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## Columbia FDI Profiles

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### Inward FDI in Ukraine and its policy context, 2012

by

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*In 2010 and 2011, Ukraine experienced a revival of inward foreign direct investment (IFDI) flows compared to 2009, when flows had plunged to less than half of their 2008 level. At US\$ 7.2 billion, IFDI flows to Ukraine in 2011 were well above their level of US\$ 4.8 billion in 2009, although still considerably below their peak of US\$ 10.9 billion in 2008. The increase in 2010-2011 was brought about partly by the rather difficult economic situation, which led many domestic and foreign investors to sell their businesses to willing buyers. Improved performance of the Ukrainian economy in 2010, rising prices of raw materials and food and regulatory changes, especially in the banking industry, were factors that attracted increased IFDI flows. However, Ukraine has failed to improve the investment framework and to accelerate economic reforms adequately. The country continues to suffer from a high level of corruption and the absence of effective guarantees protecting foreign investors. Among other key factors hindering FDI in the country are its rather controversial relations with Russia and the delay in concluding an association agreement with the European Union (EU).*

### Trends and developments<sup>1</sup>

#### *Country-level developments*

At the end of 2011, Ukraine, with an estimated inward FDI stock of US\$ 65 billion (annex table 1) was the third biggest recipient of inward FDI among the countries of South-East Europe and the

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<sup>1</sup> The historical background and longer-term development of inward FDI in Ukraine were analyzed in a previous *Columbia FDI Profile* (see Oleksiy Kononov, "Ukraine's inward FDI and its policy context," *Columbia FDI Profiles*, April 13, 2010, available at [www.vcc.columbia.edu](http://www.vcc.columbia.edu)). This article is an update of that *Profile* and extends the analysis to developments with respect to IFDI in Ukraine in 2010 and, where possible, 2011.

Commonwealth of Independent States (CIS), after the Russian Federation and Kazakhstan.<sup>2</sup> Inward FDI flows to Ukraine fell to US\$ 4.8 billion in 2009 from a level of US\$ 10.9 billion in 2008, but recovered to US\$ 6.5 billion in 2010 and US\$ 7.2 billion in 2011 (annex table 2). The recovery in FDI inflows was due, among other factors, to improved macroeconomic conditions and the revival of cross-border acquisitions by Russian investors.

The sectoral distribution of IFDI shifted further to the services sector in 2010 (annex table 3), with the share of the sector in total cumulative FDI inflows rising from 49% in 2009 to 61% in 2010. The share of the secondary sector rose as well, but by less (from 25% to 33% of the total).<sup>3</sup> In 2010, the top service industries for FDI in the Ukrainian economy were financial services (34% of all cumulative FDI inflows), retail services (11%) and real estate (11%). In the secondary sector, cumulative FDI inflows to the manufacturing industry as well as utilities and construction rose in 2010 (annex table 3). Manufacturing accounted for 27% of total cumulative IFDI flows in 2010,<sup>4</sup> with metallurgy (13% of the total) and food and beverages (4%) being the top recipient industries. Only 5% of total cumulative IFDI in 2010 went into the primary sector – the same share as in 2009 – with agriculture continuing to attract just 2% of the total (annex table 3).<sup>5</sup> Cumulative inward FDI flows to the financial services industry rose by over two thirds in 2010 (annex table 3). This “post-crisis”<sup>6</sup> phenomenon can be explained by two factors: first, government regulations required all banks, domestic and foreign, to increase their capital reserves by 2010, and second, many banks suffered from low repayments of loans and considerable decrease in retail banking services.<sup>7</sup> As a result, many banks (both foreign and domestic) found it very difficult to continue operations and had to take measures either to increase capitalization or to sell their businesses. However, it was mainly Russian banks that showed interest in such acquisitions.<sup>8</sup>

The situation with respect to the top source-economies of FDI in Ukraine did not change much in 2010. Around 80% of cumulative FDI inflows originated in the European Union, with Cyprus and Germany being the top EU sources (annex table 4). Cyprus ranks first among the investor home economies (22% of all FDI inflows), but it is very difficult to identify the ultimate nationality of investors for this FDI. Most likely, many of them are Ukrainian and Russian companies, using Cyprus as an offshore base to protect their capital (see note to annex table 4).<sup>9</sup> Russian investments in Ukraine continued to be aimed at those sectors of Ukraine’s economy that significantly affect the industrial growth of the economy and

<sup>2</sup> UNCTAD, *World Investment Report 2011: Non-Equity Modes of International Production and Development* (Geneva: United Nations, 2011), p. 63; UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: United Nations, 2012), p. 56.

<sup>3</sup> The rise in the shares of the services and secondary sectors in 2010 took place at the expense of the share of “other unspecified sectors” (annex table 3).

<sup>4</sup> In 2010, Ukraine’s industrial-sector production increased by 11.5%, yet the country managed to attract only 3% of all FDI to the industrial sector of Central and Eastern Europe. See Ernst & Young, *Ukraine FDI Report* (Kyiv, 2011), p. 2.

<sup>5</sup> On the low share of agriculture in Ukraine’s IFDI, see Kononov, “Ukraine’s inward FDI and its policy context,” *op. cit.*

<sup>6</sup> For more details on developments during the 2007-2009 crisis see Kononov, “Ukraine’s inward FDI and its policy context,” *op. cit.*

<sup>7</sup> V. Pasochnyk, Yu. Skolotyany, “Bankivsky capital: rozmir maye znachennya,” *Dzerkalo Tyzhnya*, December 4, 2010.

<sup>8</sup> “Kryva Investytsiy,” December 17, 2010, available at: <http://news.finance.ua/ua/~2/0/all/2010/12/17/220858>

<sup>9</sup> Ernst & Young also mentions the United States and Germany among the main sources of investment in Ukraine, each having a 12 % share in the total investment inflows. See Ernst & Young, *op. cit.*, p. 6.

budget revenues.<sup>10</sup> As annex table 5 indicates, affiliates of Russian multinational enterprises (MNEs) in some industries (e.g., gas, aluminum, oil refineries) are among the largest foreign affiliates in Ukraine and, in the case of aluminum and oil refineries, account for a high share of the industries' activities. In 2010, Ukraine-Russia relations improved, increasing the activity of Russian investors in Ukraine. At the same time, Russian investments in "sensitive" sectors of Ukraine's economy continued to provoke national security concerns, as did political issues connected with natural-gas-related conflicts between Ukraine and Russia. In particular, in exchange for lower gas prices, the Russian MNE Gazprom demanded control over Ukraine's gas transportation system.<sup>11</sup> Russian proposals went so far as to offer a merger between the Russian gas monopolist Gazprom and the Ukrainian Naftogaz.<sup>12</sup>

The regional distribution of IFDI within Ukraine is quite uneven. Kyiv, the country's political and economic capital, accounted for 49% of all FDI inflows in 2010 (against 39% in 2009), while the industrial regions of Dnipropetrovsk, Kharkiv and Donetsk accounted for 17%, 6% and 5%, respectively. The share of FDI inflows to each of the other 22 regions varied between 0.1% and 2.9%.<sup>13</sup>

### *The corporate players*

In 2010, there were some changes in the list of important foreign corporate players investing in Ukraine (annex table 5). The most notable was the Norwegian company Telenor's divestment of its Ukrainian affiliate ZAO Kyivstar GSM, which was acquired by Russia's VimpelCom for US\$ 5.5 billion in the most significant cross-border M&A transaction of 2010 in Ukraine (annex table 6).<sup>14</sup> Another change was the acquisition of Ukrainian Vik Oil by the Russian TNK-BP for US\$ 303 million.

In the summer of 2010, Metinvest B.V. (Netherlands) purchased 75% of the shares of east Ukrainian Ilyich Steel BOF Plant (purchase price unknown).<sup>15</sup> However, despite being included in Ukrstat data on IFDI to the metallurgy sector, this transaction is hardly a foreign investment, since Metinvest B.V. belongs to Metinvest Group, one of the largest Ukrainian industrial groups.<sup>16</sup>

The largest greenfield FDI projects in Ukraine in 2010 in terms of estimated/announced transaction value were led by a project in construction and engineering materials by the French MNE Lafarge (annex table 7). As in the preceding two years, real estate projects figured prominently among the largest greenfield FDI projects in 2010.

## **Special issues**

<sup>10</sup> Nataliya Blyakha, "Russian foreign direct investment in Ukraine," *Electronic Publications of Pan-European Institute*, Turku School of Economics, 7/2009, p. 7, available at <http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Blyakha%200709%20web.pdf>.

<sup>11</sup> "EU sees Ukraine gas transit role for years to come," available at <http://www.ukrproject.gov.ua/node/611>.

<sup>12</sup> Ibid.

<sup>13</sup> State Statistics Committee of Ukraine (Ukrstat), "Investytsiyi zovnishnyoekonomichnoyi diyalnosti u 2009 rotsi," February 2010, p. 6; Statistics Committee of Ukraine (Ukrstat), "Investytsiyi zovnishnyoekonomichnoyi diyalnosti u 2010 rotsi," February 2011, p. 6; available at <http://www.ukrstat.gov.ua>.

<sup>14</sup> UNCTAD, *World Investment Report 2011*, op. cit., p. 64.

<sup>15</sup> "Fortune smiles on Vladimir Boyko -- CEO of Ilyich steel plant becomes owner of 5% of Metinvest Group," available at <http://www.scmholding.com/en/media-centre/coverage/view/277/>.

<sup>16</sup> For more details, see Oleksiy Kononov, "Outward FDI from Ukraine and its policy context," *Columbia FDI Profiles*, November 8, 2010, pp. 4 and 11-12, available at [www.vcc.columbia.edu](http://www.vcc.columbia.edu).

The global economic and financial crisis had a strong negative impact on the Ukrainian economy in 2009<sup>17</sup> and on inflows of FDI. Economic recovery in 2010, accompanied by price increases in raw materials and food, revived IFDI flows to Ukraine's industrial sector (metallurgy, chemicals, food and beverages).<sup>18</sup> Constant problems with the rise in the prices of energy resources (especially from Russia) stimulated more FDI projects in the "green" energy sector (several significant wind energy projects have been started in the Crimea).<sup>19</sup>

However, as noted, the largest increase in IFDI flows in 2010 took place in financial services. As of December 31, 2010, eighteen Ukrainian banks had gone into liquidation.<sup>20</sup> Many foreign banks (e.g., Swedbank, ING, SEB) had to suspend their retail banking activities in Ukraine and focus on corporate banking; others had to sell their Ukrainian affiliates. However, the banking sector became attractive again for investors in 2010. Particular interest was demonstrated by Russian banks and financial groups;<sup>21</sup> in 2010, the latter purchased the Ukrainian banks Interbank and Agroprombank.<sup>22</sup> These sales, together with the regulatory changes in capital requirements introduced by the Ukrainian Government and voluntary recapitalization to keep business afloat, explain the increase of cumulative IFDI flows to the financial services sector in 2010, shown in annex table 3. By January 1, 2011, 40.6% of total capital of Ukraine's banks was of foreign origin, as against 35.8% in January 2010; 55 out of 194 banks registered in Ukraine had foreign capital, 20 of them with a 100% foreign ownership.<sup>23</sup>

Although total IFDI flows (which include those due to M&As as well as greenfield projects) rose noticeably during 2006-2008 and began to recover after the fall of 2009, Ukraine's performance in terms of FDI projects that resulted in new facilities and new jobs remained weak. According to Ernst and Young, from 2006 until 2010, Ukraine ranked 10th in Central and Eastern Europe both in the number of investment projects in new production facilities (178) and jobs created (7,487). In 2010, the country failed to improve its position, with only 31 new FDI projects and 1,150 new jobs created.<sup>24</sup>

<sup>17</sup> See, Kononov, "Ukraine's inward FDI and its policy context," *op. cit.*

<sup>18</sup> Asset Management Company "NIKO", "Macroeconomics: foreign direct investments in Ukraine," Kyiv, 2011, p. 1.

<sup>19</sup> For more details, see information from the Ukrainian Wind Energy Association, available at <http://www.uwea.com.ua/project.php>.

<sup>20</sup> National Bank of Ukraine, "Osnovni pokaznyky diyalnosti bankiv," January 2011, available at [http://bank.gov.ua/control/uk/publish/article?art\\_id=36807&cat\\_id=36798](http://bank.gov.ua/control/uk/publish/article?art_id=36807&cat_id=36798).

<sup>21</sup> "Kryva Investytsiy," *op. cit.* Names of the Russian purchasers unknown.

<sup>22</sup> In 2011, the tendency continued (see annex table 6). Also, in 2012 Commerzbank (Germany), sold 98% of shares in the Ukrainian Forum Bank to Ukrainian-owned Smart-Holding (transaction price unknown), and Erste (Austria) announced its intention to sell its Ukrainian affiliate. See, "Commerzbank prodal "Bank Forum" gruppe Smart-holding," available at <http://podrobnosti.ua/economy/2012/07/31/850037.html>; "Erste Bank mogut kupit ego byvshie sobstvenniki," available at <http://news.finance.ua/ru/~1/0/all/2012/10/08/288934>.

<sup>23</sup> National Bank of Ukraine, "Osnovni pokaznyky diyalnosti bankiv," May 2012, available at [http://www.bank.gov.ua/control/uk/publish/article?art\\_id=36807](http://www.bank.gov.ua/control/uk/publish/article?art_id=36807)

<sup>24</sup> Ernst & Young, *Ukraine FDI Report* (Kyiv, 2011), p. 4.

## The policy scene

Despite the revival of IFDI, mainly due to investments by Russian investors, 2010 was hardly a year of positive policy changes for prospective investors in Ukraine. The new President Viktor Yanukovich and his cabinet concentrated on establishing tight political and economic control with rather controversial reforms and actions, including changes in the judiciary system, adoption of the new Tax Code, questionable privatizations and failure of negotiations with the EU a free trade and association agreement.<sup>25</sup> In 2010, the biggest foreign investor in Ukraine – Arcelor Mittal – experienced problems with Kryvorizhstal, the formerly state-owned steel company acquired in 2005, when Ukrainian authorities attempted to invalidate amendments to the privatization agreements; those amendments allowed the investor to delay some of the agreed investments in Kryvorizhstal in 2009 due to *force majeure* (recession of the steel industry caused by the global financial and economic crisis).<sup>26</sup> Such invalidation would have meant a reprivatization of Kryvorizhstal.<sup>27</sup> As a result, Ukraine faced serious international pressure; the matter was addressed by the French President Sarkozy during Yanukovich’s official visit to Paris in early fall of 2010, consequently, the push to invalidate the amendments was abandoned.<sup>28</sup>

Based on the 2010 indicators, the World Bank Group’s *Ease of Doing Business Report* of 2011 ranked Ukraine 145th out of 183 countries of the world in terms of ease of doing business (the rank was 147th in the 2010 report).<sup>29</sup> Despite assurances of the new President Viktor Yanukovich to fight corruption, the situation remains largely unchanged. Transparency International’s Corruption Perception Index 2010<sup>30</sup> ranked Ukraine as the most corrupted country in Central and Eastern Europe, with a rank of 134 among 178 countries monitored, on par with Azerbaijan, Bangladesh, Honduras, Nigeria, Philippines, Sierra Leone, Togo, and Zimbabwe.

As of May 2011, Ukraine had signed 66 bilateral investment treaties, the Energy Charter Treaty (ECT), and 46 double taxation treaties.<sup>31</sup> Yet, according to the comments of foreign investors, standards of investment protection at the domestic level remain low, especially whenever Ukrainian judiciary is involved.<sup>32</sup> Ukraine is a frequent participant in international investment arbitration. In the International Centre for Settlement of Investment Disputes (ICSID), there have been ten cases against Ukraine (seven concluded and three pending), and only two of them had been lost by the Government of Ukraine.

## Conclusions

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<sup>25</sup> Sławomir Matuszak and Wojciech Konończuk, “The negotiations on the EU-Ukraine Association Agreement and Russia,” April 18, 2011, available at <http://www.easternpartnership.org/publication/economy/2011-04-18/negotiations-eu-ukraine-association-agreement-and-russia>.

<sup>26</sup> Oleksiy Kononov, *Foreign Direct Investment Regulation: The German Model and Bulgarian Reforms Approach as Patterns for Ukraine* (Berlin: European University Press, 2011), pp. 303-304.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> The World Bank, *Doing Business 2011: Making a Difference for Entrepreneurs* (Washington D.C.: IBRD/World Bank, 2011), p. 4.

<sup>30</sup> Available at [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results).

<sup>31</sup> UNCTAD, *World Investment Report 2011, op. cit.*, p. 215.

<sup>32</sup> Roman Olearchyk, “Ukraine: the good, the bad and the ugly”, *Financial Times*, February 16, 2011.

Notwithstanding the increase in FDI inflows, 2010 was not a year of drastic changes in Ukraine's investment climate. A complicated and unpredictable legal framework, political risks and corruption remain the main hurdles for prospective investors. The increased Russian presence in Ukraine's economy will most likely continue in 2011-2012, with more M&As and privatization deals involving FDI in the key sectors of the national economy. Current problems in Ukraine-EU relations, as well as constant "gas" pressure by Russia, including the offers for Ukraine to join the Eurasian Economic Community, might also take their toll in terms of the amount and sources of future IFDI in Ukraine.

### **Additional readings**

Crane, Keith and Stephen Larrabee, *Encouraging Trade and Foreign Direct Investment in Ukraine* (Santa Monica, CA: Rand Corporation, 2007), available at [http://www.rand.org/pubs/monographs/2007/RAND\\_MG673.pdf](http://www.rand.org/pubs/monographs/2007/RAND_MG673.pdf).

International Finance Corporation, *Investment Climate in Ukraine as Seen by Private Businesses* (Kyiv: IFC, 2009), available at [http://www.ifc.org/ifcext/eca.nsf/AttachmentsByTitle/Ukraine\\_IC\\_report\\_2009/\\$FILE/Ukraine\\_IC\\_report\\_2009\\_eng.pdf](http://www.ifc.org/ifcext/eca.nsf/AttachmentsByTitle/Ukraine_IC_report_2009/$FILE/Ukraine_IC_report_2009_eng.pdf).

### **Useful websites**

Atlas of Economic Development in Ukraine, <http://korrespondent.net/business/atlas/?l=en>

InvestUkraine, <http://www.ukrproject.gov.ua/en/page/investukraine-one-stop-shop>

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## Statistical annex

**Annex table 1. Ukraine: inward FDI stock, 2000-2011**

(US\$ billion)

<b>Economy</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Ukraine	3.8	4.8	5.9	7.5	9.6	17.2	23.1	38.1	47.0	52	57.9	65.2
Memorandum: comparator economies												
Poland	34.2	41.2	48.3	57.8	86.6	90.7	125.5	175.8	161.4	186.1	193.1	197.5
Czech Republic	21.6	27	38.6	45.2	57.2	60.6	79.8	112.4	113.1	125.8	129.9	125.2
Hungary	22.8	27.4	36.2	48.3	61.5	61.1	80.1	95.4	88.5	98.7	91.9	84.4
Slovakia	4.7	5.5	8.5	14.5	21.8	23.6	33.6	45.2	45.9	52.6	50.6	51.3
Bulgaria	2.7	2.9	4.0	6.3	10.1	13.8	23.3	39.4	46.0	49.1	48	47.6

*Source:* UNCTAD, FDI/TNC database, available at <http://unctadstat.unctad.org>.

**Annex table 2. Ukraine: inward FDI flows, 2000-2011**

(US\$ billion)

<b>Economy</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Ukraine	0.6	0.8	0.7	1.4	1.7	7.8	5.6	9.9	10.9	4.8	6.5	7.2
Memorandum: comparator economies												
Poland	9.3	5.7	4.1	4.8	12.7	10.2	19.6	22.6	16.5	13.7	9.7	15.1
Czech Republic	4.9	5.6	8.4	2.1	4.9	11.6	5.4	10.4	6.4	2.9	6.7	5.4
Hungary	2.7	3.9	3	2.1	4.2	7.7	6.8	3.9	7.3	2	2.3	4.7
Bulgaria	1.0	0.8	0.9	2.1	3.4	3.9	7.6	11.7	9.2	3.3	2.1	1.8
Slovakia	1.9	1.5	4.1	2.1	3	2.4	4.6	3.2	3.4	-0.2	0.5	2.1

*Sources:* UNCTAD, FDI/TNC database, available at <http://unctadstat.unctad.org>.

**Annex table 3. Ukraine: sectoral distribution of cumulative FDI inflows, 2000, 2005, 2009, 2010<sup>a</sup>**

(US\$ million)

Sector/industry	2000	2005	2009	2010
<b>All sectors/industries</b>	<b>3,875</b>	<b>11,109</b>	<b>40,027</b>	<b>44,708</b>
<b>Primary</b>	<b>195</b>	<b>611</b>	<b>2,005</b>	<b>2,055</b>
Agriculture, forestry and fishing	74	301	877	847
Mining and quarrying	121	310	1,128	1,208
<b>Secondary</b>	<b>2,042</b>	<b>5,134</b>	<b>10,107</b>	<b>14,827</b>
Food, beverages, and tobacco	796	1,170	1,837	1,859
Light industry	48	129	146	139
Timber (excluding manufacture of furniture)	42	156	281	281
Cellulose, paper, and publishing	44	160	237	241
Coke and petroleum	151	211	452	453
Chemical	206	586	1,206	1,340
Other mineral manufacture (excluding metal)	64	221	834	807
Metallurgy	167	1,232	1,401	5,940
Machine-building	303	694	1,094	1,171
Other industries	100	136	254	257
Electric energy, gas, and water	22	53	153	347
Construction	100	387	2,213	2,339
<b>Services</b>	<b>1,639</b>	<b>5,365</b>	<b>19,854</b>	<b>27,480</b>
Retail trade and retail services	647	1,953	4,225	4,765
Hotels and restaurants	109	283	429	458
Transport and communications	245	744	1,506	1,711
Financial services	313	1,053	8,968	15,060
Real estate	152	927	4,065	4,754
Other services	172	406	662	732
<b>Other unspecified sectors</b>	<b>n.a.</b>	<b>n.a.</b>	<b>8,061</b>	<b>347</b>

Source: Ukrstat, *Investitsiyi Zovnishnyoekonomichnoyi Diyalnosti u 2010 Rotsi* (Kyiv: Ukrstat, February 2011), p. 14, available at <http://www.ukrstat.gov.ua>; Ukrstat, *Investitsiyi Zovnishnyoekonomichnoyi Diyalnosti u 2009 Rotsi* (Kyiv: Ukrstat, February 2010), p. 8, available at <http://www.ukrstat.gov.ua>; Ukrstat, *Investitsiyi Zovnishnyoekonomichnoyi Diyalnosti u 2000 Rotsi: Statystuchny Buleten Derzhkomstatu Ukrainy* (Kyiv: Ukrstat, 2001); Ukrstat, *Investitsiyi Zovnishnyoekonomichnoyi Diyalnosti u 2005 Rotsi: Statystuchny Buleten Derzhkomstatu Ukrainy* (Kyiv: Ukrstat, 2006).

<sup>a</sup> Cumulative figures since the beginning of FDI inflows (early 1990s). Stock data are not available.



**Annex table 4. Ukraine: geographical distribution of cumulative FDI inflows<sup>a</sup>, 2005, 2009 and 2010<sup>b</sup>**

(US\$ million)

Region/economy	2005	2009	2010
<b>World (total)</b>	<b>16,375.2</b>	<b>40,026.8</b>	<b>44,708</b>
<b>Developed economies</b>			
<b>Europe</b>			
<b>European Union</b>			
Cyprus	1,562.0	8,593.2	9,914.6
Germany	5,505.5	6,613.0	7,076.9
Netherlands	721.8	4,002.0	4,707.8
Austria	1,423.6	2,604.1	2,658.2
France	N/A	N/A	2,367.1
United Kingdom	1,155.3	2,375.9	2,298.8
Sweden	N/A	1,272.3	1,729.9
Italy	N/A	992.2	982.4
Poland	224.0	864.9	935.8
Hungary	191.1	675.1	n.a.
<b>Non-EU</b>			
Switzerland	445.9	805.5	859.4
<b>North America</b>			
United States	1,374.1	1,387.1	1,192.4
<b>Developing economies</b>			
<b>Caribbean</b>			
British Virgin Islands	688.7	1,371.0	1,460.8
<b>Commonwealth of Independent States</b>			
Russia	799.7	2,674.6	3,402.8
<b>Other economies<sup>c</sup></b>	<b>2,283.5</b>	<b>4,155.8</b>	<b>5,121.1</b>

Source: Ukrstat database, available at <http://ukrstat.gov.ua>.

<sup>a</sup> The true origin of the invested capital is uncertain. Many Ukrainian and Russian investors use offshore zones and companies located in other economies (Cyprus, British Virgin Islands, Netherlands) to disguise their real identity and to protect their capital from unpredictable actions of the Ukrainian Government. Data on ultimate investors are not available.

<sup>b</sup> Cumulative figures since the beginning of FDI inflows. Stock data are not available.

<sup>c</sup> Data on FDI by particular countries are not available.

**Annex table 5. Ukraine: principal foreign affiliates in the country, ranked by total amount invested during 2004-2010**

Rank	Parent company name	Industry	Total invested amount, 2004-2010 (US\$ million)
1	Arcelor Mittal	Metallurgy	7,800
2	VimpelCom	Mobile communications	5,500
3	OTP Banking Group	Banking	860
4	MTS	Mobile communications	576 <sup>a</sup>
5	METRO Cash & Carry	Wholesales	371
6	TNK-BP Holding	Oil	303
7	Coca Cola	Non-alcoholic beverages	270
8	Procter & Gamble	Personal care products	200
9	Kraft Foods	Food	150
10	ISTIL Group	Metallurgy	111
11	British American Tobacco	Tobacco	110
12	Erste Banking Group	Banking	104
13	Nestle	Food	40
	Reemtsma	Tobacco	...
	Shell	Oil	...
	Philip Morris	Tobacco	...
	Lukoil	Oil	...
	Tatneft	Oil	...
	Gazprom	Gas	...
	RUSAL	Aluminum	...

Sources: Financial Times – fDi Markets | Global Investments; Companies’ websites; Nataliya Blyakha, “Russian foreign direct investment in Ukraine,” *Electronic Publications of Pan-European Institute* 7/2009, p. 7, available at <http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Blyakha%200709%20web.pdf>; Thomson ONE Banker, Thompson Reuters.

<sup>a</sup> Total capital investments in 2006. In 2007, total revenue in Ukraine amounted to US\$ 438.5 million.

<sup>b</sup> In 2004, total sales in Ukraine amounted to US\$ 179.8 million.

<sup>c</sup> In 2004, Philip Morris had a 31% share in the Ukrainian tobacco industry.

<sup>d</sup> Data on exact amounts of IFDI are not available; in 2007, Lukoil, TNK-BP and Tatneft altogether owned 90 % of the Ukrainian oil refineries.

<sup>e</sup> In 2007, Gazprom’s capital in the Ukrainian gas industry companies equaled 20% of the total.

<sup>f</sup> In 2007, the share of RUSAL’s capital in the Ukrainian aluminum industry was 90%.

**Annex table 6. Ukraine: main M&A deals, by inward investing firm, 2005 – 2011**

Year	Acquiring company	Source economy	Target company	Target industry	Shares acquired (%)	Transaction value (US\$ million)
2011	Mechel	Russia	DEMZ	Steel foundries	100	537
2011	EBRD	UK	UkrSibbank	Banking	15	82
2011	Eni Ukraine Holdings BV	Netherlands	Zagoryanska Petroleum BV	Oil and gas field exploration	60	73
2011	Investor Group	Russia	VAB Bank	Banking	84	73
2011	DTEK Holdings Ltd.	Cyprus	Kyivenergo	Electric services	25	56
2010	VimpelKom	Russia	Kyivstar GSM	Telecommunications	100	5,515
2010	TNK-BP Holding	Russia	Vik Oil	Crude petroleum and natural gas	100	303
2010	Kulczyk Oil Ventures Inc.	Canada	Kub-Haz	Oil and gas field exploration	70	45
2010	Electolux AB	Sweden	Antonio Merloni Factory	Home and farm freeze equipment	100	25
2010	Secova Metals Corp.	Canada	Sergiivske Zolotorudne Rodovyshe	Gold ores	90	15
2009	JSC Vneshekonombank	Russia	Prominvestbank	Banking	75	156
2009	Central European Media Entrp	Bermuda	Glavred Media Holding	Mass media	10	12
2009	Central European Media Entrp	Bermuda	KINO	Mass media	40	10
2008	Unicredito Italiano SpA	Italy	OJSC UkrSotsbank	Banking	94	2,231
2008	Evrast Group SA	Russia	Sukhaya Balka GOK	Iron ore	99	2,189
2008	Intesa SanPaolo SA	Italy	JSC Pravex-Bank	Banking	100	746
2007	Commerzbank	Germany	Forum Bank	Banking	60	600
2007	Pepsi Cola	USA	Sandora LLC	Non-alcoholic beverages	60	542
2006	OTP Bank	Hungary	Reiffeisenbank Ukraine	Banking	100	860
2006	BNP Paribas	France	UkrSibbank	Banking	51	360
2005	Mittal Steel Co NV	Netherlands	Kryvorizhstal	Metallurgy	93	4,800
2005	Reiffeisen International AG	Austria	Aval Bank	Banking	94	1,000

Sources: UNCTAD, cross-border M&A database, available at <http://stats.unctad.org/fdi>; UNCTAD, *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (New York and Geneva: United Nations, 2009), pp. 73-75; PricewaterHouseCoopers, “Ukraine, mergers & acquisitions market value tripled since 2004 in CEE,” press release of April 20, 2007, available at <http://www.pwc.com/ua/en/press-room/release039.jhtml>; Tatyana Pismennaya, *Bolee 60 Bankov Vystavleno na Prodazhu*, Kommentarii, December 25, 2009 – January 10, 2010; Thomson ONE Banker, Thomson Reuters.

**Annex table 7. Ukraine: main greenfield projects, by inward investing firm,<sup>a</sup> 2007-2010**

Year	Investing company	Source economy	Target industry	Estimated/ announced transaction value (US\$ million)
2010	Lafarge	France	Building and construction materials	368
2010	Metal Yapi Konut	Turkey	Real estate	250
2010	Lukoil	Russia	Plastics	234
2010	Adama	Romania	Real estate	201
2010	Expert Capital	Estonia	Real estate	150
2009	EcoEnergy	Sweden	Alternative/ renewable energy	270
2009	Novaport	Russia	Real estate	265
2009	Mitsubishi	Japan	Alternative/ renewable energy	234
2009	Aisi Realty	Cyprus	Real estate	205
2009	BT Invest	Lithuania	Real estate	201
2008	ArcelorMittal	Luxembourg	Metallurgy	3,000
2008	Asamer	Austria	Real estate	941
2008	VS energy International NV	Netherlands	Coal, oil and natural gas	750
2008	GLD Invest Group	Austria	Real estate	464
2008	Hyundai Motors	Republic of Korea	Automotive	365
2008	Michaniki	Greece	Real estate	300
2008	Evrax Group	Russia	Coal, oil and natural gas	300
2008	The Outlet Company	Poland	Real estate	201
2007	Meinl European Land	United States	Real estate	1,600
2007	ING Group	Netherlands	Financial services	822
2007	Antonio Merloni	Italy	Consumer electronics	262

*Source:* The author, based on fDi Intelligence, a service from the Financial Times Ltd.

<sup>a</sup> Data on shares acquired and joint venture partners (if any) are not available.