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## TRADE AND ECONOMIC COOPERATION OF UKRAINE AND THE REPUBLIC OF HUNGARY: STATE AND PROSPECTS

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**Summary:** This article concentrates on the research of trade and economic cooperation between Ukraine and the Republic of Hungary, integrated assessment of the most important aspects of bilateral relations, current state, perspective areas of intergovernmental cooperation and the mechanism of its improvement. The research includes two main parts: the first one deals with the foreign economic relations of Ukraine and Hungary, history, current state and prospects; the second one focuses on the mechanism of improving economic relations between Ukraine and the Republic of Hungary.

**Keywords:** export, import, trade and economic cooperation, transboundary cooperation, Ukraine and Hungary relations.

**Анотація:** Ця стаття присвячена дослідженню розвитку торговельно-економічного співробітництва України та Республіки Угорщина, комплексній оцінці найважливіших аспектів двосторонніх зв'язків, сучасному стану, перспективним напрямкам міждержавного співробітництва та механізму його удосконалення. Дослідження складається з двох частин: перша розкриває зовнішньоекономічні зв'язки України та Республіки Угорщина, історію, сучасний стан та перспективи розвитку; друга присвячена механізму удосконалення економічних відносин між Україною та Республікою Угорщина.

**Ключові слова:** відносини між Україною та Угорщиною, експорт, імпорт, торговельно-економічне співробітництво.

**Аннотация:** Эта статья посвящена исследованию развития торгово-экономического сотрудничества Украины и Республики Венгрия, комплексной оценки важнейших аспектов двусторонних связей, текущему состоянию, перспективным направлениям межгосударственного сотрудничества и механизму его совершенствования. Исследование состоит из двух частей: первая раскрывает внешнеэкономические связи Украины и Венгрии, историю, современное состояние и перспективы развития; вторая посвящена механизму совершенствования экономических отношений между Украиной и Республикой Венгрия.

**Ключевые слова:** импорт, отношения Украины и Венгрии, торгово-экономическое сотрудничество, трансграничное сотрудничество, экспорт.

International cooperation is the development of various economic, political, social, cultural, legal, ideological, diplomatic, military, scientific, technological and other ties and relationships between participants of foreign economic activity and Ukraine leading to production, sales, distribution and consumption of products based on mutual benefit of all participants.

After Ukraine proclaimed its independence in 1991, Hungary became the first country with which Ukraine signed the Treaty of Friendship and Cooperation. It is important to emphasize that the development of contacts between the states is urgent because the Republic of Hungary joined the EU in 2004. The EU has a direct impact on the system of international relations in Ukraine.

Nowadays, the Republic of Hungary is a country of opportunities. Hungary is an important partner of Ukraine within the bounds of economic cooperation.

During the 10 recent years the average annual growth of turnover has been 40%, and in 2010, according to the statistics, the trade turnover between these two countries exceeded 3.121 million US dollars [2]. The turnover of Ukraine ranks 20th in total Hungarian foreign trade turnover. The supplies of energy and mineral products took the largest share in the structure of Ukrainian export to Hungary and made 28%, machinery and equipment also have major positions (13.8%), products of processing industry (13.5%), organic chemical compounds (12.7%), wood and wood products (11.6%). These groups of products provide 79% of Ukrainian export to Hungary. Ukraine imports 86% of food, clothing and footwear from Hungary [5].

Export of Hungary to Ukraine makes 44% and ranks 14th among the exporters. Hungary's import from Ukraine has risen by 51%. Ukraine ranks 21st among the importing countries [2]. The structure of bilateral trade is of interest and lies within abilities of both countries.

Analysis of the five recent years has shown that an important component of bilateral relations is trade of services, where the Hungarian party exports transport and construction services, financial capital, and imports pipeline transportation services.

The main areas of Ukrainian-Hungarian cooperation include:

1. Harmonization of bilateral cooperation in accordance with the obligations of Hungary's EU accession.

2. Investment cooperation. According to the Ukrainian statistics, the amount of investments received from Hungary to Ukraine by the end of the year 2010 made 456 million US dollars (1.6%) and now takes the 13th place among foreign investors. 1095 Hungarian-Ukrainian joint ventures were registered in Ukraine in 2010 [1, p. 56]. Most are located in the Carpathian region and Kiev. The largest investment projects include the construction of shopping and entertainment complex in Kiev, the production of trucks, buses, and spare parts for "Lviv Bus Plant" with the participation of Hungarian companies.

3. Cooperation in transport sector. The main objective of this bilateral cooperation is to create the largest transport hub in the infrastructure which will include a major railway junction, "Chop" auto port, a large port on the Tisa river and "Mukachevo" airport [1, p. 78].

4. Cooperation in tourism. As a result of the work done, the number of Ukrainian tourists who visited Hungary last year rose by 9.7% (75 thousand people). A significant part of Ukrainian tourists are attracted by the resorts of medicinal waters (first of all those located near Hajduszoboszlo).

The economic cooperation between Hungary and Ukraine creates a good basis for intensive high-level talks. Last year two Heads of state and Prime Ministers along with a number of senior executives held official talks in Budapest and in the Carpathian region. Prime Ministers of both states signed a Joint Action Plan in 2007.

Most generally, according to previous estimates, an intensive expansion of international contacts are expected in such areas as energy, reconstruction and development of municipal infrastructure, agriculture, construction, environmental

protection and using renewable energy resources. Participation in individual projects creates a possibility of financial support from the European Union and will involve tax credits to the Hungarian Ex-Im Bank [1, p. 83]. Economic Affairs Department of the Embassy of Ukraine in Hungary, along with daily awareness of Hungarian companies, focuses on developing relationships with regional authorities and business entities to assist the Hungarian enterprises in the development of regional markets.

As a result, Economic Affairs Department of the Embassy of Ukraine in Hungary together with the ITD Hungaria ZRt has held business meetings in Sumy, Kiev, Kharkiv and the Crimea. As an illustration, Ukrainian-Hungarian Business Forum was opened at Kharkiv Chamber of Commerce on May 6th, 2008. The Head of Foreign Economic Relations and European Integration Department of Kharkiv Regional State Administration and Counselor of the Embassy of Hungary in Ukraine were the main participants. The Head of the Department said that, hopefully, Hungarian businessmen would regularly visit Kharkiv. Over recent years, the Kharkiv Region has been implementing new approaches in dealing with foreign investors, as this region is objectively interesting and has prospects for investors, considering scientific, technological, economic and industrial potential of the region. According to this project, a large network of industrial parks will be created around Kharkiv. This network offers investors the so-called "Green Fields" - the free sites with the necessary infrastructure for the rapid implementation of investment projects in all areas of the economy [5].

Holding such business forums in major cities of Ukraine helps to identify specific areas for the further investment projects in Ukraine and the Republic of Hungary.

Despite the negative forecasts of Ukrainian analysts about the negative impact of the EU enlargement on trade and economic relations of Ukraine and Hungary, the trade turnover of these two countries is growing dynamically. It exceeded 4.1 billion US dollars in 2010. In 2009, due to the global financial crisis, export decreased by 48.7%, import by 51.4% and turnover by 49.9% [2].

According to the Ukrainian Chamber of Commerce and Industry, merchandise balance between 1999 and 2004 was positive for Ukraine, but since 2004, after Hungary's accession to the EU, the trade balance has been negative and made 557.0 million US dollars in 2010. Trade balance for Ukraine remains positive and amounts to 23.9 million US dollars.

According to State Statistics Committee, the Ukrainian-Hungarian trade turnover in 2009 made 797.9 million US dollars (export of Ukraine) and 722.1 million US dollars (import of Ukraine). Such differences in statistics of the two countries show that Ukraine exports undeclared goods to Hungary [4].

Another area of cooperation between Ukraine and Hungary may be in providing aviation industry of Ukraine with Hungarian raw materials. Hungary ranks second in the reserves of bauxite in Europe. According to the long-term projections, mining bauxites will continue to grow, and in 2015 will make 5.5 million tons. Antonov Development Department was part of the Soviet Antonov complex, that manufactured aircrafts An-140, An-148, Iliushyn, Tupolev and

Yakovlev and is very promising nowadays. Thus, aluminum industry in Ukraine will be provided with raw materials from Hungary, which, in its turn, will provide better rate of aircraft production, which will be exported to the countries of Latin America, United Arab Emirates, Saudi Arabia, Tunisia and Europe.

Transboundary cooperation is another form of economic relations between our two countries, and is a form of economic integration through the intensification of relations between frontier regions, which furthers free movement of goods, services, capital and people. “The Carpathians” euroregion was created in 1993 upon signing a contract in Debrecen. It consists of 19 administrative units of Ukraine (Transcarpathian, Lviv, Ivano-Frankivsk, Chernivtsi), Hungary, Poland, Slovakia and Romania. The cooperation of Hungarian entrepreneurs in the Transcarpathian region with the Ukrainian ones had a leading position in 2010 [3]. The development of international transport corridor (ITC) № 5 (Kyiv - Lviv - Chop - Budapest - Ljubljana - Trieste) is of international importance. The infrastructure of our national part of ITC № 5 is of a satisfactory quality, as we have technical problems and need improve the funding and infrastructure. Environmental, quarantine, sanitary, border and other services delay cargo transportation, which leads to the violation of the terms of delivery, increasing the transport component. As a result, it is necessary to create a common complex of goods traffic service in this direction.

Assuming that, this mechanism of improving economic relations between Ukraine and the Republic of Hungary affords an opportunity for Ukraine to approach the EU norms and standards, it also allows Ukraine be an active player on the world trade arena.

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