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Columbia FDI Profiles

Country profiles of inward and outward foreign direct investment by the
Vale Columbia Center on Sustainable International Investment

April 13, 2010

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Ukraine's inward FDI and its policy context

by

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With a population of more than 46 million people, Ukraine is a sizeable potential market for foreign direct investment (FDI). Domestic firms are not very competitive. Together with a favorable geographic location and low costs of labor and other inputs, Ukraine offers attractive opportunities for foreign investors. This potential, however, is not yet exploited, as indicated by relatively low cumulative inflows of FDI, due to the slow progress of transition toward a market economy, a high level of corruption, absence of effective guarantees protecting foreign investors, and political instability. In the wake of the global financial crisis and recession, the Ukrainian Government introduced policy measures that can potentially make inward foreign direct investment (IFDI) to Ukraine more complicated. Overcoming the crisis, improving the investment framework, accelerating economic reforms (including transparent privatizations) and association with the European Union (EU) would all be key factors permitting Ukraine to exploit its considerable FDI potential.

Trends and developments

Following the collapse of the Soviet Union, Ukraine suffered serious economic problems. The absence of clear property rights, insider privatization policies and hyperinflation did not make the country an appealing investment destination in the early 1990s. Stabilization measures in the mid-1990s curbed hyperinflation and stabilized the economy, leading to the resumption of economic growth and higher FDI inflows. The Ukrainian market (which is twice as big as the Romanian one and six times as big as the Bulgarian one, measured by population size) is attractive both for market- and efficiency-seeking FDI because of its well-qualified low-cost labor force and the availability of natural resources like fertile land, iron ore and coal.¹

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¹ These are main IFDI drivers identified by respondents to a survey on the investment climate of Ukraine. See SEOLA Group Ideas Factory, "Global survey of foreign investors," October 2009, in Valentyna Kuzyk, Vilen and Veremko, Resursna anemiya, Ukrainsky Tyzhden, No. 50 (111), December 11, 2009; also available at: <http://www.prometr.com.ua/category/analytic/all/3657/mode/print>. The survey covered 397 multinational enterprises from 33 countries.

Country-level developments

In 2000, the inward FDI stock of Ukraine was low, amounting to US\$ 3.8 billion. But, in the subsequent years it grew steadily (annex tables 1 and 2). At the end of 2008, Ukraine (with an estimated inward FDI stock of US\$ 47 billion) was the third biggest recipient of inward FDI among the countries of South-East Europe and the Commonwealth of Independent States (CIS), after the Russian Federation and Kazakhstan.² However, Ukraine's FDI performance lags behind smaller countries of the region such as Slovakia or Bulgaria.

The distribution of FDI inflows (annex table 3) demonstrates that foreign investors prefer to invest in the following sectors of the Ukrainian economy: financial services (22% of all FDI inflows), industry (23%), retail services (11%), and real estate (10%). Only 2% of total cumulated IFDI went into the agricultural sector, despite the fact that Ukraine is one of the top ten world exporters of agricultural commodities (wheat, soya beans, maize).³ This can be explained by governmental policies (see the policy section below) and competition on the part of domestic companies and farmers.

From 2004 onwards, a large part of FDI was invested in activities driven by speculative motives (financial services, construction, real estate, retail trade). Banks did not use foreign capital and loans to invest in the manufacturing sectors of the economy, or the modernization of the infrastructure or to promote innovation. Instead, they stimulated consumer finance in the form of mortgages and retail loans.⁴ To some extent, this behavior can be explained by very high real estate prices (especially in Kyiv)⁵ and an unfriendly business climate in Ukraine⁶ that makes long-term projects unfeasible.

Around 80% of cumulated FDI inflows originate in the European Union (annex table 4). Cyprus ranks first among the investor home countries, but it is very difficult to identify ultimate investors for this FDI. Most likely, many of them are Ukrainian and Russian companies, using Cyprus to protect their capital (see notes to annex table 4). Russian investments in Ukraine (23 % of all Russian FDI in other CIS countries in 2008)⁷ deserve special attention. Russian capital is concentrated in those sectors of Ukraine's economy that significantly affect the industrial growth of the country and budget revenues (annex table 5).⁸ As one can see from annex table 5, the share of Russian capital in some economic sectors is very high (e.g., in gas, aluminum, oil refineries). This situation raises certain national security concerns as well as political issues related to recent gas-related conflicts between Ukraine and Russia. On the other hand, there are no statutory prohibitions to invest in "sensitive" sectors for Russian or any other foreign investors.⁹ Moreover,

² UNCTAD, *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (New York and Geneva: United Nations, 2009), p. 74.

³ UNCTAD, *World Investment Report 2009*, op. cit., p. 236.

⁴ SEOLA Group Ideas Factory, op. cit.

⁵ Helen Fawkes, "Kiev becomes latest property hotspot," *BBC News*, January 5, 2007, available at:

<http://news.bbc.co.uk/2/hi/business/6228205.stm>; Institute for Economic Research and Policy Consulting in Ukraine, German Advisory Group on Economic Reform, "Mortgage lending in Ukraine: three strategic questions and answers," 2003, p. 2, available at: http://ierpc.org/ierpc/papers/t3_en.pdf.

⁶ See further explanations in the policy section below.

⁷ Andrei Panibratov and Kalman Kalotay, "Russian outward FDI and its policy context," *Columbia FDI Profiles*, No. 1 (October 31, 2009), p. 8.

⁸ 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>.

⁹ Art. 117(2) of the *Commercial Code* prohibits the establishment of foreign enterprises in economic sectors of strategic importance. Those sectors are to be defined by law. However, no such law has been adopted so far. Currently, criteria for acknowledgement of enterprises as strategically important are established by non-statutory Government Resolution No. 695 of May 15, 2003. The practical application of this Resolution in the field of IFDI is rather controversial.

it is quite possible that, after recent political changes, the share of Russian investments in the gas sector will increase substantially.

The regional distribution of IFDI within Ukraine is very uneven. Kyiv, the country's political and economic capital, accounts for 39% of all FDI inflows, while the industrial regions of Dnipropetrovsk, Kharkiv and Donetsk account for 7%, 5% and 4%, respectively. The share of FDI inflows to the other 22 regions varies between 0.2 - 4 %.¹⁰

The corporate players

Affiliates of the largest multinational enterprises (MNEs) in the world can be found in Ukraine (annex table 5).¹¹ Arcelor Mittal has been the leading foreign investor in Ukraine since 2005. Its acquisition of Kryvorizhstal became the biggest transaction not only in Ukraine but in the whole CIS.¹² The year 2005 became a landmark in the history of FDI in Ukraine not only due to the Kryvorizhstal deal but also due to the purchase of the Ukrainian Aval bank by Austrian Reiffeisen, which raised annual inward FDI flows to a much higher level of US\$ 8 billion (annex table 2). After this, a wave of other acquisitions by foreign banks and financial institutions followed. Among other leading foreign investors in Ukraine are the Russian companies RUSAL, ISTIL and Evraz (aluminum and metallurgical sectors), as well as MTS and Norwegian Telenor (mobile communications) (annex tables 5 and 6).

Effects of the current global crisis

The global economic and financial crisis had a strong negative impact on the Ukrainian economy. In 2009, the real GDP of Ukraine declined by 14% and its manufacturing production shrank by 30%.¹³ The metallurgy sector that produces Ukraine's main export commodity suffered the most due to the sharp decline of steel prices on world markets.¹⁴ The protracted political crisis and the inability of the Ukrainian Government to cope with the consequences of the crisis generated major investment risks for prospective foreign investors.¹⁵ In 2009, inward FDI flows amounted to US\$ 5.6 billion, down by 49 % against 2008.¹⁶

The banking and real estate sectors (which had attracted large investments in past years) lost their attractiveness. As of December 1, 2009, twelve Ukrainian banks have gone into liquidation, three banks have been nationalized; and more than sixty Ukrainian banks were offered for sale (out of 180 banks

¹⁰ State Statistics Committee of Ukraine (Ukrstat), "Investytsiyi zovnishnyoekonomichnoyi diyalnosti u 2009 rotsi," February 2010, p. 6, available at: <http://www.ukrstat.gov.ua>.

¹¹ As detailed statistical data on MNEs in Ukraine are not available, in annex table 5 it was impossible to rank MNEs based on a single criterion like assets, revenues, sales or total FDI in Ukraine.

¹² UNCTAD, *World Investment Report 2006: Foreign Direct Investment from Developing and Transition Economies: Implications for Development* (New York and Geneva: United Nations), p. 79.

¹³ As of October 2009, Ukraine's GDP was US\$ 115.7 billion, compared to US\$ 44.7 billion in Bulgaria and US\$ 160.6 billion in Romania. See IMF World Economic Outlook Database, October 2009, available at: <http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx>.

¹⁴ International Monetary Fund, *World Economic Outlook, October 2009: Sustaining the Recovery* (Washington: IMF), p. 81, available at: <http://www.imf.org/external/pubs/ft/weo/2009/02/pdf/text.pdf>; RT Business News, "Ukraine waits on IMF bailout funds," December 15, 2009, available at: <http://rt.com/Business/2009-12-15/ukraine-sweats-imf-bailout.html>.

¹⁵ SEOLA Group Ideas Factory, op. cit.

¹⁶ Ukrstat, "Investitsiyi zovnishnyoekonomichnoyi diyalnosti u sichni-veresni 2009 roku," November 2009, p. 1.

operating in the country).¹⁷ According to the SEOLA October 2009 survey, only 9% of respondents were still interested to invest in the Ukrainian financial sector, compared to 88% in October 2008.¹⁸ The construction sector experienced a similar decline.¹⁹

The policy scene

According to the law, foreigners are free to invest in Ukraine and are entitled to enjoy, at least formally, national and most-favored-nation treatment. Denial of FDI admission is possible on grounds of national security and public safety. Legal entities in which more than 25% of the capital stock is owned by a foreign state cannot participate in the privatization of state and municipal property.²⁰ Foreign citizens, foreign legal entities and stateless persons are banned from the creation of television and/or broadcasting organizations in Ukraine.²¹ Direct branching of foreign insurers is not allowed either; however, this restriction must be lifted before May 2013, due to WTO requirements.²²

Pursuant to the latest amendments²³ to the *Law on the Regime of Foreign Investment*, all foreign investments have to be registered, otherwise state guarantees on investment protection and free transfer of profits shall not apply. Monetary investments must be registered with the National Bank of Ukraine; regional authorities register investments in kind.²⁴ Failure to register investments does not, however, result in compulsory divestment. The same amendments also introduced a new rule, according to which foreign investments can be made only through so-called investment accounts opened in Ukrainian banks. Investments in foreign currency are subject to conversion in the Ukrainian currency.²⁵ These measures were adopted with the purpose to increase the efficiency of state authorities in the financial and credit sectors and to stabilize the macroeconomic situation in the country²⁶ and will be in force until January 1, 2011. Together with the existing currency restrictions and very bureaucratic rules for the repatriation of profits and/or investments,²⁷ the above mentioned statutory enactments create more obstacles for inward FDI.

Foreign natural and legal persons, as well as companies with foreign participation cannot own farmland plots in Ukraine.²⁸ Besides, existing procedures for land acquisition and the leasing of

¹⁷ National Bank of Ukraine, "Osnovni pokaznyky diyalnosti bankiv," February 2010, available at: http://bank.gov.ua/Bank_supervision/dynamics.htm.

¹⁸ SEOLA Group Ideas Factory, op. cit.

¹⁹ SEOLA Group Ideas Factory, op. cit.

²⁰ Art. 8(3) of the *Law on Privatization of State Property* of March 4, 1992; Art. 5(2) of the *Law on Privatization of Small State Enterprises (Small Privatization)* of March 6, 1992.

²¹ Art. 12(2)-(3) of the *Law on Television and Broadcasting* of December 21, 1993. However, according to the *Commercial Code*, foreigners can become shareholders after incorporation.

²² Art. 2 of the *Law on Insurance* of March 7, 1996; WTO (2008), *Working Party Report on the Accession of Ukraine to the WTO*, WT/ACC/UKR/152 (January 25, 2008), p. 123.

²³ *Law of Ukraine on "Amending Some Laws of Ukraine with the Purpose to Mitigate Negative Consequences of the Financial Crisis* of June 23, 2009."

²⁴ Prior to November 24, 2009 (the op. cit. Law of June 23, 2009 entry into force), all foreign investments were registered by the regional authorities (Government of the Autonomous Republic of Crimea, 24 regional state administrations, Kyiv and Sevastopol city state administrations).

²⁵ Prior to November 2009, there were no compulsory exchange requirements.

²⁶ Preamble of the op. cit. Law of June 23, 2009.

²⁷ For more details on these restrictions see European Business Association, *Overcoming Obstacles to Business Success* (Kyiv: EBA, 2009), pp. 26-30, available at: http://www.eba.com.ua/files/documents/IPAPER_2009_eng_web.pdf.

²⁸ Arts. 81, 82 of the *Land Code*.

land plots are very burdensome and corrupted. This has been one of the main issues criticized by prospective foreign investors willing to invest in the Ukrainian agricultural sector or to start greenfield projects in other economic sectors.²⁹

As of June 1, 2009, Ukraine had signed 62 bilateral investment treaties (BITs),³⁰ as well as the Energy Charter Treaty (ECT). As of January 1, 2009, Ukraine concluded double taxation agreements with 65 countries.³¹ At present, negotiations about a free trade agreement with the European Union are taking place. The conclusion of such an agreement would increase Ukraine's attractiveness as a business location and perhaps repeat the success of other Central and East European countries in attracting FDI.

Overall, the Ukrainian investment climate is characterized by unpredictable changes of the legal environment, low respect for existing guarantees for foreign investors, the absence of real protection of property rights, and high corruption. The Transparency International Corruption Perceptions Index 2009³² ranked Ukraine as the 28th most corrupted country in the world (among 180 countries monitored), *ex aequo* with Russia, Zimbabwe, Cameroon, Sierra-Leone, Timor-Leste, Kenya, and Ecuador. The World Bank Group Doing Business Project 2010 ranked Ukraine 142nd among 183 economies of the world in terms of easiness of doing business.³³ However, Ukraine's rank for protecting investors improved in 2010 compared with 2009, perhaps the result of a new Law on Joint Stock Companies that came into force on April 29, 2009.³⁴

Finally, Ukraine is a frequent participant in international investment arbitration. In the International Centre for Settlement of Investment Disputes (ICSID), there are ten cases against Ukraine (four concluded and six pending).³⁵ It should be noted, however, that so far Ukraine has not lost any of the ICSID cases. The same can be said about the recent *Limited Liability Company AMTO v. Ukraine* case³⁶ in the Arbitration Institute of the Stockholm Chamber of Commerce, where the Latvian investor failed to prove violations of the ECT by Ukraine.

Outlook

Despite existing difficulties with the legal framework, political risks and corruption, Ukraine can still offer investment opportunities for international investors attracted by its big internal market, a qualified labor force and low wages, its natural resources, and a favorable geographic location. In 2012, Ukraine will host the UEFA European Football Championships, offering investment opportunities for foreign companies in the infrastructure, telecommunications and tourist sectors.³⁷ In response to conflicts with Russia concerning energy resources and Ukraine's dependence on imported gas and oil, the Government has recently started to stimulate usage of alternative energy

²⁹ Keith Crane and Stephen Larrabee, *Encouraging Trade and Foreign Direct Investment in Ukraine* (Santa Monica, CA: Rand Corporation, 2007), pp. 29-30.

³⁰ UNCTAD, *Country-Specific Lists of Bilateral Investment Treaties* (New York and Geneva: United Nations, 2009), available at: <http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1>.

³¹ Database of the State Tax Administration of Ukraine, available at: <http://www.sta.gov.ua>.

³² Available at http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table

³³ The World Bank, *Doing Business 2010: Ukraine* (Washington, IBRD/World Bank, 2009), p. 2.

³⁴ *Law of Ukraine on Joint Stock Companies* of September 17, 2008.

³⁵ Database of the International Centre for Settlement of Investment Disputes, available at: <http://icsid.worldbank.org/ICSID/FrontServlet>

³⁶ *Limited Liability Company AMTO v. Ukraine* (Latvia v. Ukraine), (Arbitration Institute of the Stockholm Chamber of Commerce, Arbitration No. 080/2005), Final Award, March 26, 2008, available at: <http://www.investmenttreatynews.org/documents/p/37.aspx>.

³⁷ See the *Law on Organizing and Hosting the European Football Cup Finals of 2012 in Ukraine* of April 19, 2007.

sources, which could offer opportunities for foreign investors possessing these technologies. On the other hand, the new Government of President Viktor Yanykovich may change the situation by renegotiating gas supply contracts with Russia and offering certain political concessions. Such changes might affect alternative energy policies, as well as the foreign investors involved.

Additional readings

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

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Ukrainian Center for Foreign Investment Promotion, <http://www.investukraine.org/>

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The Vale Columbia Center on Sustainable International Investment (VCC), led by Dr. Karl P. Sauvant, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law.

Statistical annex

Annex table 1. Ukraine: inward FDI stock, 2000-2008
(US\$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008
Ukraine	3.8	4.8	5.9	7.5	9.6	17.2	23.1	38.1	47.0
Memorandum: comparator economies									
Bulgaria	2.7	2.9	4.0	6.3	10.1	13.8	23.3	39.4	46.0
Poland	34.2	41.2	48.3	57.8	86.6	90.7	125.5	175.8	161.4
Slovakia	4.7	5.5	8.5	14.5	21.8	23.6	33.6	45.2	45.9

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

Annex table 2. Ukraine: inward FDI flows, 2000-2009
(US\$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 1 st – 2 nd quarter ^a
Ukraine	0.6	0.8	0.7	1.4	1.7	7.8	5.6	9.9	10.6	3.8
Memorandum: comparator economies										
Bulgaria	1.0	0.8	0.9	2.1	3.4	3.9	7.6	11.7	9.2	2.1
Poland	9.3	5.7	4.1	4.8	12.7	10.2	19.6	22.6	16.5	15.9
Slovakia	1.9	1.5	4.1	2.1	3	2.4	4.6	3.2	3.4	4.7

Sources: UNCTAD, FDI/TNC database, available at: <http://stats.unctad.org/fdi>;

Ukrstat, "Investitsiyi Zovnishnyoekonomichnoyi Diyalnosti u I Pivricchi 2009 roku", August 2009;

Bulgarian National Bank, "Direct investments" (January-December 2009), available at:

http://bnb.bg/bnbweb/groups/public/documents/bnb_publication/200912_s_fdi_pub_en.pdf;

Polish National Bank, "International investment position of the Republic of Poland" (2004-2009, quarterly data), available at: http://www.nbp.pl/homen.aspx?f=en/statystyka/iip_k.html;

Slovak National Bank, "International investment position for Slovak Republic for 2009", available at:

<http://www.nbs.sk/en/statistics/balance-of-payments-statistics/international-investment-position/mip/2009>.

^a As quarterly IFDI data for all four countries are not available, it is impossible to provide comparable 2008 figures.

Annex table 3. Ukraine: sectoral distribution of cumulative FDI inflows, 2000, 2005, 2009^a

(US\$ million)

Sector/industry	2000	2005	2009
All sectors/industries	3875	11109	40027
Primary	195	611	2005
Agriculture, forestry and fishing	74	301	877
Mining and quarrying	121	310	1128
Secondary	2042	5134	10107
Food, beverages, and tobacco	796	1170	1837
Light industry	48	129	146
Timber (excluding manufacture of furniture)	42	156	281
Cellulose, paper, and publishing	44	160	237
Coke and petroleum	151	211	452
Chemical	206	586	1206
Other mineral manufacture (excluding metal)	64	221	834
Metallurgy	167	1232	1401
Machine-building	303	694	1094
Other industries	100	136	254
Electric energy, gas, and water	22	53	153
Construction	100	387	2213
Services	1639	5365	19854
Retail trade and retail services	647	1953	4225
Hotels and restaurants	109	283	429
Transport and communications	245	744	1506
Financial services	313	1053	8968
Real estate	152	927	4065
Other services	172	406	662
Other unspecified sectors	N/A	N/A	8061

Source: Ukrstat, *Investitsiyi Zovnishnyoekonomichnoyi Diyalnosti u 2009 Rotsi* (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, 2006).

^a Cumulative figures as of beginning of investment (early 1990s). Stock data are not available.

**Annex table 4. Ukraine: geographical distribution of cumulated FDI inflows, ^a
2005, 2009 ^b**

(US\$ million)

Region/economy	2005	2009
World (total)	16,375.2	40,026.8
Developed economies		
Europe		
European Union		
Cyprus	1,562.0	8,593.2
Germany	5,505.5	6,613.0
Netherlands	721.8	4,002.0
Austria	1,423.6	2,604.1
United Kingdom	1,155.3	2,375.9
Sweden	N/A	1,272.3
Italy	N/A	992.2
Poland	224.0	864.9
Hungary	191.1	675.1
Non-EU		
Switzerland	445.9	805.5
North America		
USA	1,374.1	1,387.1
Caribbean		
British Virgin Islands	688.7	1,371.0
Commonwealth of Independent States		
Russian Federation	799.7	2,674.6
Other economies^c	2,283.5	4,155.8

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

^a The true origin of the invested capital is problematic. 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.

^b Cumulative figures since the beginning of foreign investment. Stock data are not available.

^c Data on particular countries are not available.

Annex table 5. Ukraine: principal foreign affiliates in the country, ranked by invested amount, 2004 - 2009

(US\$ millions)

Name	Industry	Invested amount
Arcelor Mittal	Metallurgy	7,800
Telenor	Mobile communications	... ^a
Reemtsma	Tobacco	... ^b
OTP Banking Group	Banking	860
MTS	Mobile communications	... ^c
METRO Cash & Carry	Wholesales	371
Coca Cola	Non-alcoholic beverages	270
Procter & Gamble	Personal care products	200
Kraft Foods	Food	150
ISTIL Group	Metallurgy	111
British American Tobacco	Tobacco	110
Erste Banking Group	Banking	104
Nestle	Food	40
Shell	Oil	...
Philip Morris	Tobacco	... ^d
Lukoil	Oil	... ^e
TNK-BP	Oil	... ^e
Tatneft	Oil	... ^e
Gazprom	Gas	... ^f
RUSAL	Aluminum	... ^g

Sources: Companies' websites; Financial Times – fDi Markets | Global Investments; 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>

^a In 2009-3Q, total revenue in Ukraine amounted to US\$ 2,200 million.

^b In 2004, total sales in Ukraine amounted to US\$ 179.8 million.

^c In 2007, total revenue in Ukraine amounted to US\$ 438.5 million.

^d In 2004, Philip Morris had a 31 % share in the Ukrainian tobacco industry sector.

^e Data on exact amounts of IFDI are not available; in 2007, Lukoil, TNK-BP and Tatneft altogether controlled 90 % of the Ukrainian oil refinery sector.

^f In 2007, Gazprom's share in the Ukrainian gas sector was 20% .

^g In 2007, RUSAL's share in the Ukrainian aluminum sector was 90%.

Annex table 6. Ukraine: main M&A deals, by inward investing firm, 2005 – 2009

Year	Acquiring company	Source economy	Target company	Target industry	Shares acquired (%)	Transaction value (US\$ million)
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	Evrz Group SA	Russia	Sukhaya Balka GOK	Iron ore	99	2,189
2008	Intesa SanPaolo SA	Italy	JSC Pravex-Bank	Banking	100	746
2007	Pepsi Cola	USA	Sandora LLC	Non-alcoholic beverages	60	542
2007	Commerzbank	Germany	Forum Bank	Banking	60	600
2006	OTP Bank	Hungary	Reiffeisenbank Ukraine	Banking	100	860
2006	BNP Paribas	France	Ukrsibbank	Banking	51	360
2005	Reiffeisen International AG	Austria	Aval Bank	Banking	94	1,000
2005	Mittal Steel Co NV	Netherlands	Kryvorizhstal	Metallurgy	93	4,800

Sources: UNCTAD, cross-border M&A database, available at: <http://stats.unctad.org/fdi>; UNCTAD, *World Investment Report 2009: Transnational Corporations, Agricultural Production and Developments* (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>; Pismennaya, Tatyana, *Bolee 60 Bankov Vystavleno na Prodazhu*, Kommentarii, December 25, 2009 – January 10, 2010; Thomson ONE Banker, Thompson Reuters.

**Annex table 7. Ukraine: main greenfield projects, by inward investing firm,^a
2007, 2008, 2009**

Year	Investing company	Target industry	Source economy	Estimated/ announced transaction value (US\$ million)
2009	EcoEnergy	Alternative/ renewable energy	Sweden	270
2009	Novoport	Real estate	Russia	265
2009	Mitsubishi	Alternative/ renewable energy	Japan	234
2009	Aisi Realty	Real estate	Cyprus	205
2009	BT Invest	Real estate	Lithuania	201
2008	ArcelorMittal	Metallurgy	Luxembourg	3,000
2008	Asamer	Real estate	Austria	941
2008	VS energy International NV	Coal, oil and natural gas	Netherlands	750
2008	GLD Invest Group	Real estate	Austria	464
2008	Hyundai Motors	Automotive	Republic of Korea	365
2008	Michaniki	Real estate	Greece	300
2008	Evrax Group	Coal, oil and natural gas	Russia	300
2008	The Outlet Company	Real estate	Poland	201
2007	Meinl European Land	Real estate	USA	1,600
2007	ING Group	Financial services	Netherlands	822
2007	Antonio Merloni	Consumer electronics	Italy	262

Source: fDi Intelligence, a service from the Financial Times Ltd.

^aData on shares acquired and joint venture partners (if any) are not available.