of the Ukrainian direct investments in Poland in recent years. The economic conditions of trade have changed after Poland's access to the European Union and improved economic relations. The results of the research show that Poland is one of the most important recipients of the Ukrainian direct investments in the analysed period. An increasing value and range of the investments can be observed, but after Poland's access to the European Union some aspects of cooperation between these two countries are impeded.

Key words: international trade, finance, investments

Introduction

An important part of the globalization process is improving the economic cooperation between neighbouring countries, especially such as Poland and Ukraine. The European integration as a part of the globalization process has also a huge influence on the bilateral relations. Especially after Poland's access to the European Union in 2004, some economic conditions, important for economic cooperation, have changed.

Firstly, Poland lost an opportunity to run an independent foreign economic policy: duties, market regulations, etc. Secondly, bilateral relations between our countries are now part of wider relations between the European Union and the Republic of Ukraine. Thirdly, the economic liberalization, a process which has occurred in both economies and the observed economic growth give an opportunity for some firms to increase the cooperation process but on the other hand, raise the level of competitiveness. Finally, Poland's access to the Schengen Agreement has impeded trade by the border and transfer of labor force.

An improvement of the economic cooperation between Poland and Ukraine helps them raise economic growth and limit the technological gap between them and highly developed members of the European Union.

The main symptoms of the economic cooperation between Polish and Ukrainian economies are bilateral trade and direct investments.

Economic relations between Poland and Ukraine

The main partners in the trade of Poland and Ukraine are the European Union countries. The opportunity of enlarging mutual trade between our countries is not fully exploited. The Ukraine is the eighth recipient of Polish goods and services. The value of the Polish export to Ukraine exceeded in 3.9 bln USD in 2006 and was 3.6% of total Poland's export. Our country exports to Ukraine mainly: transport equipment; machines and mechanical appliance, electric engines equipment; base metals and articles thereof (Yearbook, 2007). High dynamics of export after the enlargement of the European Union can also be observed, because in 2004

the share of Ukraine in the Polish export was 2.8% of the total value (Pakuła, 2008). The import accounted for 1.3 bln USD which takes 1% of the total. Our country imports from Ukraine: base metals and articles thereof; mineral products and products of the chemical industry (Yearbook, 2007).

Poland is also an important partner for Ukraine. It has the sixth place in export and fourth in import (Pakuła, 2008). The value of the direct Polish investments in Ukraine at the beginning of 2008 was 670.5 mln USD (2.3% of total), which gives Poland eleven place among all countries and eighth among the European Union countries (SSC of Ukraine, 2008). The Polish capital is located mainly in industrial, banking and trade sectors of the Ukrainian economy. Such a boost of economic relations has been a result of liberalization of trade related to the Poland's access to the European Union and to changes in the Ukrainian politics.

Ukrainian foreign investments

Beside trade, investments are also important for the cooperation. Ukraine has a huge deficit in direct investments and became mainly beneficiary of the money from other countries, but from 1995 to 2007 Ukrainian foreign direct investments increased ten times, from the amount of 20.3 mln USD to 243.3 mln USD. It was a result of the continuous economic growth started in 1999 (SSC of Ukraine, 2008). The values of overall Ukrainian direct investments are presented in table 1.

Table 1. Direct Ukrainian foreign Investments



¹ Data are calculated on an accrual basis from the beginning of investments. Data on investments of external economic activity during the two years in accordance with international methodology used to conduct statistical observations may be revised.

² Direct investments from Ukraine, includes data from National Bank and State Property Fund of Ukraine (as for difference between market and nominal value of shares, property, etc., unrecorded in statistical reporting of some enterprises)

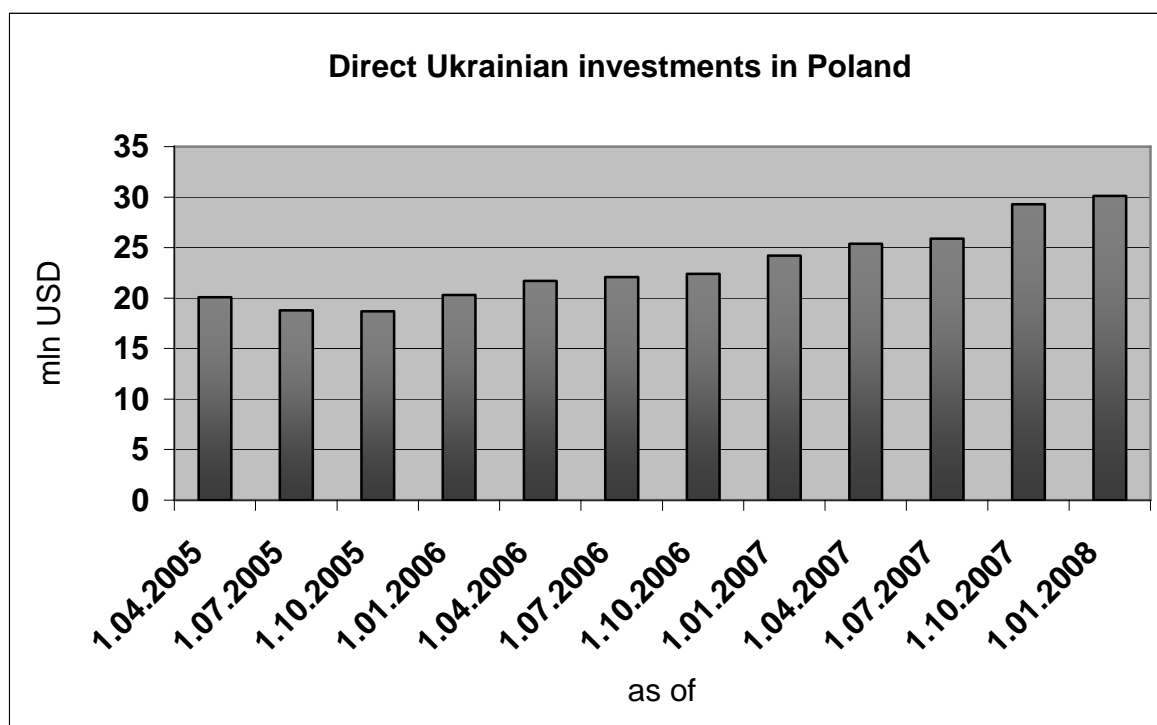
Source: Own compilation based on: State Statistics Committee of Ukraine, <http://www.ukrstat.gov.ua>. Access 05.04.2008

The short analysis of the data in table 1 shows that except two short periods (1998 – 2000) and (2002 – 2003) in foreign Ukrainian direct investments a rapid growth can be observed. In 1995 most capital was invested in Switzerland but since 1996 the main recipient of the direct Ukrainian investments has been the Russian Federation (Chomczuk, 2003). Poland in the analyzed time was second except a short period between July and October 2005, when Panama obtained more money and since October 2007 when the leading Ukrainian investments beneficiary was Cyprus. The main reason of investing large amount of capital in countries like Panama and Cyprus is an attempt to avoid high taxes by borrowing funds from third countries first to tax paradises and second to Ukraine (back-to-back financing). (Ukraina..., 2008).

Characteristics of Ukrainian investments in Poland

Poland has been an important beneficiary of the Ukrainian direct investments recently. Only since 2005 information about investments in the Republic of Poland has been published by the State Statistics Committee of Ukraine. Before 2005 only a small amount of capital was invested in our country. For example as of 31.12.2003 the total value of the Ukrainian investments in Poland was only 330.1 thousand USD (Handel..., 2003). The amount of money which is invested has been rising continuously. The value of direct Ukrainian investments after the Poland's access to the European Union is presented in table 2.

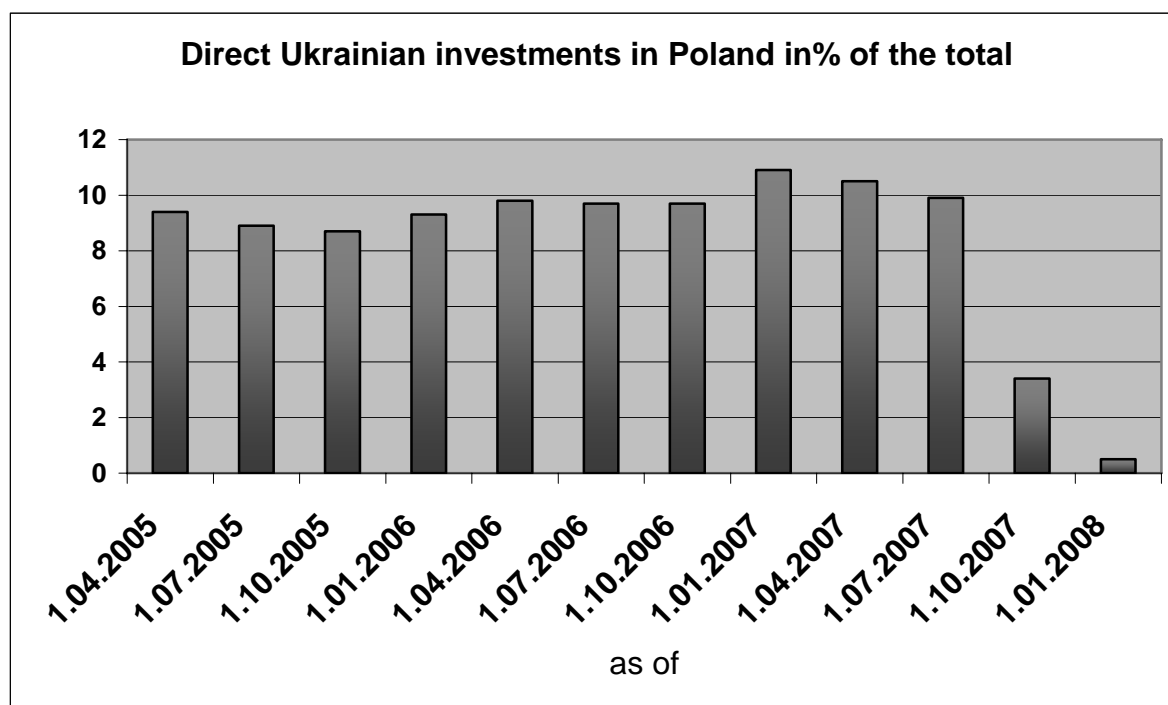
Table 2. Direct Ukrainian investments in Poland



Source: As in table 1.

As it was earlier mentioned Poland is the second investments partner of Ukraine but the percentage of the total sums invested in Poland is not so impressive. This situation is a result of large cooperation between Ukraine and The Russian Federation related to mutual history and economic structure. Direct Ukrainian investments in Poland in percent of the total value, are shown in the table 3.

Table 3. Direct Ukrainian investments in Poland in % of the total



Source: As in table 1.

The decreasing share of direct investments after April 2007 has been related to investing huge amount of money in tax paradises like Cyprus.

The investments are a result of cooperation of large Ukrainian firms with Polish partners. Since 2004 some important contracts were signed. The first one investment was the transaction by Ukrainian PryvatBank of buying a license on Bud Bank from BGK in 2004 (Polsko..., 2008). Next June, 20% share of Fabryka Samochodów Osobowych na Żeraniu was bought by Ukrainian AvtoZAZ. Currently (2008) 90% of the production of Daewoo Matiz and Lanos is exported to the Ukrainian Market (Kto..., 2008). In 2005 the most important Ukrainian direct investments took place. Ukraine's steel holding Industrial Union Donbass (ISD) bought Huta Częstochowa. The Ukrainians have already invested 185 mln USD and plan to put another 147.2 mln USD to increase output. Since 1996 the official name of company is Huta Częstochowa ISD. Industrial Union Donbas was also interested in buying other steel, energy and shipyard firms in Poland e.g. Elsen, Huta Łaziska and the Gdańsk Shipyard (Ukraines..., 2008). In analyzed period other transaction also took place, especially between small and medium companies.

Conclusions

The process of cooperation has been accelerated rapidly since 2004 because of political and economical changes in both countries and the enlargement of the European Union. A rise in trade and investments level between Poland and Ukraine was recorded, but the opportunities of trade have not been fully exploited. Poland has become an important recipient of Ukrainian capital. Unfortunately Ukraine has a huge deficit both in trade and investments but it should make of use an opportunity to make relations with Poland and other countries closer.

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