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**TRADE AND ECONOMIC COOPERATION
OF UKRAINE AND FEDERAL REPUBLIC
OF GERMANY: ITS STATE, PROBLEMS
AND SOLUTIONS**

Officially determined on a state level the goal to economize Ukraine's foreign economic relations foresees as necessary an all-embracing approach to combined trade, economic, and investment relationships with foreign partners. Incidentally, highest priority of our national economic policy is of real value integration into international financial and economic structures, efficient participation in international cooperation and international division of labor. Entering the European Community on the basis of equal rights remains the strategic task for Ukraine.

Economic basis for creating required preconditions for Ukraine to become the EU member-state consists in active search for efficient cooperation with European partners, consistent implementation of proposals in regard to adaptation of Ukrainian legislation to the European standards, in improvement of investment climate, and in elicitation of interest of foreign investors in effective fund allocation in Ukraine.

From this angle Ukraine, relies on joint actions and support of countries of the European Community. Regarded in that light, Ukrainian-German cooperation can be considered as a priority of Ukraine's foreign economic relations.

Firstly, Germany is economically the most powerful country in Europe. Secondly, Germany holds the second (after the USA) place in the world in volume of foreign trade turnover. In 2000, the USA accounted for 12.3% of world export, Germany – 8.7%, Japan – 7.5%, and the share of the USA in import to-

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taled 18.9%, Germany – 7.5%, and Japan – 5.7%¹. These tendencies remained the same for 2001–2002 years. Thirdly, Germany is one of the biggest trade partners of Ukraine and significant foreign investor.

Germany's potential as a foreign economic partner is proved by dynamics of its foreign trade turnover which in 2000 made equaled DM2,221.5 bln., in 2001 – DM2,322.8 bln². The active balance of foreign trade was DM115.7 bln. (5,21% of foreign trade turnover) in 2000, and DM170.3 bln (7.33%) in 2001. The structure of Germany export-import operations in comparison with world regions and countries is presented in Table 1 .

Table 1

**Structure of Foreign Trade of Federative Republic of Germany
by countries and regions of the world, in %³**

Regions of the world and countries	German exports		German imports	
	2000	2001	2000	2001
Europe – total	73.3	72.6	69.6	71.9
including:				
Countries of European Community	56.5	55.2	50.9	52.1
Poland	2.4	2.4	2.2	2.5
Russian Federation	1.1	1.6	2.7	2.6
Hungary	1.7	1.7	2.0	2.2
Ukraine	0.24	0.32	0.16	0.15
Czech Republic	2.1	2.3	2.7	2.6
Africa (total)	1.7	1.9	2.3	2.1
America (total)	13.6	14.0	11.3	10.7
including:				
USA	10.3	10.6	8.8	8.3
Asia (total)	10.4	10.6	16.3	14.8
including:				
PR of China	1.6	1.9	3.4	3.6
Japan	2.2	2.1	5.0	4.1
Australia and Oceania together	0.7	0.7	0.3	0.4
Total	100.0	100.0	100.0	100.0

¹ Handelsblatt, 26/27.10.2001. № 207, S.8.

² Ausenhandel. Zusammenfassende Übersichten für die Ausenhandel, Fachserie 7, Reihe I, Dezember 2001. – Statistisches Bundesamt, Wiesbaden, 2002. – S. 40.

³ Ausenhandel. Zusammenfassende Übersichten für die Ausenhandel, Fachserie 7, Reihe I, Dezember 2001. – Statistisches Bundesamt, Wiesbaden, 2002. – S. 41.

As seen from indices of Table 1, Ukraine at present stage takes rather insignificant place within German foreign trade exchange. According to Federal Statistics of Germany, Ukraine holds the 45th place in volume of German exports, and 45th in import turnover among 160 countries, German trade partners.

At the same time, the share of Germany in Ukraine's foreign trade turnover is much larger. According to Ukraine's State Customs Service, the share of Germany in total volume of Ukrainian exports in 1999 was 4.9%, in 2000 – 5.1%, in 2001 – 4.3%, in January–February of 2002 – 4.5%, and in total volume of Ukrainian imports in 1999 Germany had 7.9%, in 2000 – 7.4% , in 2001 – 8.9%, and in January–February of 2002 – 9.0%. Recently, Germany as a foreign trade partner of Ukraine takes the second place (after Russian Federation). The quoted above figures signify the importance to develop trade cooperation between Ukraine and Germany and realize considerable potential for our country in this important direction of foreign economic activity.

Studies reveal the state of trade relations between Ukraine and Germany in recent years. General indices of foreign trade between these countries are given in Table 2.

Table 2

**General Indices of Foreign Trade Operations
between Ukraine and Federal Republic of Germany**
(source: German statistics)

№	Indices	Measure unit	2000	2001	variance 2001 of 2000 (+,-)	
					amount	%
1.	Total volume of foreign trade turnover	Thousand US dol.	2106 952	2565921	+458969	+21.8
2.	Exports	Thousand US dol.	796516	755798	-40718	-5.1
3.	Imports	Thousand US dol.	1310436	1810123	+499687	+38.1
4.	Balance	Thousand US dol.	-513920	-1054325	+540405	+105.2
5.	Imports turnover per \$1 USA exports	\$ US	1.645	2.395	+0.75	+45.6
6.	% for covering imports with exports	%	60.8	41.7	x	x

The data shows that the trade balance between Ukraine and Germany remains negative; moreover, in 2001 it grew more than twice. It occurred because Ukrainian exports to Germany decreased by USD40.7mln. (-5.1%) in comparison with that of 2000, while German imports to Ukraine increased by USD499,7 (+38.1%). At the same time, volume of German imports to Ukraine as for 1 US dollar of Ukrainian exports to Germany increased from 1.645 in 2000 to 2.395 in 2001, or in percentage German import coverage with Ukrainian exports decreased from 60.8% to 41.7%.

To specify positions and reveal factors affecting the situation, we will examine the volumes and structure of Ukraine's exports to Germany by types of commodity groups and commodity positions as shown in Table 3.

Table 3

General Indices of Dynamics for Ukraine's Commodity Exports to Germany in 2001

(source: German statistics)

Code of commodity group	Name of commodity group, goods, products	2000		2001		Variance: 2001 of 2000 (+, -)	
		Ths. US\$	Ratio, in %	Ths. US\$	Ratio, in %	Ths. US\$	%
1.	Livestock	112	0.01	317	0.04	+205	+183.0
2.	Livestock products	5131	0.64	4494	0.59	-637	-12.4
3.	Food-stuff and fodder products of plant origin	22319	2.80	33975	4.50	+11656	+52.2
4.	Flavouring and spice products	6920	0.87	4524	0.60	-2396	-34.6
1-4	Amount of food products	34482	4.43	43310	0.57	+8828	+25.6
5.	Primary commodities	6364	0.80	69693	9.20	+63229	+993.5
6.	Intermediate products	373011	46.83	223235	29.54	-149776	-40.2
7.	Goods for industrial use	64843	8.14	80378	10.63	+15535	+24.0
8.	Finished articles	306451	38.47	333153	44.08	+26702	+8.7
7+8	Amount of finished articles	371294	46.61	413531	54.71	+42237	+11.4
5-8	Amount of manufactured goods	750669	94.24	706359	93.46	-44310	-5.9
9.	Returned and substituted goods	11365	1.43	6129	0.81	-5236	-46.1
	Total	796516	100.00	755798	100.00	-40718	-5.1

The data indicates the increase of Ukraine's exports turnover to Germany in food-stuff and fodder of plant origin by 52.2% (+US\$11,6 mln.), goods for industrial use by 24.0% (+US\$15.5 mln.), finished articles by 8.7% (+US\$26.7mln.). It is regarded as positive development in 2001⁴. Positive trend should be noted for the total volume of finished articles (7+8 commodity groups), i.e. in 2001 their share increased from 46,6% to 54.7%, and amount of exported finished goods from Ukraine to the Germany grew by US\$ 42.2 mln. (+ 11,4%)

Also, the total increase is smaller because of decrease in exported products within the group of intermediate products by 40.2%, that is by US\$ 149.8 mln. Structural changes in major commodity positions that have decisive effect on this result are illustrated in Table 4.

Table 4

Structural Changes of Product Exports Turnover of Major Commodity Groups from Ukraine to the Germany for 2001, in %

Commodity group code	Name of commodity group, goods, products	2000	2001	Variance of exports turnover: 2001 of 2000 (+, -)
2.	Livestock products	0.64	0.59	-12.4
3.	Food-stuff and fodder of plant origin	2.80	4.50	+52.2
4.	Flavouring and spice products	0.87	0.60	-34.6
6. Including:	Intermediate products	46.83	29.54	-40.2
	Scrap metal	9.07	4.77	-50.1
	Aluminum and its alloys	3.02	1.77	-44.3
	Copper and its alloys	17.26	5.53	-69.6
	Nickel and its alloys	0.35	0.003	-92.8
7. Including:	Goods for industrial use	8.14	10.63	+24.0
	Light industry products (textile)	0.22	0.21	-7.8
8. Including:	Finished articles	38.47	44.08	+8.7
	Light industry products	28.81	33.06	+8,9
7+8	Amount of finished articles	46.61	54.71	+11.4
5-8	Amount of manufactured goods	94.24	93.46	-5.9
Including	Light industry products	29.02	33.28	+8.8
	Total	100.00	100.00	-5.1

⁴ Increase in export of primary commodities (5 group) is the outcome of one-time operations with residual stock in trade positions, nonspecific for Ukrainian exports. That is why the change in this position should not be considered as typical and potentially important for positive dynamics of Ukrainian exports.

The growth of light industry product exports, the change of its share in general exports turnover from 38.47% to 44.08%, and increase of cost index by US\$ 26 mln. can be acknowledged as a positive result.

But essential decrease in Ukrainian exports of «Intermediate products» group, particularly of scrap metal, aluminum and its alloys, and copper and its alloys had a negative impact on general turnover of Ukrainian exports to Germany in 2001.

Hence, we can conclude that in regards of structure and overall turnover of exports the mentioned commodity resources as articles of exports are exhausted, and in future it is necessary to increase essentially exports of finished goods.

The vital task of exports increase significantly depends on seeking new forms and methods to operate on the German market. The Trade Economic Mission of the Ukrainian Embassy in the Germany is involved in search for new niches and segments on the German market – the Ukrainian exporters can be continually oriented at.

But in conditions of stiff competition it is possible taking into account its congestion to gain new positions on this market only when Ukrainian companies and corporations act persistently and laboriously. This can be achieved, first of all, by spurring market activities of foreign trade subjects, duly providing exports of commodities, complying with contract and payment discipline, upgrading quality and specifications of goods, and optimal correlation of value and price.

In this respect it is worth to analyse what commodities are exported to Germany by neighboring with Ukraine countries similar economically, geographically and by level of development of their productive forces, namely: Poland, Russian Federation, Slovakia, Hungary, and Czech Republic.

The analysis reveals different approach to export deliveries to Germany and different export policy. It is characterized distinctly by export structure both in trade groups and within the framework of overall catalogue.

In particular, in 2000 the total volume of exports (from the countries listed) to Germany was:

- food products – from 0.8% up to 6% (Ukraine – 4.33%);
- primary commodities – from 0.4% up to 43.3% (Ukraine – 0.8%, Russia – 43.3%);
- intermediate products – from 2.2% to 47.6% (Ukraine – 46.8%);
- goods for industrial use – from 4.7% to 10.8% (Ukraine – 8.1%);
- finished articles – from 7.4% to 92.3% (Ukraine – 46.6%, Russia – 7.4%.

For the first half-year of 2001 exports structure has not changed. Particularly, exports percentage of commodity groups was:

- food products – from 0.6% to 5.87% (Ukraine – 5.87%);

- primary commodities – from 0.3% to 40.2% (Ukraine – 1.26%);
- intermediate products – from 2.1% to 51.1% (Ukraine – 31.8%);
- goods for industrial use – from 4.3% to 12.85% (Ukraine – 12.85%);
- finished articles – from 2.9% to 88.9% (Ukraine – 47.1%).

The determinant figure in exports structure is a share of overall amount of finished articles. While in Ukrainian exports this share made up 46.6% in 2000, in Poland it amounted to 80.0%, in Czech Republic 89.5%, in Slovakia 89.7%, in Hungary 92.3%.

In the first half-year of 2001, export proportion of finished articles (total amount) from Ukraine to Germany attained 59.9%, from Poland 80.9%, from the Czech Republic 89.5%, from Slovakia 91.0%, from Hungary 93.1%.

The analysis of their exports structure to the Germany and of Ukrainian industrial potential allows to assume that Ukraine in many commodity positions can compete with the mentioned above countries. It concerns wood products, chemical intermediate products, hardware and other competitive goods that can significantly push on the German market the same products made in countries of Eastern and Central Europe.

Cited comparisons of neighboring with Ukraine countries give grounds to make a conclusion on the necessity of new approach and structural change of Ukrainian exports to the FRG. This issue concerns central executive authorities, oblast state administration and their sectoral management bodies, especially enterprises and businesses operating on the foreign market.

As to the current correlation between Ukrainian exports to Germany and German imports to Ukraine (see Table 2), significant disproportions in exports growth rate versus imports take place. To a considerable degree it is accounted for certain raw material orientation of national exports and its sensitive dependence on market fluctuations. Besides, positive development of trends of Ukrainian economy in 2000–2001 and relevant increase of income effected the growth of demand for main articles of German imports (machinery and tools, cars, household utilities and office equipments, etc.).

The structure of German imports to Ukraine is as follows: 17.9% – products of industrial use (7.6% out of them is fabric), 15.1% – electrical equipment, 16.7% – automobiles, 4% – agricultural and food products, 3.3 – agricultural machinery. Among commodity groups the leading commodities imported from Germany to Ukraine⁵ are automobiles, medicine, products made from oil and bituminous materials, insecticides, fungicides, herbicides, fabric made from synthetic complex threads, synthetic fabric, machinery and equipment for harvesting and threshing agricultural crops, printing equipment, electrical, telephone and telegraph equipment for wired connection, radiotelephone and radiotelegraph equipment, radio and television facilities, equipment for industrial food processing, and machines for automated information processing. At the same time, the

⁵ source: State Tax Service of Ukraine.

finished articles within the German imports constitute 73% while within the Ukrainian exports it makes only 44%.

With no insistence to necessarily achieve the trade parity between Ukraine and Germany in the nearest future, the efforts should be focused on optimization of Ukrainian imports from Germany by increasing the share of machines and technology which Ukrainian industry needs badly for accelerated modernization and on entrance to the world market with products of highly processed quality.

But the matter is not only in the structure and structural policy of Ukrainian exports. Of no less importance are also the results of ownership reforms. At present, when the share of non-state ownership in production area in Ukraine is predominant with absent centralized management of foreign trade, entrepreneurs do not work with incentive, they are not well organized and efficient on the foreign market. Besides, the lack of experience also affects. The latter could not be ignored either.

But, in conditions of economic restructuring and ownership reforming, the economic and organizational function of the state is manifested in creating proper conditions for normal entrepreneurial activity, including foreign trade, by means of adjusting internal system for foreign economy support, as well as resolving problems in this sphere on interstate and international level.

The analysis of foreign trade relations of Ukraine with its foreign partners, and, particularly, of economic relations with Germany, reveals that at present such major groups of negative forces affecting the development of Ukrainian-German trade economic relations sprang up:

General restricting factors: Ukraine is not the member of the World Trade Organization (WTO); slow implementation of stipulations of Agreement on Partnership and Co-operation between Ukraine and the European Union.

Factors of internal character: issues of VAT reimbursement to exporters are not being solved or are solved sluggishly; there is no strategy of state support to foster exports, structural weakness of Ukrainian producers of commodities with exporting power;

Factors of external origin: incompatibility of Ukrainian and European standards, undeveloped infrastructure of Ukrainian representing agencies abroad, insufficient information support for Ukrainian exports.

Ukrainian entrepreneurs, central legislative and executive bodies of state power, regional state administration and their functional and sectoral management boards should plan their activity taking into account the mentioned above factors.

It should be taken into consideration that Ukrainian exporters in their efforts to become firmly established on the German market do have essential competitive favouring opportunities like rather high export, research and techno-

logical potential, comparatively low production costs, favourable geographic position, and highly qualified specialists.

It should be noted that the basis for economic co-operation between Ukraine and the Federal Republic of Germany is, first of all, the political situation in Ukraine, the state foreign policy guidelines, political will of both legislative and executive powers, stability of the law, and legal security guaranteed by law.

Today we can state that considerable part of the mentioned issues is present in Ukraine. During the eleven years of independence Ukraine managed as a state the following:

- to carry out a number of very important transformations;
- to take vital steps towards formation of socially oriented market economy;
- to ensure internal political stability;
- to acquire world wide recognition;
- to define the strategy of development for a long perspective and of participation in international co-operation and labor distribution.

The basis for further bilateral development of trade between Ukraine and Germany should become the mutually beneficial and complementary co-operation. From this point of view our country's priorities are the full membership in the World Trade Organization and introduction of modern system for certification and standardization of goods that meets European standards.

Analysis of interstate relations testifies that Germany also actively supports Ukrainian economic strategy on the political level. The year 2001 became an important stage in development of Ukrainian-German co-operation. Last December the fourth political summit consultations were held in Kyiv. Among other discussed issues there was the economic co-operation between our countries. The decisions taken were weighty: the German side announced the commencement of «Hermes Plafond» (i.e. insurance guarantees provided by German joint-stock company «Hermes» to credit investment projects) for Ukraine in 2002 totaling 150 mln. Euro. This step is considered, first of all, as a positive political signal for German investors.

One of the outcomes, as for expanding cooperation between Ukraine and Germany to promote entrepreneurship activity, is the Joint Statement signed at the 4th Political Summit Consultations by Ukrainian and German governments to support the Program on retraining the managerial administrative entrepreneurial staff in Ukraine, also the statement was made there on intentions of Ukrainian Ministry of Agrarian Policy and Federal Ministry of Protection of Consumers' Rights, Provisions, and Agriculture of Federal Republic of Germany as for cooperation in the area of agricultural machinery certification.

For its part Ukraine is making decisive steps to create universally recognized restricting conditions for business activity, adaptation of national legislation, implementation of principles for efficient private entrepreneurship, etc.

The results of foreign economic activity also seem optimistic. Instigated economic activity in Ukraine fostered the foreign trade. Hence, in 2001, foreign trade turnover in commodities and services was 36.7bln. US dol., and in comparison with 2000, it increased by 10.7%, including: exports volume increased by 9.7% and imports by 12.0%. The trade balance was active and reached almost 2.9bln. US dol.

In foreign trade the efforts were directed to form qualitatively new partnership relationships, new approach in development of trade, economic and investment relations built on realistic basis proceeding from vital needs of Ukraine's national economy, to work out the system of new organizational, financial and economic forms and methods that stimulate businesspeople of both countries to expand and deepen partnership.

The prospects for development of trade relations with Germany for 2002 don't look bad either. Negotiations with the EU have been completed to prolong bilateral agreement with Ukraine on trading products of metallurgy industry. It raises hope to increase deliveries of metallurgic products manufactured in Ukraine to Germany. Of March last year, the EU lifted the quantitative limits on sale of Ukrainian textile products. Experts estimate it will allow to increase exports of Ukrainian textile products to the EU countries by more than 100mln. US dollars.

Nonetheless, the study shows that Ukraine needs to take the following vital and urgent steps:

- to activate and modify the mechanism for state exports support by creating more favourable economic, organizational and judicial conditions for development of Ukrainian exports, to foster the state support in finance, taxation, insurance, marketing, information and consultation for Ukrainian exporters;
- to clear away obstruction in reimbursement of VAT for exporters;
- to solve the problem of mutual recognition of certificates as one of principal preconditions for removal technical barriers on the way of Ukrainian commodities to German market, and conform Ukrainian standards with European;
- to transform essentially the exports structure, bolster competitiveness of export potential by bringing up to date existing and introducing new production facilities with exporting power;
- to take use of available competitive advantages of Ukrainian economy to expand bilateral trade and economic relations including advanced scientific and technological research, developments in some industrial sectors, existing mineral and raw material resources, favorable natural and climatic conditions, available highly qualified labour force, and advantageous geographical location;
- to lessen negative foreign trade balance of Ukrainian-German trade by effecting through tariff and non-tariff influence on imports to Ukraine mainly investment commodities with the purpose to modernize the Ukrainian industry and create preconditions for development of export-oriented sectors;

- to intensify negotiations with the EU to lift trade barriers for Ukrainian exports, to conduct bilateral consultation on issues of agricultural market liberalization;
- to develop the infrastructure of foreign trade representating agencies able to pay their way, to work out the state mechanism of influence and development of foreign representing agencies of Ukrainian companies and corporations, to initiate joint Ukrainian-German Chambers of Commerce with the aim to expand cooperation, especially for small and medium businesses;
- to ensure efficient information support for Ukrainian exports, enlarge exhibition practice by attracting both state and public funds to facilitate participation of Ukrainian companies in the major fair activities held in the Germany.

A separate problem of trade and economic relations between Ukraine and Germany are tariff, non-tariff and technological restrictions on trade. The most discriminated commodity group includes hardware, tubes, and some chemical goods. Antidumping investigations hinder the Ukrainian goods from entering Germany market.

It is worthy to notice that carrying out antidumping and anti-subvention investigations and conducting relevant international talks fall under the exclusive competence of the EU Commission, and Director General of Trade in particular. Accordingly, Germany as full EU member pursues its external trade policy mostly indirectly, via the EU Commission. For all that, the Germany Ministry of Economy and Technology, specifically, its Department of External Trade and Economic Policy, is authorized to propose the offers and participate in joint committee.

German Federal Ministry of Economy and Technology explains German businessmen its foreign trade policy. That includes protection of the market from dishonourable competition (during seminars on antidumping and anti-subvention measures aimed to eliminate dishonourable competition on the world market).

It is worthy of notice that Germany hasn't instituted new antidumping investigations against Ukrainian exports and executes antidumping measures in compliance with Antidumping Code of World Trade Organization. These investigations became one of serious non-tariff obstacles hindering Ukrainian foreign trade on the world market.

During 1995–2000 and first half of 2001, the EU Commission carried out antidumping, anti-subsidy and special investigations in regards of 44 countries⁶

⁶ Kommission der Europäischen Gemeinschaften. Mitteilung der Kommission an der Rat «Ueber die Auswirkungen der Abschaffung des Abgabefreien Warenverkaufs im Innergemeinschaftlichen Reisenverkehr auf die Beschaeftigung», Brüssel, den 17.02. 1992; Bericht der Kommissipon «Achzehnter Jahresbericht der Kommission an das Europaeische Parlament ueber die Antidumping- Antisubventionsmassnahmen der Gemeinschaft» Brüssel, den 11.07 2000; European Commission, Directorate-General for Trade «Note for the attention of the members of the anti-dumping comitee», Brüssel, 2001.

including imports from such countries as Brasil, Venezuela, India, China, Malaysia, Mexico, Poland, Republic of Korea, Russian Federation, Hungary and some others. Ukraine was in the list too. The antidumping measures resulted in preliminary customs inspection, duty changes and discontinuation of delivery of certain commodities.

Along with that, the analysis of export prices on products imported to Germany and other EU countries shows that in a number of cases antidumping investigations were conducted not because of Ukraine's breach of antidumping law but because of protectionist measures aimed to guard their internal markets from foreign exports. That was also confirmed by independent European experts.

To prevent such possible actions by the European Commission in future, to expand Ukrainian exports on German market, and to effect measures aimed to protect national manufacturers involved in antidumping investigations, it is expedient:

- to improve the structure of Ukrainian-German trade by introducing new forms of trade relations, namely cooperation in manufacturing, cooperation based on compensation and undertaking joint ventures through purchasing licenses;
- to draw attention of business entities of different forms of organization and ownership (who directly manufacture and sell commodities on the foreign market that are sensitive to antidumping investigations) to the need to observe and concede the price terms in different sectors of both German and other EU countries' markets.

It is reasonable also to pay due attention on the state level to the countermeasures and antidumping investigations in regards of deliveries of some European goods on the Ukrainian market .

Trade and economic cooperation between Ukraine and Germany is also adjusted and regulated by the appropriate agreement and legal base, comprising about 50 documents. The majority of them regulate the relationships between our countries in the sphere of economy and comprise both general restricting agreements on trade and economic development and investment cooperation; and sectoral agreements on issues of specific cooperation in some sectors of economy.

For instance, Ukrainian-German agreement on development of large-scale cooperation in spheres of economy, industry, science and technology is in effect since 1993. Agreement on promotion and protection of investment and Agreement on prevention of double taxation of income and property have been in force since 1996.

Sectoral agreements comprise the areas of Ukrainian-German relations in transport, agriculture and power supply industries. Contractual and legal basis of Ukrainian-German relations facilitates the Ukrainian economy to achieve strategic objectives with provided providing by German side the technological support

in training personnel, in creation of market infrastructure, and in developing of regional cooperation.

Significant for the development of Ukrainian-German trade, economic and investment cooperation, is the activity of bilateral governmental commissions on trade, economic, scientific and technological cooperation. Other standing institutions, economic forums, exhibitions and presentations are also essential.

The potent implements to deal with problems of bilateral economic relations between the two countries is the Ukrainian-German Council on Cooperation assigned to facilitate Ukrainian-German cooperation in power supply industry, agriculture, tourism and other industries.

It is worth to point out that negotiations between these two countries on issues of expanding bilateral trade, economic and investment cooperation, and others intensified in 2001. The important event was the 6th meeting of Ukrainian-German Council on Cooperation that took place in Odessa in July 2001 where vital issues of Ukrainian-German cooperation regarding debts of Ukrainian enterprises to Germany, the state and prospects in bilateral trade cooperation, the support of small and medium business, and exhibition facilities were discussed.

Within the framework of the 6th Session of Council on Cooperation, the workshops on problems in industry, agriculture and foodstuff provisions, construction, power, mining industry, standardization, certification and tourism were held. The agenda dealt with issues of prospective projects on cooperation, such as reconstruction of Zmyiv and Burshtyn thermal power stations, cooperation in manufacturing agricultural machinery on the Ukrainian enterprises, completion of construction and start of manufacturing BCG vaccine facility in Ukraine, production of dairy, meat and oil produce in compliance with European standards and certificates, implementation of energy-saving technologies in construction, etc.

Besides, successful is the Permanent Ukrainian-Bavarian Executive Commission aimed to facilitate business contacts between Bavarian and Ukrainian businesses providing to them consulting services, and to incite by the Bavarian government German power supply corporations to participate in privatization of Ukrainian energy industry.

So, within the framework of the 6th Session of Permanent Ukrainian-Bavarian Executive Commission in Munich, the issues of development of foreign trade between Ukraine and Germany, Ukraine's co-operation with international financial organizations International Monetary Fund including, and implementation of a large-scale project of Bavarian Joined Mortgage Bank to expand its activity in Ukraine, were discussed in June 2001.

Rather actively are pursued such forms of activities as economic forums and representing agencies to promote Ukrainian-German trade, economic, and investment cooperation.

Specifically, with the aim to foster partnership between German and Ukrainian small and medium businesses in 2001, on the basis of a renowned

company «Transa Spedition GmbH» in Berlin, the representing agency of Ukrainian Union of Industrialists and Entrepreneurs (UUIE) was founded functioning now efficiently.

Such non-governmental organizations and influential economic circles in Germany as Federal Union of German Industry, Federal Union of Wholesale and Foreign Trade, and Association of Trade and Industry Chambers of Germany serve the same purpose.

Both Ukrainian and German businesspeople praise economic forums regularly held in Ukraine and Germany.

In their number the forum for entrepreneurs of Lviv region and Saxony was held in Lviv in September 2001, and «Agricontacts-2001», cooperative exchange for businesspeople of Ukraine and Germany involved in agricultural industry, took place in Kyiv.

In November 2001, the Days of Ukrainian Economy were held in Berlin jointly with «BAO Berlin» Association, Berlin Chamber of Commerce and Industry and UUIE, in which representatives of business and local executive bodies from Dnipropetrovs'k, Sumy, Lviv, Odesa and Ternopil regions took part. The representatives of Ukrainian regions participated in such activity for the first time. More than 50 businessmen and representatives of German firms participated in Ukrainian-German Cooperative Exchange held during the Days of Ukrainian Economy.

At the international exhibition «Bautek» the special Day of Ukrainian Economy dedicated to companies involved in civil engineering and manufacturing construction materials was held in Berlin last February in which over 60 Ukrainian and 100 German companies took part. Important agreements on co-operation of Ukrainian and German enterprises in construction industry were reached.

Cooperative exchanges made the core of those events. There Ukrainian entrepreneurs could make to potential German partners their commercial propositions and introduce investment projects. High activity in their work gives hopes for positive results in future.

Direct contacts between enterprises are acknowledged as one of efficient methods to develop cooperation in present conditions. In this connection, great attention is paid to the development of inter-regional co-operation. Ukrainian regions and Bavaria have traditionally close economic relations. Lands of Baden-Wurtemberg and North Rain-Westfalia contribute much to trade between our countries. Active economic relations are developing between Ukraine and lands of Saxony and Brandenburg.

Productive was the economic forum «Inter-regional Cooperation Between Saxony-Anhalt Land and Ukraine: Potential, Opportunities, and Risks» held in March 2002, in Magdeburg, Saxony-Anhalt, by Ministry of Economy and Technology of Saxony-Anhalt jointly with German-Ukrainian Forum and supported by

Ukrainian Embassy in Germany. Representatives of Ministry of Economy and Technology of Saxony-Anhalt, of Institute of Structural Policy and Economic Development in Halle-Leipzig, of UUIE (Ukrainian Union of Industrialists and Entrepreneurs), enterprises, consulting and auditing firms from Saxony Anhalt and Donetsk Regional Ukrainian-German Business Centre took part in the economic forum.

The German-Ukrainian Forum introduced Kharkiv, Dnipropetrovs'k and Poltava regions (oblasts), their economic potential, place and role in regional labour distribution, and relationships with German enterprises.

Its participants stressed the importance of founding joint Ukrainian-German Chambers of Commerce aimed to expand cooperation, specifically of small and medium businesses. It was admitted as feasible for development of partnership relations between Ukrainian and German businesspeople to create pools of Ukrainian-German enterprises, to improve training of Ukrainian managers, especially for marketing with focus on measures provided by programs of the federal government for prospective country candidates to the EU.

To work out measures for gradual growth of foreign trade turnover on regional level, to expand export and trade in new segments of German market it is justified to create database on products with exporting power of regional (oblast) enterprises with the producer's comments on real and potential foreign sales markets, their prospects and problems. It is possible to implement this by quarterly issuance – provided by regional (oblast) exporters – of information on available export-oriented commodities and propagation of information with the help of economic missions with the embassies of Ukraine among potential foreign partners. In addition, Internet can be used too. It remains topical to staff the qualified foreign trade sections of enterprises involved in foreign economic activity and marketing – the main exporters in the regions – with specialists from local universities. Furthermore, economic services of governmental bodies and regional (oblast) enterprises should centre their activity at assigning managerial subjects for integration within the framework of specified complex programs with comprehensive cycle in the most prospective areas of production of competitive goods made from local raw materials.

Summing up the issue of expansion of Ukrainian-German trade and economic cooperation and continuous increase in volume of Ukrainian products and goods on German market, it should be emphasized that in spite of a number of present in this sphere problems and factors restraining Ukrainian exports to Germany, nevertheless, the Ukraine's economy is a subject of growing interest to German entrepreneurs.