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Outward FDI from Ukraine and its policy context

by

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Despite Ukraine's reputation as a poor country with a relatively modest outward foreign direct investment (OFDI) performance, Ukrainian direct investments can be found all over the world, from Europe to Australia. Unfavorable domestic economic conditions and unpredictable political practices, together with a penchant for penetrating closed foreign markets, are among the main OFDI drivers for Ukrainian companies. Ukrainian OFDI declined during the global economic and financial crisis in 200,9 but has begun to recover in 2010 and is forecast to increase thereafter.

Trends and developments

In terms of the value of its total OFDI stock, Ukraine ranks far behind Hungary and Poland, though outperforming neighbors like Slovakia and Romania. Among the countries of the Commonwealth of Independent States (CIS), Ukraine ranks second after Russia.¹

It should be noted, however, that Ukrainian OFDI statistics are rather unreliable. First of all, Ukrainian investors do not always report outward investments.² Secondly, foreign affiliates often serve as a mechanism to circumvent restrictions and financial monitoring, as well as to avoid publicity and official statistical recording.³ Finally, Ukrainian law provides an opportunity to classify certain statistical data on OFDI based on the investor's wish to do so.⁴ Official statistics provided by the State Statistics Committee of Ukraine (Ukrstat) are based on residents' reports and information received from the National Bank (NBU) and the State Property Fund of Ukraine. The

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¹ UNCTAD, *World Investment Report 2010: Investing in a Low-Carbon Economy* (New York and Geneva: United Nations, 2010), p. 176.

² "Mapa investytsiy," *Ukrainsky Tyzhden*, No. 17 (26), April 25 – May 1, 2008.

³ See further explanations in the policy section below.

⁴ This right is embedded in art. 21 of the *Law on State Statistics* of September 17, 1992.

difference between available OFDI figures is rather remarkable. For example, NBU reported a total Ukrainian OFDI stock of US\$ 7 billion in 2009 compared to US\$ 6 billion for the same year reported to UNCTAD by NBU earlier.⁵

Country-level developments

The drivers of Ukrainian OFDI are among the main peculiarities of the country's outward investment. Ukrainian companies often invest abroad to secure their assets from the unpredictable political environment in Ukraine, including seizures and raids. Ultimate owners of Ukrainian companies who are able to undertake foreign acquisitions are mostly linked to certain political groups.⁶ When the pendulum of Ukrainian politics swings in favor of one group, another one may face the full power of the state aimed at destroying its rival's means of support. Such investments represent capital flight rather than deliberate internationalization strategies of Ukrainian companies.

Market-seeking, tariffs-jumping and trade-barrier jumping are also major drivers of Ukrainian OFDI. Exporters of steel, the country's main export commodity,⁷ have been facing severe anti-dumping restrictions imposed by the European Union (EU) and other developed countries. Moreover, domestic export restrictions lobbied for by large steel producers complicate the situation for smaller market players.⁸ To circumvent these obstacles, Ukrainian exporters have invested in foreign companies,⁹ sometimes incurring great financial risks. For example, in 2004, Industrialny Soyuz Donbassa (ISD) acquired the Hungarian company Dunafer for US\$ 475 million (with debts amounting to US\$ 300 million). In July 2005, after a severe battle with the Polish Government, which had been reluctant to transfer ownership to a non-EU bidder,¹⁰ ISD purchased the metallurgical plant Huta Stali Częstochowa for US\$ 374 million and agreed to pay the company's debt of US\$ 400 million.¹¹ Outward investors in the food sector have been more cautious in terms of financial risks. In 2001, to avoid Russia's import limits on Ukrainian caramel, Roshen Corporation (the Ukrainian confectionery leader) bought Likonf Confectionary Factory (Lipetsk, Russia); by the same token, in 2006 Roshen invested US\$ 2 million to purchase a 100% stake in Klaipeda Confectionary Factory (Lithuania).

The large cross-border M&As of Ukrainian companies in the metallurgical sector coincided with great political turmoil in the winter of 2004/05, during the Ukrainian "Orange Revolution". In this period, Ukrainian OFDI rose sharply (annex tables 1 and 2). Allies of the defeated Presidential candidate, Victor Yanukovich, were afraid of retaliatory measures by the winners of the Presidential elections, Viktor Yushchenko and Yuliya Tymoshenko, and undertook decisive measures to secure

⁵ UNCTAD, 2010, op. cit., pp. 66, 176; Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u 2009 rotsi* (Kyiv: Ukrstat, February 2010), p. 3.

⁶ For speculative information on this issue, see dossiers available in Russian at: <http://file.liga.net/>. Many Ukrainian tycoons are listed among the richest people in the world by *Forbes*, see <http://www.forbes.com/>.

⁷ In 2009, Ukraine ranked eighth among 40 world leaders in crude steel production, see The World Steel Association, "The largest steel producing countries," January 22, 2010, available at:

<http://www.worldsteel.org/pictures/newsfiles/2009%20graphs%20and%20figures.pdf>.

⁸ For more information on domestic restrictions, see Alan H. Price and Scott Nance, *Export Barriers and Global Trade in Raw Materials: The Steel Industry Experience* (Washington, DC: Wiley Rein LLP, 2009).

⁹ Beata Ślusarczyk, "Investments in iron and steel industry in Poland under globalization conditions", available at: <http://www.oeconomica.uab.ro/upload/lucrari/1020081/39.pdf>.

¹⁰ Konrad Niklewicz, "Donbas domaga się Huty Częstochowa," *Gazeta Wyborcza*, March 2, 2004; Konrad Niklewicz, "Donbas grozi sądem", *Gazeta Wyborcza*, March 16, 2004; "Privatization process of Huta Stali Częstochowa S.A.", available at: http://www.msp.gov.pl/portal/en/16/235/Privatisation_process_of_Huta_Stali_Czestochowa_SA.html.

¹¹ Igor Goshovskiy, "Kreditnaya lovushka dlya ISD," March 25, 2009.

assets abroad. For example, in November 2005 System Capital Management (SCM) increased its stake in the Italian Ferriera Valsider SpA from 49% to 70%.¹² However, the new government did not take retaliatory measures, with the exception of the re-privatization of Kryvorizhstal¹³ and its further re-sale to Mittal Steel. Nevertheless, OFDI grew as steel-exporting companies from eastern Ukraine, including ISD and SCM, both open supporters of Viktor Yanukovich, went abroad. From 2005 onwards, Ukrainian OFDI, especially in Cyprus and Russia, started to increase, peaking in 2007 (annex table 4).

The analysis of the regional and sectoral distribution of Ukrainian OFDI is extremely difficult due to the poor statistical data. According to official Ukrainian statistics (annex table 3), Ukrainian companies prefer to invest in the following sectors: real estate (86% of OFDI flows), financial services (2.5%), retail trade and retail services (2%), transport and communications (0.7%), and machine-building (0.3%), while metallurgy accounts for only 0.1% of total OFDI flows. The sectoral breakdown of official Ukrainian FDI statistics does not seem reliable. While in 2008 UNCTAD reported Ukrainian companies' worldwide net purchases worth more than US\$ 2 billion¹⁴ and OFDI flows of more than US\$ 1 billion (annex table 2), Ukrstat data reported 2008 OFDI flows of only US\$ 85 million.¹⁵ Evidently the data did not include the 2008 acquisition of Consolidated Minerals Ltd., the Australian manganese giant, by Palmery Enterprises Ltd (whose registered seat is in Belize) for more than US\$ 1 billion.¹⁶ Australia has never been mentioned in Ukrstat data on the regional distribution of OFDI either. It also seems that many cross-border M&As as well as greenfield investments (annex tables 6 and 7) are not recorded or reported by Ukrstat.¹⁷

According to official Ukrainian data, around 95% of OFDI flows are directed to the European Union (EU), only 3.5 % to CIS countries and 1.5% to other countries (annex table 4). Cyprus is the leading destination for Ukrainian FDI; according to Ukrstat, it accounts for more than US\$ 5 billion (92 % of cumulative OFDI). However, based on Eurostat data, in 2008 Ukrainian FDI stock in the EU amounted to US\$ 1.1 billion, and in Cyprus to only US\$ 143 million.¹⁸ In most cases, Ukrainian companies use Cyprus's off-shore opportunities to re-invest money in Ukraine.¹⁹ In other words, if

¹² "SCM uvelichila dolyu v UF metalloprokatnogo zavoda Ferriera Valsider (Italia) do 70%," *Ukrudprom*, November 25, 2005, available at: <http://www.ukrudprom.com/news/n1234.html?print>; "Ukraine fears the rise of new oligarchs," *BBC News*, June 25, 2005, available at: <http://news.bbc.co.uk/2/hi/business/4114342.stm>.

¹³ For more information on legal and policy aspects of Kryvorizhstal's re-privatization, see Leonila Guglya, "Ukrainian privatization: six rounds of the Kryvorizhstal' case, courts and the impact of politics", in Stefan Messmann and Tibor Tajti, eds., *The Case Law of Central and Eastern Europe. Leasing: Piercing the Corporate Veil and the Liability of Managers & Controlling Shareholders, Privatization, Takeovers and the Problems with Collateral Law* (Berlin: European University Press, 2007), pp. 461-499.

¹⁴ UNCTAD, *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (New York and Geneva: United Nations, 2009), p. 77.

¹⁵ Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u 2008 rotsi* (Ukrstat, February 2009), p. 3.

¹⁶ "Palmery announces intention to increase its cash takeover offer for Consolidated Minerals," available at: http://www.rns-pdf.londonstockexchange.com/rns/7475d_1-2007-9-12.pdf; UNCTAD, 2009, op. cit.; Jason Scott, "Bogolyubov's Consolidated Minerals raising Australian manganese production", *Bloomberg*, July 29, 2010, available at: <http://www.bloomberg.com/news/2010-07-28/bogolyubov-s-consolidated-minerals-raising-australian-manganese-production.html>; "The world market for manganese: group 'Private' closer to the monopoly", *RUSmegers*, January 23, 2009, available at: <http://rusmegers.com/en/analitika-ma/2388-mirovoj-nok-marganca-gruppa-privat-vse-blizhe-k-monopolii.html>.

¹⁷ As one can see from annex table 3, the difference between 2008 and 2009 OFDI is roughly US\$ 23 million. It is not clear to what extent the 2009 greenfield projects worth several hundreds of millions (see annex table 7) have been implemented and recorded as OFDI in the official statistics, including perhaps because they were not financed by FDI.

¹⁸ Eurostat, "EU direct investment inward stocks by extra EU investing country" [tec00054].

¹⁹ Oleksiy Kononov, "Ukraine's inward FDI and its policy context," *Columbia FDI Profiles*, April 13, 2010, pp. 2 and 9.

one deducts Cyprus from the calculations, total Ukrainian OFDI stock would be US\$ 445 million, split between Russia (37%), Poland (11%) Georgia (7%), Kazakhstan (6%), and other economies. The leadership of Russia and Poland²⁰ as destinations for Ukrainian FDI might be explained by historical and economic ties as well as neighborhood effects. Besides, Poland's location with its outlet to the Baltic Sea and EU membership is very favorable for Ukrainian steel producers in terms of transportation opportunities both for import and export purposes.

In fact, re-investment in Ukraine via third states like Cyprus is not unique. In 2004, for example, the issue of a 99% Ukrainian equity in a Lithuanian company (an investor under the Lithuania-Ukraine BIT) resulted in a controversial ICSID decision holding that Ukrainian shareholding and Ukrainian majority in the management are irrelevant to contest jurisdiction since the Lithuanian company “[w]as an entity established in the territory of the Republic of Lithuania in conformity with its laws and regulations” and “[i]t is not for tribunals to impose limits on the scope of BITs not found in the text.”²¹

The corporate players

Ukrainian OFDI is mainly undertaken by large corporations and industrial groups (annex table 5). Multinational enterprises (MNEs) in the steel and ore industries are among the leaders. Metinvest Group (75% of shares controlled by SCM) comprises 21 industrial companies leading in the mining and steel industry of Ukraine and the CIS. In the EU, Metinvest is represented by Ferriera Valsider and Metinvest Trameal (Italian re-rolling companies), British carbon steel plate producer Spartan UK, and Bulgarian long products manufacturer Promet Steel.²² Another large Ukrainian player, Pryvat Group, controls almost 14% of the world's high-grade manganese production, after a series of successful acquisitions in Australia, Georgia, Ghana, Romania, and the United States.²³

Ukrainian automotive producers and retailers (AutoKraz, AutoZAZ, UTECH, Ukrauto) invested mainly in obsolete manufacturing facilities in Cuba, Poland and Russia. Rather than modernize domestic plants, these companies strive to find new markets for otherwise uncompetitive Ukrainian cars and trucks. For example, AutoKraz has invested in large greenfield projects in Cuba, a country that still uses an obsolete park of trucks manufactured decades ago in the USSR and in desperate need of modernization.²⁴

Effects of the current global crisis

In 2009, Ukrainian officially-recorded OFDI flows declined to US\$ 162 million, compared to more than US\$ 1 billion in 2008 (annex table 2). Nevertheless, the strong negative impact of the global

²⁰ In 2008, the Polish ambassador to Ukraine, HE Jacek Kluczowski, noted that Ukrainian oligarchs invested much more in Poland compared to Poland's investments to Ukraine; see Yuriy Goncharenko, “Posol Polschi Jacek Kluczowski: ukrainski oligarchy investuvaly za kordonom nabagato bilsh nyzh polski pidpnyemtsi v Ukraini,” *Forpost*, December 2, 2008, available at: <http://www.4post.com.ua/world/117582.html>.

²¹ *Tokios Tokelos v. Ukraine*, (ICSID Case No. ARB/02/18), Decision on Jurisdiction, paras 36, 52, April 29, 2004, 20 *ICSID Revue - FILJ* 205 (2005). Prosper Weil in his dissenting opinion argued that the ICSID system could not be used for treaty shopping.

²² Information from the company's web site, available at: <http://www.metinvestholding.com/en/company/>.

²³ “The world market for manganese: group “Private” closer to the monopoly,” op. cit.; Vivian Wai-yin Kwok, “Bogolyubov triumphs in Consolidated Minerals takeover,” *Forbes*, January 3, 2008, available at: http://www.forbes.com/2008/01/03/bogolyubov-consolidated-minerals-markets-equity-cx_vk_0103markets01.html.

²⁴ Dariya Ryabkova, “Okno v Latinskuyu Ameriku,” *Investgazeta*, No. 99, March 4, 2007; “Ukrainian trucks to be built in Cuba,” *The Miami Herald*, December 3, 2008.

economic and financial crisis on the Ukrainian economy (inward FDI in 2009 was US\$ 5.6 billion, down by 49% against 2008)²⁵ did not prevent Ukrainian companies from making several large investments abroad (annex tables 6 and 7). At the same time, some of the previous foreign acquisitions together with unfavorable steel prices on world markets caused trouble for Ukrainian investors. For example, in 2009 ISD could not cope with the debts of its foreign affiliates;²⁶ consequently, rather than divert indebted foreign assets, ultimate ISD owners had to sell the controlling stake in ISD itself (50 % + 2 shares) to a Russian investor for about US\$ 2 billion.²⁷ Similarly, Pryvat Group decided to sell the Alapaevsk steel mill in Russia.²⁸ In late 2009, the global financial crisis forced Soyuz-Viktan to initiate bankruptcy proceedings both in Ukraine and Russia, where the company had two large distilleries.

Judging from the 2009 OFDI greenfield projects and M&As with Ukrainian participation (annex tables 6 and 7), Ukrainian OFDI seems to have recovered in 2010. According to Ukrstat, Ukrainian companies invested abroad almost US\$ 630 million in the first six months of 2010, compared to only US\$ 26 million in the same period of 2009.²⁹ Ukrainian companies are seeking to expand abroad. For example, Ferrexpo group, via its foreign affiliates, plans to bid for the large Bulgarian Kremikovtzi metallurgical plant (the auction is supposed to start at US\$ 375 million).³⁰

The policy scene

Ukraine is signatory to numerous bilateral investment treaties (BITs) and other international investment agreements.³¹ However, in contrast to inward FDI regulations, Ukraine's legal framework for OFDI is rather restrictive. The Government does not support OFDI: there are no investment risks insurance schemes or any public promotion services for Ukrainian companies intending to invest abroad. Pursuant to the Decree on the System of Currency Regulation and Currency Control,³² all residents' money transfers abroad with the purpose of investment (direct or portfolio) are subject to individual approval by the National Bank of Ukraine (NBU).³³ In other words, the acquisition of a single share in a foreign company requires compliance with a very burdensome and costly process of obtaining an NBU license.³⁴ Money transfers above a specified minimum are also subject to financial monitoring.³⁵ On the other hand, as can be seen from the capital outflows from Ukraine, these strict requirements do not stop big corporate players (which in most cases have ties with the government) -- they instead prevent smaller Ukrainian businesses from investing abroad.

²⁵ Official Ukrstat data, see Kononov, op. cit., pp. 3-4. Recent 2010 UNCTAD data show a lower figure of US\$ 4.8 billion; see UNCTAD, 2010, op. cit., p. 171.

²⁶ Goshovskiy, op. cit.

²⁷ "Ukraine's ISD sells 50 percent plus two shares to Russian investors", *SteelOrbis*, January 11, 2010, available at: <http://www.steelorbis.com/steel-news/latest-news/ukraines-isd-sells-50-percent-plus-two-shares-to-russian-investors-506928.htm>.

²⁸ "NLMK vyveli na "Privat," *Kommersant (Voronezh)*, September 29, 2009.

²⁹ Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u I pivricchi 2009 roku* (Ukrstat, August 2009), p. 3; Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u I pivricchi 2010 roku* (Ukrstat, August 2010), p. 3.

³⁰ "Vorskla Steel expresses interests in acquiring Kremikovtzi," *SteelOrbis*, July 30, 2010, available at: <http://www.steelorbis.com/steel-news/latest-news/vorskla-steel-expresses-interest-in-acquiring-kremikovtzi-546923.htm>.

³¹ For more details on Ukraine's BITs and other IIAs see Kononov, op. cit., p. 5.

³² *Decree of the Cabinet of Ministers of Ukraine on the System of Currency Regulation and Currency Control*, February 19, 1993.

³³ Art. 5 of the *Currency Decree*.

³⁴ Detailed procedures for getting a license can be found in the *Instruction on Procedures of Issuing Individual Licenses for Investments Abroad* approved by the NBU Regulation No. 122 of March 16, 1999.

³⁵ Pursuant to art. 15(1) of the *Law on Prevention of Money Laundering* of May 18, 2010, this applies to operations exceeding the equivalent of UAH 150,000 (US\$ 19,000).

Factors stimulating OFDI include the recent change in taxation of Ukrainian holding companies' profits. As of May 19, 2010, dividends received from foreign affiliates are no longer subject to the Ukrainian corporate profits tax.³⁶ This change applies, however, only to dividend recipients holding at least 20% of the shares of a foreign affiliate, having the largest share therein, or having the largest number of votes therein. The tax exemption does not apply to foreign affiliates located in jurisdictions blacklisted for tax purposes.³⁷ On the other hand, smaller Ukrainian OFDI players might be adversely affected if the Tax Code supported by the new Prime Minister, Mykola Azarov,³⁸ is adopted. The draft Tax Code broadens the competencies of the tax authorities and increases the tax burden on small and medium-sized enterprises, while granting tax holidays and other tax privileges to large companies (which are controlled by Ukrainian oligarchs).³⁹

Conclusions

Despite rather modest OFDI, Ukrainian investments are scattered all over the world, often driven by the unfavorable domestic business climate or political threats. The new Ukrainian President and his Cabinet have brought some political stability.⁴⁰ However, in the short run it is unlikely that Ukraine's OFDI trends will change much. The lack of reforms, together with continuing trade restrictions for Ukrainian steel and other products, will continue to force Ukrainian companies to seek investment opportunities abroad. Stabilization of the world steel market and new gas arrangements with Russia that provide cheap gas for industrial needs will discourage domestic companies from modernizing local manufacturing facilities. Therefore capital will probably be invested abroad, especially in Russia, in view of the growing political and economic co-operation between the two countries and the pro-Russian stance of President Yanukovich. By the same token, growing hostilities between the new government and the opposition parties might lead to attacks on companies associated with the latter. Consequently, it is unlikely that capital flight to Cyprus, the British Virgin Islands and other offshore jurisdictions will decline.

Additional readings

Åslund, Anders, *How Ukraine Became a Market Economy and Democracy* (Washington, DC: Peter G. Peterson Institute for International Economics, 2009).

Sarna, Arkadiusz J., "Ukrainian metallurgy: the economic link in the oligarchic power system," *CES studies*, March 2002, available at: http://pdc.ceu.hu/archive/00001679/01/ukr_metal.pdf.

The World Bank: *Ukraine's Trade Policy: A Strategy for Integration into Global Trade* (Washington, DC: The World Bank, 2005).

³⁶ *Law of Ukraine on Amending Corporate Profits Tax Regarding Taxation of Dividends* of April 27, 2010.

³⁷ Cyprus and the British Virgin Islands are not blacklisted.

³⁸ In 1996-2002, Mykola Azarov was the Head of the State Tax Administration of Ukraine. The main tax collector of the country became known for extreme fiscal pressure and constant attacks on Ukrainian private businesses.

³⁹ The World Bank Group's *Doing Business Project 2010* rates Ukraine 181 among 183 countries of the world in terms of procedures for paying taxes, it is worse only in Venezuela and Belarus. See IBRD/World Bank: *Doing Business 2010: Ukraine* (Washington, DC: The World Bank, 2009), p. 34; *Doing Business Project: Paying Taxes 2010 – The Global Picture*, available at: <http://www.doingbusiness.org/features/taxes2010.aspx>.

⁴⁰ Roman Olearchyk, "Progress depends on a successful reform effort," *Financial Times*, June 1, 2010.

Useful websites

Metal-Forum of Ukraine, available at: http://www.metal-forum.org/MFU_News_market.htm.

Ukrainian Ferro-Alloy Producers Association, available at: <http://www.ukrfa.org.ua/>.

Ukrainian State Statistics Committee (Ukrstat), available at: <http://www.ukrstat.gov.ua/>.

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Statistical annex

Annex table 1. Ukraine: outward FDI stock, 2000-2009

(US\$ million)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Ukraine	170	156	144	166	198	468	344	6,077	7,005	7,259
Memorandum: comparator economies										
Bulgaria	67	34	40	52	n.a.	123	285	582	1,248	1,309
Hungary	1,280	1,556	2,166	3,509	6,018	7,810	57,114	133,141	184,745	174,941
Kazakhstan	16	n.a.	420	300	n.a.	n.a.	n.a.	2,166	3,045	6,786
Poland	1,018	1,156	1,457	2,147	3,356	6,279	14,319	19,369	21,814	26,211
Romania	136	116	145	208	272	213	879	1,240	1,466	1,731
Russia	20,141	44,219	62,350	90,873	107,291	146,679	216,488	370,161	202,837	248,894
Slovakia	373	448	486	823	835	597	1,325	1,509	1,901	2,744

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

Annex table 2. Ukraine: outward FDI flows, 2000-2009

(US\$ million)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Ukraine	1	23	-5	13	4	275	-133	673	1,010	162
Memorandum: comparator economies										
Bulgaria	3	10	28	27	-217	308	175	270	707	-136
Hungary	2,764	3,936	2,994	2,137	4,506	7,709	19,802	71,485	61,993	-6,886
Kazakhstan	4	-25	422	-122	-1,235	-151	-329	3,142	1,001	3,119
Poland	16	-90	230	300	915	3,399	8,875	4,748	3,582	2,852
Russia	3,177	2,533	3,533	9,727	13,782	12,767	23,151	45,916	56,091	46,057
Romania	-13	-16	17	41	70	-31	423	279	274	218
Slovakia	29	65	11	247	-21	150	511	384	258	432

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

Annex table 3. Ukraine: distribution of cumulated outward FDI flows, by economic sector and industry, 2001, 2004, 2008, 2009^a

(US\$ million)

Sector/industry	2001	2004	2008	2009
All sectors/industries	170.3	163.5	6203.1	6226.0
Primary	0	0.1	0.5	0.6
Agriculture, forestry and fishing	0	n.a.	0.3	0.3
Mining and quarrying	0	0.1	0.2	0.3
Secondary	n.a.	n.a.	n.a.	n.a.
Food, beverages, and tobacco	n.a.	n.a.	13.8	58.7
Light industry	0.3	0	0.3	0.3
Cellulose, paper, and publishing	n.a.	0.4	n.a.	Confidential ^b
Timber	3.7	n.a.	n.a.	n.a.
Coke, petroleum and chemical	6.4	4.3	Confidential ^b (US\$ 4.7 million for chemical industry)	4.8
Other mineral manufacture (excluding metal)	n.a.	n.a.	Confidential ^b	Confidential ^b
Metallurgy	2.6	2.5	9.1	8.9
Machine-building	6.5	6.3	14.9	19.8
Other industries	0.1	0.3	2.9	2.6
Construction	3.5	3.4	2	1.9
Services	147.3	146.2	n.a.	n.a.
Retail trade and retail services	0.6	1	142.5	124.9
Hotels and restaurants	0	0.6	Confidential ^b	Confidential ^b
Transport and communications	84.8	55.1	44.8	44.8
Financial services	2.1	8.3	175.9	596.1
Real estate	51.9	66.4	5333.1	5347
Other services	7.8	14.8	Confidential ^b	Confidential ^b
Other unspecified sectors	n.a.	n.a.	442.4	n.a.

Sources: Ukrstat database, available at: <http://ukrstat.gov.ua>; Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u I kvartali 2010 roku* (Ukrstat, May 2010), p. 15; Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u 2009 rotsi* (Ukrstat, February 2010), p. 15, available at: <http://www.ukrstat.gov.ua>; Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u 2001 rotsi: Statystuchny buleten Derzhkomstatu Ukrainy* (Kyiv: Ukrstat, 2002); Ukrstat, *Investitsiyi zovnishnyoekonomichnoyi diyalnosti u 2004 rotsi: Statystuchny buleten Derzhkomstatu Ukrainy* (Kyiv: 2005).

^a Cumulative figures as of beginning of investment (early 1990s). Stock data are not available. Despite being official OFDI data published by Ukrstat, the figures do not reflect substantive OFDI in a number of sectors, especially metallurgy, mining and quarrying (compare with Reuters and Financial Times data in annex tables 6 and 7).

^b Information classified according to art. 21 of the Law of Ukraine *on State Statistics*.

Annex table 4. Ukraine: geographical distribution of cumulated OFDI flows, selected years ^a

(US\$ million)

Region/economy	2004	2005	2007	2009
World	175.9	218.2	6,196.0	6,223.3^b
Developed economies				
Europe				
European Union (EU)				
Austria	3	4.6	n.a.	n.a.
Cyprus	2	2.1	5,825.0	5,778.5
Estonia	1.1	n.a.	n.a.	n.a.
Greece	1.6	n.a.	n.a.	n.a.
Latvia	n.a.	n.a.	30.7	31.9
Lithuania	n.a.	n.a.	4.0	n.a.
Poland	n.a.	20.3 ^c	30.1	49.4 ^c
Spain	13.8	13.8	13.8	n.a.
UK	n.a.	13.9	13.8	n.a.
Non-EU				
Armenia	n.a.	n.a.	12.8	n.a.
Georgia	2.3	2.2	28	32.6
Switzerland	4.7	4	4.6	n.a.
North America				
United States	n.a.	5.6	5.9	n.a.
Central America				
Panama	18.9	18.9	18.9	n.a.
Caribbean				
British Virgin Islands	n.a.	n.a.	10.9	20.8
Asia				
Hong Kong (China)	5.4	5.4	n.a.	n.a.
Vietnam	15.9	15.9	3.9	n.a.
Commonwealth of Independent States				
Kazakhstan	n.a.	n.a.	n.a.	27.1
Moldova	n.a.	n.a.	26.7	n.a.
Russia	94.6	102.5	148.6	165.5
Uzbekistan	1.9	n.a.	n.a.	n.a.
Other economies^d	5	9	17.9	117.5

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

^a Cumulative figures since the beginning of foreign investment (as of January 1, 2010). Stock data are not available.

^b Ukrstat data reflect figures of countries to which the highest amounts of Ukrainian FDI were directed.

^c For some reason, official Ukrstat statistics do not reflect extensive Ukrainian investments in Poland's metallurgical sector.

^d Data on particular countries are not available. Ukrstat reports outward investments to 51 countries of the world (as of January 1, 2010).

Annex table 5. Ukraine: principal MNEs, 2004 - 2009

Name	Industry	Available indicators
System Capital Management (SCM)	Metallurgy, banking, chemical industry	8,151 ^a
Interpipe Group	Metallurgy, machine-building, banking, mass-media, retail trade	3,000 ^b
Ukrauto	Automotive	2,100 ^c
Palmary Enterprises Ltd	Metallurgy	1,008
Roshen	Food	850 ^d
Ukrprominvest Group	Automotive	700 ^e
Industrialny Soyuz Donbassa (ISD)	Metallurgy	849 ^f
Soyuz-Viktan	Alcoholic beverages	420 ^g
Pryvat Group	Banking, metallurgy, manganese, chemical industry	n.a. ^h
Ferrexpo	Metallurgy, manganese	n.a. ⁱ
DF Group (The Firtash Group of Companies)	Energy, metallurgy, chemical industry, real estate	n.a. ^j

Sources: Companies' websites; *Financial Times* – fDi Markets | Global Investments; “Ukrainian industrial groups continue advance into Europe,” *Kyiv Post*, January 25, 2007; “Mapa investytsiy,” *Ukrainsky Tyzhden*, No. 17 (26), 25 kvitnya – 1 travnya 2008 roku.

^a 2009 consolidated revenue data. Available statistical data and media list Metinvest Group often separately. In fact, it is controlled by SCM. Amount of company's OFDI unknown.

^b Turnover by the end of 2005.

^c Total assets (Ukrainian and foreign).

^d Turnover by the end of 2008.

^e Greenfield projects in 2007.

^f Investments in Huta Stali Czestochowa (Poland) and Dunaferr (Hungary).

^g Turnover for alcoholic beverages produced in 2005.

^h Financial data are not available; however, Pryvat Group has a stake in Highlanders Alloys (US), Feral CA (Romania) and Ghana Manganese (Ghana). The company also controls Palmary Enterprises Ltd.

ⁱ Financial data are not available; the company has a stake in Skopski Legury (FYROM), Vorskla Steel Denmark (Denmark) and plans to bid for a stake in Kremikovtzi plant (Bulgaria).

^j DF Group owns foreign affiliates in Austria, Estonia, Germany, Hungary, Italy, Russia, Switzerland, and Tajikistan. Financial data are not available.

Annex table 6. Ukraine: main M&A deals, by outward investing firm, 2007–2009

Year	Acquiring company	Target company	Target industry	Target economy	Shares acquired (%)	Transaction value (US\$ million)
2009	Ciklum	Mondo A/S-Activities	Information retrieval services	Denmark	100	n.a.
2009	Gruppa EastOne	Rossiya	Life insurance	Russia	100	n.a.
2009	Metinvest Holding (affiliated with SCM)	United Coal Co	Bituminous coal and lignite surface mining	United States	100	n.a.
2009	Industrialni Dystrybutsiyni Systemy (IDS)	Akva Star LLC	Beverages	Russia	100	n.a.
2008	Palmary Enterprises Ltd	Consolidated Minerals Ltd	Ferroalloy ores	Australia	88	1,008
2008	Maximum Exploration Corp	Extraordinary Vacation USA Inc	Advertisng	United States	100	13.3
2008	ZAT RUR Group SA	ZAO Intekom	Crude petroleum and natural gas	Russia	100	n.a.
2008	Volya Cable	Oisiw Ltd	Investment	Cyprus	100	n.a.
2008	Metinvest Holding (affiliated with SCM)	Trametal SpA	Metallurgy	Italy	100	n.a.
2008	Milkiland BV	Ostankino Dairy	Dairy products	Russia	75	n.a.
2007	Nemiroff	Legro Sp z.o.	Beverages	Poland	100	n.a.
2007	Sevastopolenergo	Neva Metal Trans	Transportation	Russia	100	n.a.
2007	Motordetal-Konotop	Fumel Technologies SAS	Gray and ductile iron foundries	France	100	n.a.
2007	Bank Delta	Atom Bank	Banking	Belarus	100	n.a.
2007	Pryvat Group	JKX Oil & Gas PLC	Crude petroleum and natural gas	UK	13	80
2007	Pryvat Group	TaoBank	Banking	Georgia	75	25

Source: Thomson ONE Banker, Thompson Reuters.

Annex table 7. Ukraine: main greenfield projects, by outward investing firm,^a 2007-2009

Year	Investing company	Target industry	Target economy	Estimated/ announced transaction value (US\$ million)
2009	Vorskla Steel	Metallurgy	Hungary	926.6
2009	Roshen	Food	Russia	235
2009	Motor Sich	Manufacturing	Russia	144.5
2009	Gerc Investment & Construction	Real estate	Iraq	40.7
2009	UPEC	Metallurgy	Russia	40.0
2009	Pivdennyi Bank	Financial services	Bulgaria	35.9
2009	Credit Rating Agency	Financial services	Russia	35.9
2009	Credit Rating Agency	Financial services	Belarus	35.9
2009	PryvatBank	Financial services	Italy	32.4
2009	PryvatBank	Financial services	Germany	32.4
2009	Kviza Trade	Retail trade	Moldova	27.3
2009	AvtoKraZ	Automotive	Azerbaijan	24.4
2009	Antonov ASTC	Aerospace	Russia	15.2
2008	UTTECH	Automotive	Russia	600.0
2008	Yoakside Trading	Real estate	Vietnam	400.0
2008	Erlan	Beverages	Russia	318.0
2008	Konti	Food	Russia	252.3
2008	AutoKraZ	Automotive	Cuba	232.0
2008	AutoKraZ	Automotive	Russia	204.4
2008	Metinvest (SCM)	Metallurgy	Italy	169.9
2008	Metinvest (SCM)	Metallurgy	Russia	40.5
2008	Image Holding	Food	Russia	39.3
2008	Metinvest (SCM)	Metallurgy	UK	36.4
2008	Concorde Capital	Financial services	Russia	35.8
2008	Pivdennyi Bank	Financial services	Bulgaria	35.8
2008	Sokrat	Financial services	Uzbekistan	32.6
2007	Ukrprominvest	Automotive	Russia	700.0
2007	Naftogaz	Oil and natural gas	Egypt	281.3
2007	Pryvat Group	Financial services	China	58.4
2007	Naftogaz	Oil and natural gas	Libya	57.5
2007	Avec & Co	Real estate	UK	40.7

Source: fDi Intelligence. Financial Times.

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