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TRADE COOPERATION AND AUSTRIAN INVESTMENT ACTIVITY IN UKRAINE

ABSTRACT

The article deals with problem of trade cooperation and Austrian investment activity in Ukraine over the past 25 years. The purpose of the paper was to find the reasons of interest in Ukraine by Austrian government and financial circles. Data for this study was collected from international documents and diplomatic statements of Austria and Ukraine. The study shows that Austrian investment activity in Ukraine has some good perspectives.

Keywords: Ukraine, Austria, European Union, investment activity, trade cooperation

1. INTRODUCTION

Intergovernmental relations between Ukraine and the Republic of Austria have a rich history. Investment cooperation of both countries always plays a special role in this context. Trade and economic relations between two countries represent a great interest for our study. Trade relations and investment cooperation are in crisis now, but it was not always. We want to restore diplomatic and trade relations between Ukraine and Austria, so we must understand the causes of this crisis. We must research this sphere of relations if we want understand all the subtleties of Ukrainian-Austrian intergovernmental cooperation.

2. SOURCE BASE AND ANALYSIS OF RECENT RESEARCH

Source base of this study are such important interstate documents: Agreement between Ukraine and the Republic of Austria on bilateral trade and economic relations (signed on *August 31, 1993*) (The Verkhovna Rada of Ukraine, 1993), Agreement between the Government of Ukraine and the Austrian Federal Government on air transport (signed on *June 15, 1996*) (The Verkhovna Rada of Ukraine, 15 *June* 1996), Agreement between Ukraine and

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the Republic of Austria for the Promotion and Reciprocal Protection of Investments (signed on *November 8, 1996*) (The Verkhovna Rada of Ukraine, 8 *November 1996*), Convention between Government of **Ukraine** and Government of **Republic of Austria** on Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on income and estate (signed on *October 16, 1997*) (The Verkhovna Rada of Ukraine, 16 *October 1997*), Agreement between the Government of Ukraine and the Government of the Republic of Austria on administrative assistance and cooperation in customs matters (signed on *May 17, 2000*) (The Verkhovna Rada of Ukraine (a), 2000), Agreement between the Government of Ukraine and the Government of the Republic of Austria on international transport of passengers in regular road traffic (signed on *May 17, 2000*) (The Verkhovna Rada of Ukraine (b), 2000), Agreement on scientific and technical cooperation between the Government of Ukraine and the Government of the Republic of Austria (signed on *June 6, 2003*) (The Verkhovna Rada of Ukraine, 2003), Agreement between the Ministry of Transport of Ukraine and the Federal Ministry of Science and Transport of the Republic of Austria on international transport of goods (signed on *November 13, 1997*) (The Verkhovna Rada of Ukraine, 13 *November 1997*).

State agencies of both countries signed other agreements: Memorandum of understanding between the Ministry of Fuel and Energy of Ukraine and the Federal Ministry of Agriculture, Forestry, Water Management and Environmental Protection of the Republic of Austria on cooperation in the energy sector (signed on *November 9, 2000*) (Uzakon, 2000), The Memorandum on Cooperation in agriculture (signed on *November 24, 1997*), The Memorandum on Cooperation in the field of forestry (signed on *November 24, 1997*), Agreement on Cooperation between the Ukrainian Chamber of Commerce and Industry and the Austrian Federal Economic Chamber (signed on *October 15, 1998*), The Memorandum of Cooperation between UMB and the Austrian Federal Economic Chamber (signed on *November 9, 2006*), Agreement between the Ministry of Transport and Communications of Ukraine and the Federal Ministry of Transport, Innovation and Technology of the Republic of Austria on cooperation in transport infrastructure and technology transfer (signed on *July 15, 2008*), The Memorandum on Cooperation in the field of competition policy between the Antimonopoly Committee of Ukraine and the Federal competition agency of the Republic of Austria (signed on *October 22, 2009*) (Ukrexport (b), 2009).

The topic of trade cooperation and Austrian investment activity researched many historians. Austrian German-speaking authors Helmstedt (Helmstedt, 1997), Math and Hoglinger (Math, Hoglinger & Fidrmuc-Helmstedt, 1998) research investment activity of Austria. Andreas Resch (Resch, 2013) wrote an article about economic engagement of Austrian Companies in Eastern Europe. Particular attention should be paid to the Ukrainian-Austrian bilingual publication "Ukrainian-Austrian meetings" (Kappeler et al., 2013) because it is almost the only one of its kind detailed study of this topic, including German. The following Ukrainian-language authors wrote on this theme: N. Papenko and A. Lihachova (Papenko & Lihachova, 2013), V. Verhohlyad (Verhohlyad, 2002), V. Tsivatyy (Tsivatyy, 2013).

3. TRADE COOPERATION BETWEEN UKRAINE AND THE REPUBLIC OF AUSTRIA

Austrian companies are beginning to show an economic interest in the Ukrainian market long before the proclamation of Ukrainian independence. Since September 26, 1991 ministers signed the “Joint Communiqué on the Establishment of consular relations between Ukraine and the Austrian Republic.” January 15, 1992 Austria recognized Ukraine (*Zhukovskij*, 1997). Nine days after that were established diplomatic relations between Ukraine and Austria (UAInfo, 1992). The Consulate General of the Republic of Austria, which was open December 1, 1991, became the Embassy of Austria in Ukraine (Safarians, 2015).

In August 31, 1993 ministers signed an Agreement on Interstate Trade and Economic Relations between Ukraine and the Austrian Republic. This period characterized by several important aspects: Austria took a wait, even though it showed during this period diplomatic initiative in relations with Ukraine. In addition, the Republic of Austria with caution belonged to the country with nuclear weapons, working Chernobyl Nuclear Plant and vast army. Ukrainian political leaders were resolving the problem of miner strikes and hyperinflation. They hadn't a time on foreign policy issues. There was a certain “political apathy” of official Kyiv that Ukraine's Ambassador to Austria M. Makarevich said then (Verhohlyad, 2002). Such foreign policy reduced the number of commercial contacts.

The Austrian side has decided to take the initiative in this time. In January 1993 Commercial counselor of the Austrian Embassy was established in Ukraine. This Bureau interesting that regularly publishes 3–5 times per year Economic Bulletin “Austria”, which provides information about Austrian companies and companies that want to conduct their business in Ukraine. This helps Austrian entrepreneurs and businessmen to establish contacts not only with business in Kyiv, but also in the regions. Commercial counselor Office represents in Ukraine the Austrian Federal Economic Chamber.

The volume of Ukrainian exports to Austria (services + products) increased threefold within five years (1993–1998). The size of imports of Austrian services and products to Ukraine increased fourfold (Gessler, 2002).

The Foreign Ministers G. Udoenko and W. Schuessel signed an agreement on promotion and mutual protection of investments at the summit of CEI countries in November 1996. This agreement provided further rapid development of mutual trade and economic cooperation between Ukraine and Republic of Austria. Alexander Moroz headed the first official visit of the Verkhovna Rada of Ukraine to Austria in April 1997. Cooperation under this meeting positively affected the increase of Austrian investments in the Ukrainian economy. Trade and Economic Cooperation of the Republic of Austria and the Ukraine experienced a lull due to the global economic crisis in 1998. However, establishing trade and economic relations took place already in 2000; the economic recovery trend continued in 2001. Ukrainian imports from Austria increased by € 269.3 million (nearly 26.6%) in 2001 compared to the previous year. While at the same time, exports from Ukraine to the Republic of Austria amounted to € 266.3 million (increased 16.5%).

In 2008, trade (goods and services) between Austria and Ukraine reached US\$ 2.215 billion, according to State Statistics Committee of Ukraine. Ukrainian exports of goods and services increased by 40% (compared to 2007) and amounted to US\$ 854 million. Imports from Austria (goods and services) increased by 41% to US\$ 1.361 billion (Ukrstat, 2016).

Bilateral trade in services is an important link in the trade and economic relations between Ukraine and the Republic of Austria. Austria (by the end of 2012) was the 4th (by volume of trade) (nearly 5.2%) trading partner of Ukraine and the importing country (6%) in the services sector of the EU. In the period from 2011 to 2012, exports decreased by 16.8% and imports to Austria - by 5% (Ukrstat, 2016).

Total trade between the two countries (goods + services) amounted to \$ 1.64 billion. Ukrainian-Austrian joint commission on trade and economic relations was collected in April 2012 for summing up of the successful cooperation of the two countries. Days of Kyiv held in the Austrian Vienna on 22–26 April 2013, and also the Ukrainian-Austrian business forum, where 25 Ukrainian and 70 Austrian companies discussed possible ways of cooperation. April 29, 2013 in Vienna were held political consultations of deputy foreign ministers of Ukraine and Austria. General Secretary of the Federal Ministry for European and International Affairs (MFA) of the Republic of Austria Johannes Kirl confirmed the interest and support of the Austrian Association Agreement between Ukraine and the EU. Ministers talked about the signing of a Free Trade Area (FTA) during the Vilnius summit of Eastern Partnership (28–29 November 2013). Ambassador of Austria in Ukraine Wolf Dietrich Heim noted that at present Austria is among one of the five largest foreign investors in Ukraine (Governmental portal, 2013).

In 2014 the volume of trade in goods and services between Austria and Ukraine amounted to US\$ 1.5 billion (decreased by 23% compared to 2013). The volume of Austrian imports (goods and services) to Ukraine decreased by 35% and amounted to US\$ 763 million. And the size of exports to Austria declined by 6% and amounted to US\$ 727 million. During this period, Ukraine's balance was negative and amounted to US\$ 36 million. The structure of Ukrainian exports to Austria: raw materials (80%), ore – \$ 319 million (nearly 60%), wood – \$ 39 million (nearly 7%), base metals – \$ 31 million (nearly 6%) and others. With finished products for export: toys - \$ 47 million (9%), machinery and equipment – \$ 25 million (5%). The bases of Ukrainian import from Austria are ready products and semi-finished products, chemical products – \$ 205 million (34%), including pharmaceuticals – \$ 166 million (27%), machinery and equipment – \$ 149 million (nearly 25%), paper – \$ 55 million (nearly 9%), plastics and rubber – \$ 36 million. (6%); imports of base metals – \$ 57 million (9%) (Embassy of Ukraine in the Republic of Austria, 2016).

Compared to 2013, in 2014 Ukrainian exports of ores to the Republic of Austria reduced at \$ 21 million (6%), precious stones – \$ 4 million (91%), wood – \$ 8 million (fall 17%) and machinery and equipment - \$ 9 million (26%). At the same time there were a growth in exports of copper at \$ 6 million, toys – \$ 2 million (almost 4%), furniture – \$ 3 million (280%) seeds – \$ 3 million (increase of 42%), articles from ferrous metals – \$ 4 million (170%) and of vegetables – \$ 4 million (40%) (Österreichisches Statistisches Zentralamt, 2016).

Compared to 2013 in 2014 there were changes in the structure of Ukrainian imports from Austria. Import of aluminum increased at \$ 10 million (240%), fertilizers – \$ 2 million (260%) and optical devices – for \$ 2 million (almost 35%). The crisis observed reduction in purchases of petroleum and petroleum products (in 2013 they accounted for \$ 218 million), paper – \$ 11 million (almost 17%), articles from ferrous metals – by \$ 12 million (52%), vehicles – for \$ 21 million (almost 68%) and pharmaceuticals – to \$ 59 million (26%) (Embassy of Ukraine in the Republic of Austria, 2016).

4. AUSTRIAN INVESTMENT ACTIVITY IN UKRAINE

The former trade counselor of the Austrian Embassy in Ukraine Gregor Postl identifies three waves of Austrian investment in Ukraine:

- 1) 1990th - 2004 – Austrian companies attempt to gain a foothold in Ukraine;
- 2) 2004–2010 – Austrian companies hope to reform economic legislation in Ukraine during the Orange government;
- 3) 2010–2013 – Austrian new wave of economic expansion that changed fast outflow of investments (Postl, 2013).

Austrian firm “Fischer” specializes in manufacturing skis and hockey sticks. In 1992 this company began work with the ski factory in Mukachevo (Ukraine). Then “Fischer” company invested in the modernization of equipment on the factory. Now Ukrainian factory produces more than 80% skis of the brand “Fischer” (Kittsmuller, 2013).

In 1990 the Austrian company “Fronius”, which specializes in welding equipment, established the subsidiary LLC “Fronius Ukraine” for further production and sales of welding equipment in Ukraine. Now the largest industrial enterprises of Ukraine are customers of this company (Shimpf, 2013).

Austrian company BILLA is the largest European supermarket chains. In 1998 this firm decided to establish a subsidiary company “BILLA – Ukraine”. In February 3, 2000 (Billa, 2014) the first store BILLA in Ukraine was opened near the subway station “Poznyaki” in Kyiv. Over the next two years seven supermarkets was opened, and now there are 39 supermarkets across the Ukraine.

Company “Wiener Städtische” operates successfully in the insurance sector. It has a controlling share of domestic insurance companies “Jupiter”, “Globe” and “Knezha” (Ukrexport, 2010).

The airline company “Austrian Airlines” (Gessl, 2002) plays a role in improving communication between Austria and Ukraine. In 2002 this airline gave the opportunity to fly in four Ukrainian cities: Kyiv, Kharkiv, Odesa, Dnipropetrovsk (and now to Lviv). For Ukrainian passengers provide Austrian destinations: Vienna, Salzburg, Innsbruck, Graz, Linz. Also company offers tours to the following cities: Geneva, Amsterdam, Venice, Milan, Budapest, Bologna, Larnaca, Paris, Prague, Zurich, Tel Aviv, London, New-York, Washington, Toronto, Chicago, Miami, Colombo, Male and the airport of Mauritius (Austrian Airlines, 2016).

Diplomatic agencies of Ukraine and the Republic of Austria celebrated (in January 2002) ten years since the establishment of diplomatic relations. There were more than 60 bilateral visits during this time. The level of regional cooperation of that period can testify to fact that five of the nine Austrian federal states have partnered with Ukrainian regions, including: Upper Austria - with Odesa region, Tyrol - Ivano-Frankivsk region, Carinthia - with Chernivtsi region, Burgenland - Transcarpathia and Styria - with the Lviv region. These cities actively cooperate: Zaporizhzhya and Linz, Vienna and Kyiv (Papenko & Lihachova, 2013, p.53).

The Joint Commission on trade and economic relations played a big role in the activities of two countries. There were nine joint sessions of the Commission in the period from 1999 to 2009: I – in Kyiv (from 6 to 8 July 1999), II – already in Vienna (from 27 to 29 June 2000), III – in Lviv (from 21 to 24 November 2001), IV – again in Vienna (from 27 to 29 November 2002), V – in Yalta (from 3 to 7 August 2008), VI – Salzburg (2 on November 7, 2004), VII – cities Kyiv and Ivano-Frankivsk (from 6 to 9 December 2005), VIII – in

Vienna and Klagenfurt (from 10 to 14 December 2007), IX – in Kyiv (September 29 – October 2, 2009) (Ukrexport (a), 2009).

The result of the Austrian foreign direct investment (FDI) is the emergence of Bank “Austria Creditanstalt Ukraine” and “Raiffeisenbank Ukraine”, which acquired in 2005 Ukrainian Bank “Aval” (Raiffeisen Bank Aval, 2016). Although in 2002 HypoVereinsbank (Munich) bought the Bank Austria Creditanstalt (Financial News, 2002). “First Bank of the Austrian savings banks” (“Erste Bank”) and “Volksbank” (Tsivatyy, 2013) successfully operate in Ukraine.

Austrian business delegation visited the Ukrainian cities Rivne, Vinnitsa and Zaporozhye from 3 to 7 June 2002. Representatives of 18 Austrian companies attended in the delegation: Hödlmayr International AG, BEFA HandelsgesmbH, Steirerobst AG, Bank Austria Creditanstalt, Hermann Pfanner Getränke Ges.m.b.H., Böhler International GmbH and others. Delegation visited the Austrian-Ukrainian factory for the production of apple concentrate “Podillia-Obst”. All representatives acquainted with the successful activities of Austrian enterprises in Ukraine (Agrana, 2016).

At that time at Vinnitsia region worked six Ukrainian companies with Austrian capital: “LLC “Hasyb Ukraine”, LLC “Pfaner Agro”, LLC “Pfaner Bar”, LLC “Zhezhelivskyy kari-er” (Strabag SE), LLC “RTS”, JV “Vidrodjenia”” (Papenko & Lihachova, 2013, p.53).

Austrian-Ukrainian seminar “Rehabilitation and construction of small hydro power plants in Ukraine” held in Uzhhorod from 21 to 24 April 2002. Leading Ukrainian and Austrian researchers made presentations at the event. The main topics: the involvement of investors in the hydropower sector, the situation around the small hydropower Ukraine. Also Austrian-Ukrainian group on energy efficiency visited this event. Representatives of Austrian companies participated in the exhibition, which took place in Kiev: “Aquatherm” (14–17 May 2002), “Intertul” (24–27 April 2002), in the XIV International Agricultural Exhibition-Fair “AGRO-2002” (May 28 - June 3, 2002). “The Republic of Austria took fourth place among EU countries in volume of foreign direct investments to the Ukrainian economy in 2002” (Gessl, 2002).

In Ukraine, the new Government that came to power at the end of 2004 seems to be opening its doors wider to foreign investors. In February 2005, the authorities decided to revise earlier privatizations by annulling the results of unlawful insider deals and putting the shares of the companies concerned on sale again. The list of firms that could be re-privatized this way includes key companies such as “the steelmaker Kryvozyzhstal, the metallurgical conglomerate Ukrudrpom, the Petrovsky Steel Plant, the Nikopol Ferroalloys Plant, the Dzerzhinsky Metal Plant, the chemical factory Azot Severodonetsk and the Nikolaev aluminium plant” (BBC News, 2005). The list of companies with major FDI projects in 2004 in Ukraine included manufacturers of consumer goods, construction materials, retailing and telecommunications firms (WIR, 2005, p. 76).

In 2005 there was a considerable increase of inflows in Ukraine: “In each of three main recipients – the Russian Federation, Ukraine and Romania – FDI inflows exceeded \$5 billion” (WIR, 2006, p. 78). The sharp increase of FDI in Ukraine accounted for much of the rise in inflows in the CIS.

Inflows into Ukraine fell in 2006, possibly due to the reduction in privatization-related FDI, combined with the abolition of incentives in special economic zones (WIR, 2007, p. 61). In 2006, in the context of their bid for WTO membership, some countries harmonized their

legislation with WTO norms and standards: “In Ukraine, for instance, foreign banks were allowed to establish their branches in the country, and foreigners were allowed to provide legal services” (WIR, 2007, p. 65).

Crisis in Ukraine, that started in 2006, was extended in 2007: “Despite uncertainties caused by domestic politics during 2007, Ukraine attracted FDI inflows that reached a new high of almost \$10 billion, as its banking industry opened up to FDI as a result of the country’s accession to the WTO, and large projects were initiated in real estate and in construction” (WIR, 2008, p. 67).

An interesting opinion about Ukrainian privatization: “In some countries such as Ukraine, this relative optimism about investment prospects can be explained by the fact that certain sales of large-scale State assets are expected to be completed in the coming years, such as the privatizations of the State-owned fixed-line telecommunications monopoly, Ukrtelecom, and of the large chemicals producer, Odessa Portside Plant” (WIR, 2009, p.78). In 2008 the relatively large domestic markets of Kazakhstan, the Russian Federation and Ukraine attracted new investors (WIR 2009, p.76). In the CIS, on the other hand, inward FDI was motivated by a desire to gain access to large and growing local consumer markets, such as those of the Russian Federation and Ukraine, and to benefit from business opportunities arising from the liberalization of selected industries: “In the Ukraine a new law on joint stock companies was approved” (WIR, 2009, p.72). “The significant slowdown of economic growth worldwide during the course of 2008 and its expected continuation in 2009, along with the fall in commodity prices and deterioration of external demand for the main export commodities of the transition economies, could significantly affect FDI inflows into natural-resource-abundant countries (e.g. Ukraine, which exports around 80% of its processed metal). Moreover, the financial and economic crisis could affect FDI inflows considerably in some countries hit by the crisis (such as Ukraine), due principally to high risk aversion by foreign investors” (WIR, 2009, p.79).

The volume of Austrian investments in the Ukrainian economy reached US\$2.449 billion in 2009. At that time it was nearly 6.7% of foreign direct investments in Ukraine. Austria took fourth place in terms of investment after Cyprus, Germany and the Netherlands. As a result of the global economic crisis, the volume of Austrian foreign direct investment in Ukraine began to decline sharply. Austrian side developed and submitted a special Memorandum of Austrian companies for further cooperation and solving problems. Cabinet of Ministers of Ukraine approved the Action Plan for the implementation of the agreements.

In 2009–2010, private equity activity expanded in Central and Eastern Europe (including both new EU member States such as Poland, the Czech Republic, Romania, Hungary and Bulgaria, in that order, and transition economies such as Ukraine). This activity was driven by venture and growth capital funds, which are becoming important in the financing of small and medium sized enterprises in the region (WIR, 2012, p.11).

Russian business came to Ukraine after Viktor Yanukovich’ won at elections: “FDI flows to Ukraine increased by 35 per cent, due to better macroeconomic conditions and the revival of cross-border acquisitions by Russian companies. FDI inflows declined in Kazakhstan in 2010, even though it remained the second largest recipient in the subregion” (WIR, 2011, p.64).

Austria took the 5th position in the field of investment cooperation with Ukraine in 2012. East Europe, FDI flows almost halved as a result of reduced investment from EU

countries, the main investors in the subregion. In the CIS, FDI flows fell only slightly as foreign investors continue to be attracted by these countries fast-growing consumer markets and natural resources. The Russian Federation saw FDI flows decline slightly, while those to Kazakhstan and Ukraine rose modestly (WIR, 2013, p.4). Despite uncertainties surrounding the domestic political situation Ukraine attracted almost \$8 billion in FDI inflows, a record. Cyprus accounted for the bulk of those inward flows (WIR, 2013, p.64).

FDI inflows to the transition economies increased by 28 per cent in 2013, to \$108 billion. Political uncertainties since 2013 have halved FDI flows to Ukraine to \$3.8 billion, partly due to a number of divestments – in particular, in the banking sector (WIR, 2014, p.71).

FDI linkages between the East (transition economies) and the West (EU) were strong until 2013, but the deepening stand-off between the EU and the Russian Federation over Ukraine might affect their FDI relationship (WIR, 2014, p.72).

The volume of Austrian foreign direct investments to Ukrainian economy amounted of US\$ 2.7 billion (5.5% of the total) in October 2014. Most investments involved in the financial and insurance sectors (US\$ 1.8 billion, nearly 69% of the total); wholesale and retail trade, repair of vehicles (US\$ 197 million, nearly 7%); industry (US\$ 313 million, 12%). Austria ranked fifth in total investment of 133 countries. Ukrainian foreign direct investments in the Austrian economy accounted for only US\$3.9 million in October 2014. There was some outflow of Austrian investments (about US\$503 million) in Ukraine during 2014. We identified the highest decrease of Austrian investments in spheres of enterprises insurance and financial activities (\$341 million); wholesale and retail trade (US\$ 47 million); the industry (US\$ 52 million); Administrative and Support Services (US \$17 million) (Embassy of Ukraine in the Republic of Austria, 2014).

UNCTAD gives us such information: “Geopolitical risk and regional conflict weighed heavily on FDI flows to the transition economies of the CIS. FDI flows to Ukraine fell by 91 per cent to \$410 million – the lowest level in 15 years – mainly due to the withdrawal of capital by Russian investors, and investors based in Cyprus (partly linked to roundtripping from the Russian Federation and Ukraine)” (WIR, 2015, p.87).

Greenfield FDI project in Ukraine was on the last position in the ratings of “The 10 largest greenfield FDI projects announced in the transition economies in 2014” (WIR, 2015, p.87).

The EU–Georgia Association Agreement, the EU–Moldova Association Agreement and the EU–Ukraine Association Agreement fall in the category of agreements that provide limited investment-related provisions (e.g. national treatment with respect to commercial presence or free movement of capital relating to direct investments) (WIR, 2015, p.107).

The relative share of cases against developed States is on the rise. In 2014, 40 per cent of all cases were brought against developed countries. In total, 32 countries faced new claims last year. The most frequent respondent was Spain (5 cases), followed by Costa Rica, the Czech Republic, India, Romania, Ukraine and the Bolivarian Republic of Venezuela (2 cases each) (WIR, 2015, p.112).

Ukraine was in the ratings of “Most frequent respondent States, total as of end 2014” with 16 causes (WIR, 2015, p.115).

We find such interesting information when we compare the level of globalization. Ukraine has a 15 % share of domestic-foreign JVs in total number of FAs, Austria has a 16%. FDI

flows to Austria in this period: in 2005 (US\$ 10784 million), in 2006 (US\$ 7933 million), in 2007 (US\$ 31154 million), in 2008 (US\$ 6858 million), in 2009 (US\$ 7011 million) (WIR, 2011, p.187) , in 2010 (US\$ 2575 million), in 2011 (US\$10616 million), in 2012 (US\$ 3989 million), in 2013 (US\$ 5720 million), in 2014 (US\$ 9324 million), in 2015 (US\$ 3837 million) (WIR, 2016, p.196).

FDI flows to Ukraine in this period: in 2005 (US\$ 7808 million), in 2006 (US\$ 5604 million), in 2007 (US\$ 9891 million), in 2008 (US\$ 10913 million), in 2009 (US\$ 4816 million) (WIR, 2011, p.190) , in 2010 (US\$ 6495 million), in 2011 (US\$ 7207 million), in 2012 (US\$ 8401 million), in 2013 (US\$ 4499 million), in 2014 (US\$ 410 million), in 2015 (US\$ 2961 million) (WIR, 2016, p.199).

FDI inward stock in Austria: US\$ 31,165 bln in 2000, US\$ 160,615 bln in 2010, 164 784 bln in 2015. FDI outward stock from Austria: US\$ 24,821 bln in 2000, US\$ 181,639 bln in 2010, US\$ 208,263 bln in 2015 (WIR, 2016, p.200).

FDI inward stock in Ukraine: US\$ 3,875 bln in 2000, US\$ 57,985 bln in 2010, US\$ 61,817 bln in 2015. FDI outward stock from Ukraine: US\$ 0,170 bln in 2000, US\$ 7,958 bln in 2010, US\$ 9,572 bln in 2015 (WIR, 2016, p.203).

“In 2015, FDI flows to the CIS and Georgia declined by 42 per cent to \$30 billion. The Russian Federation and Kazakhstan saw their FDI flows more than halve from their 2014 level, while flows to Belarus declined slightly. FDI to Ukraine increased more than seven times, to \$3 billion” (WIR, 2016, p.59).

FDI flows to Ukraine increased from \$410 million in 2014 to \$3 billion in 2015, mainly owing to large recapitalization needs in the banking sector and the privatization of the 3G mobile network through licence sales (WIR, 2016, p.60).

After the slump in 2015, FDI flows to transition economies are expected to increase in the range of \$37–47 billion in 2016, barring any further escalation of geopolitical conflicts in the region (WIR, 2016, p.62).

“Ukraine developed a list of approximately 300 State-owned enterprises to be privatized, by adopting a resolution on conducting a transparent and competitive privatization process” (WIR 2016, p.91). Ukraine adopted a law on licensing of commercial activities which aims to simplify licensing procedures in a number of activities (WIR, 2016, p.92).

5. CONCLUSION

In my opinion, the Austrian investment activity in Ukraine has great prospects. Austrian entrepreneurs showed interest to Ukraine since the proclamation of its independence. Ukraine did friendly symbolic step when refused of nuclear weapons. Then Austrian companies began to invest in the Ukrainian economy. But cumbersome bureaucracy and imperfect economic legislation prevent for successful prosperity of Ukraine in our time. Ukraine needs urgent reform. So it turns out that Austrian important trading partners in Eastern Europe are Russia. Republic of Austria in its relations with other countries has always been guided by two principles: “business as usual” and “friendship with all.” The volume of trade between Ukraine and Austria declined during the presidency of Viktor Yanukovych. The stagnation of the Ukrainian economy caused a reduction in import-export. The present crisis has rocked our country after the Russian aggression against Ukraine. Military operations in eastern Ukraine accelerated flow of investments and reduction of trade with other countries, including the

Republic of Austria. Austrian business has a high level of dependence on Russia. Therefore, after the crisis in 2014 relations between Ukraine and Austria significantly deteriorated. We can say that the process of proliferation of military conflict between Ukraine and Russia has a negative impact on the Ukrainian-Austrian relations. This is facilitated by several factors: the economic importance of the Russian Federation to the Republic of Austria, the Austrian strong energy dependence on Russian oil and gas, the active promotion of Russian media at all territories of the EU, including in Austria. Austrian sanctions policy against Russia fully focused on the position of Germany that is the main trade partner of Austria. It must be remembered that the Austrian parliament ratified Association agreement between Ukraine and the EU. Republic of Austria still supports Ukraine, especially in the matter of trade cooperation.

Despite all the difficulties, our country has interest in further development of trade and economic relations with Austria. Ukraine begins to create a favorable business environment for foreign investors.

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