

to the state a substantial part of such funds has been illegally deposited in foreign banks.

As a result, the state has suffered from **chronic shortages** of convertible funds which have restricted imports of even critically needed commodities. On the other hand, the low exchange rate of the Ukrainian currency has provided, in effect, unlimited opportunities for the **fraudulent** disposal of national resources, especially by commercial structures and private enterprises. According to various estimates, Ukraine has lost, approximately \$15 billion during this period. The volume of Ukrainian exports is low because Ukraine's products are not competitive on international markets. Consequently, the volume of Ukrainian external trade has been small: for example, total exports were 70 times smaller than those of Germany in 1993. There was also a drop in foreign investment in Ukraine during this time which was probably associated with the unstable political conditions in the country and the **perception** that doing business there is not an easy matter.

Task

1. Why isn't the transition from a centrally planned to a market economy pain free?
2. What are the possible consequences of this process?
3. What are the reasons of this decline?
4. Give your comments on the table "Basic Economic Indicators in Ukraine".
5. What are the problems with the Ukrainian currency, import and export?
6. Give synonyms to the emphasized words.

2.2. FOREIGN FIRMS PUSH INTO UKRAINE

Despite a difficult beginning, the year 2001 saw many U.S. and other foreign firms pushing into Ukraine to make the most of the country's **varied** trade and investment opportunities. Successful macroeconomic policies have enabled the Ukrainian Government to reduce inflation and stabilize the hryvnia, the national currency. The country received its first international credit rating in October, and investment is rising, **albeit** from very low levels. Nevertheless, the Ukrainian economy continues **to contract** and the country remains a problematic place for foreign companies to do business.

The economic problems that **plague** Ukraine were **offset** somewhat in 2001 by a number of successes. The government's successful monetary policies have brought the **overall** inflation rate to 8.3% in the first 11 months of the year, in

comparison with 40% recorded in 2000. The hryvnia with strong support from the Central Bank of Ukraine, **was valued** at roughly 5.65 to the dollar in late September, a stronger position relative to the dollar than in January of 2000.

Foreign investment in Ukraine continues to rise. As of August, Ukraine had received \$335.5 million in foreign direct investment in 2000, a 46% increase from the same period in 1999. **Cumulative** foreign direct investment in Ukraine is now at \$ 1.75 billion, and an additional \$2.45 billion in foreign credit lines have been **extended** to Ukrainian banks and corporations.

U.S. companies still constitute the largest investors in the country, representing about 25 % of total foreign investment. For the most part, U.S. investments have been in sectors such as finance and insurance (\$45.6 mln.), retail trade (\$42.6 mln.) **engineering** and metal working (\$35.8 mln.), and food processing (\$35.6 mln.). In November, QUALCOM, Inc. Of San Diego, California announced a contract for the sales and service of telecommunications equipment worth an estimated value of \$200 mln. to TELESYSTEMS of UKRAINE, Ltd. Also in November, MORRISON, KNUDSEN CORPORATION of Boise, Idaho announced that it would begin a **dismantling** for nuclear missiles located in Ukraine.

Despite these successes, Ukraine lagged behind many of its neighbours in various respects. While most other countries have **reported** annual GDP growth, according to the **European Bank of Reconstruction and Development (EBRD)**, Ukrainian GDP is expected to decline by about 4.1% this year. The EBRD **anticipates** growth of 1.1% in 2000. Also, official figures used to measure Ukrainian GDP do not take into account the “shadow economy” that is widely believed to account for up to 60% of actual production.

A number of commercial issues have also complicated Ukraine’s relations with both foreign companies and their governments. U.S. and other foreign firms were concerned in April when Ukraine’s Verkhovna Rada – its parliament – passed an **amendment nullifying** the five-year tax **holiday** for companies with foreign investment. The decision also introduced duty **liabilities** on goods imported for domestic production. President Kuchma has drafted a measure **reinstating** the benefits, but it has been rejected by the Rada on several occasions. In March, MOTOROLA NMG, **citing** changing competitive conditions, pulled of Ukraine after it had been chosen as one of the three companies to provide services in Ukraine.

Ukraine has also been involved in disputes with several of its trading partners. In April the Russian Government introduced duties on sugar and alcohol, two major Ukrainian exports, to protect Russian producers. Trade slowed until November, when Ukrainian President Leonid Kuchma personally met with Russian President Vladimir Putin and finally **negotiated** a solution. Ukraine was also a