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HUNGARIAN INVESTMENTS INTO THE ECONOMY OF THE TRANSCARPATHIAN REGION

With the help of the research the motivation factors of the Hungarian investment companies that function in Transcarpathia have been analyzed. Peculiarities of investment environment in Ukraine and its difference from the European one that causes unusual challenges and problems for the foreign investors on the basis of experience of small and medium Hungarian enterprises that function in Transcarpathia have beeen analyzed. Different ways of solving these problems and challenges have been defined.

Key words: Transcarpathian, Hungary, cross-boarder cooperation, capital investments, investment motivation.

One of the most important economic phenomena in the period since the World War II is the upsurge of capital flows between countries, which is primarily due to the activities of multinational corporations. In the case of the less developed and emerging economies such as Hungary up to the present the amount of FDI inflows was emphasized as an important source of economic growth. Much less attention was paid to the FDI outflows mainly because its amount was negligible during the nineties.

The FDI outflows of Hungary has started to grow dynamically since 1997 and after a while Hungary became the most important investor country in the region. Considering the amount of investments, Ukraine and Transcarpathia (the Ukrainian county along the border) have never been the main destinations for Hungarian outward FDI, but according to the number of companies operating with Hungarian capital the region merits the attention of economists. According to the data of the Hungarian Investment and Trade Development Agency, in 2009 the number of companies with Hungarian participation in Transcarpathia increased to over 250 which can presume a high proportion of SMEs among the investors. Due to its peripheral character and to the significant number of Hungarian minority living in the region, Transcarpathia, which is located on the external border of the European Union, provides unique comparative advantages for Hungarian SMEs but at the same time the companies are facing particular challenges and problems arising from the differences of the investment environment in the two countries.

In the first part of the paper the most important theories of international production explaining the FDI activity of firms are presented on which our survey is based. Following a short review of the general characteristics of the Hungarian investments to Transcarpathia we briefly present the results of a survey carried out in 2010, in which the motivations and experiences of the investment companies were analysed. The Hungarian FDI directed to Transcarpathia create the opportunity to examine the foreign expansion of Hungarian SMEs, which has been dealt with only in few studies because of the limited share of the SMEs in the Hungarian outward FDI stock.

Theoretical framework. Since the sixties a number of theories have been put forward to explain the motives of foreign direct investments. The author has been relying mainly on the eclectic (or OLI) paradigm of John Dunning published in 1977 in the redaction of the survey. The assumption of the eclectic theory is that the phenomenon of FDI cannot be explained by only one factor there fore Dunning attempts to integrate the most useful parts of the previous theories. Three groups of factors have been collected which – according to Dunning – incite the companies to engage in FDI: Ownership-specific advantages are those that are specific to a particular enterprise. They constitute competitive advantages towards rivals and enable the company to take advantage of investment opportunities wherever they arise; Locational advantages are those advantages specific to a country which are likely to make it attractive for foreign investors; Internalization advantages are all those benefits that derive from producing internally to the firm; they allow it to bypass external markets and the transaction costs associated with them. They are, essentially, benefits of operating within hierarchies rather than markets.

Though the eclectic paradigm was mainly designed to explain the behaviour of large MNEs, the relevance of all of the advantages and their roles in the investment process were successfully confirmed for SMEs as well. (Dunning 1993).

However, by examining the motives of foreign direct investments, other theories can be taken into account because they reveal further contexts of the FDI activities of companies. The internationalization-process model of the Uppsala School predicts a sequential step-by-step learning process of internalization in stages. This process evolves by the interaction between the increasing experiences of companies about the functioning of international markets and their larger resource commitment abroad. The model predicts that internalization first starts in culturally close, neighbouring, less demanding markets with similar tastes, usually by export. Later the export is complemented by some other forms like contractual arrangements, trade representative offices and finally production. (Johanson-Wiedersheim-Paul 1975, Johanson-Vahlne 1990).

According to the investment development path (IDP) paradigm, the country's net outward investment (NOI) position defined as the difference between outward direct investment stock and inward direct investment stock, depends primarily on the economic development of the country which is expressed by the indexes of GDP and GDP per capita. The IDP approach claims that countries go through five stages with respect to their net outward investment positions as they develop. In the first stage, both the inward and the outward FDI stock of the country are negligible. In stage 2 inward FDI (IFDI) grows significantly while outward FDI (OFDI) remains very limited. At stage 3, the growth rate of the IFDI is decreasing while the growth rate of the OFDI is increasing and directed primarily to the neighbouring countries which are in the lower stages of the investment development path. In this stage OFDI may surpass IFDI flows, but the IFDI stock remains higher (and hence the NOI position remains negative). The FDI flows are primarily driven by market seeking motives. In stage 4, the outward direct investment stock surpasses the inward direct investment stock or the growth rate of OFDI flows is higher than that of IFDI flows. The N01 position of the country turns positive. Finally, in the most developed countries (stage 5) both the IFDI and the OFDI stock of the country continues to grow constantly, their amount is nearly equal therefore the NOI position of the country approach zero. (Dunning-Narula, 1996) Recently the new member states of the European Union have been in the second or in the third stage of the IDP paradigm, however, in the case of Estonia, Hungary and Slovenia the acceleration of the IDP and a move to the next stage is expected. (Svetlicic 2003, Svetlicic-Jaklic-Burger 2007) These three theories provide the general theoretical framework for the analysis. It is expedient to complete the eclectic paradigm of Dunning with the two other theories presented above because according to the researches carried out at the university of Ljubljana, the sequential internationalization process model of Uppsala School and the IDP paradigm are also appropriate to explain the outward FDI of companies from former transition economies.

The role of the Hungarian FDI in the economy of Transcarpathia.

Between 1995 and 2011, the inward FDI stock of Transcarpathia reached more than 362 million USD. In 2009, a slight decrease was observed due to the effect of the global financial crisis, but in 2010 the amount of the FDI stock increased again. The law which entered into force in January 1999 and offered benefits to the investors investing above 250 thousands USD in the region for a period of fifteen-years played a major role in the attraction of FDI. Another Presidential Decree provided benefits for a period of 30 years to the investors investing 1 million USD on the territory of the Special Economic Zone "Zakarpattya" namely in the Uzhgorod and Mukachevo districts. However on the 1 April 2005, the Ukrainian government abolished the fiscal advantages in all of the country's special economic zones resulting in a slowdown in the dynamic growth of the regional FDI stock. Regarding the sectoral distribution of the investments, 73.8 % of the FDI was directed to the industry in 2008. The main destination of the FDI was the Uzhgorod district, primarily Uzhgorod due to the skilled workforce and the relatively well-equipped enterprises. Mukachevo and its surroundings were attractive for similar reasons.

There are 48 countries investing in the economy of Transcarpathia, but nearly 60 % of the capital arrives from five countries. According to the data of the Statistical Office of Transcarpathia, in January 2009 Hungary was the fourth largest investor in the region behind Japan, the United States and Germany. Due to the global financial crisis, the position of the

Hungarian investors deteriorated: in January 2011 Hungary stood at the sixth place in the ranking of the investor countries with 31.7 million USD of invested capital (*table 1*).

Table 1

The geographical distribution of the inward FDI stock of Transcarpathia (beginning of the year)

2009			2011		
Investor countries	million USD	%	Investor countries	million USD	%
Japan	48.1	13.5	Japan	–	–
United States	47.9	13.5	United States	44.6	12.3
Germany	42.7	12.0	Germany	39.4	10.9
Hungary	34.7	9.7	Poland	32.6	9.0
Poland	33.1	9.3	Austria	32.0	8.8
Austria	29.8	8.4	Hungary	31.7	8.7
Netherlands	22.2	6.2	Netherlands	25.1	6.9
Italy	16.0	4.5	Italy	17.4	4.8
Switzerland	9.9	2.8	Cyprus	15.5	4.3
Other	60.2	16.9	Other	78.4	21.7
Total	–	100	Total	–	100

Source: www.stat.uz.ua.

According to the data of the Statistical Office of Transcarpathia, in October 2011 Hungary, with 31 million USD of invested capital (9.1 % of the FDI stock of the region), climbed to the fifth place which it shares with Austria.

The Hungarian investments in Transcarpathia grew the fastest in the period between 1995 and 2000 when its amount increased sevenfold. The period between 2000 and 2009 was characterized by a less dynamic growth. While the Hungarian capital invested in Ukraine increased twentyfold in the above mentioned period due to the progress of the Hungarian privatization process and Ukraine's economic growth, the Hungarian capital stock invested in Transcarpathia only doubled (*table 2*). In accordance with our estimation, in contrast to the nineties, when almost the entire Hungarian capital invested in Ukraine was directed to Transcarpathia (Ludvig, 2007), in 2009 approximately only 7–10 % of the Hungarian capital invested in Ukraine appeared in the border region. (The amount of the Hungarian FDI stock in Ukraine reached 362.5 million EUR while those invested in Transcarpathia was only 34.7 million USD) [1].

[1] Data of Hungarian National Bank and the Statistical Office of Ukraine.

Table 2

The Hungarian FDI stock in Transcarpathia and in Ukraine (1995–2011)

	1995	2000	2005	2006	2007	2008	2009	2010	2011
Transcarpatia (million USD)	2.4	16.4	25.8	27.2	30.2	32.3	34.7	32.0	31.7
Ukraine (million EUR)	–	16.2	28.3	213	272.1	337.2	362.5	–	–

Source: Статистичний щорічник Закарпаття 2007, p. 242–243; www.stat.uz.ua; www.mnb.hu.

It can be concluded that actually not Transcarpathia but the most advanced, more industrialized regions are the main investment targets for the Hungarian companies investing in Ukraine. The low share of Transcarpathia from the Hungarian FDl flows to Ukraine can be explained by the fact that the large Hungarian companies which are able to invest more capital and to bear greater risks establish subsidiaries in the internal regions of Ukraine and not in the border region. In the case of Transcarpathia, it is not the amount of the invested capital but the number of investing companies which gives importance to the Hungarian investments. According to the Statistical Office of Transcarpathia, there were 254 companies operating with Hungarian capital in 2009 which probably proves the high proportion of the SMEs among the investing companies.

It needs to be explained that during the period of market economic transition which Hungarian investors had the opportunity to invest in the Ukrainian borderline region. Our interviews revealed that in many cases, the statistically Hungarian capital invested by the mid-nineties in Transcarpathia can be explained by the phenomenon of the so-called round tripping FDI. It means that the Transcarpathian entrepreneurs having Hungarian connections established special purpose entities in Hungary then the statistically Hungarian capital was reinvested again in its own companies in the form of FDI to acquire the tax benefits provided by the Ukrainian government for the companies operating with foreign capital. During the nineties the reopening of the Hungarian-Ukrainian border also encouraged the appearance of this specific form of FDI flows.

The seemingly Hungarian but originally Ukrainian capital has not disappeared from the economy of Transcarpathia, but its share is much lower than in the nineties since the tax benefits provided by the Ukrainian government for the companies operating with foreign capital were abolished. Due to the legislative changes, the simultaneous growth of the Ukrainian and the Transcarpathian economy and the slowly consolidating market economic conditions, from 2000 onwards has also the real (not only in the statistical sense) Hungarian FDI appeared in the region in the case of which the investment motivations can already be examined with the help of the theories of international production.

The results of the survey. In our survey carried out in 2010, the motivations and experiences of the Hungarian companies investing in Transcarpathia were analyzed. During our survey, we calculated on about 200 in reality operating partly or completely Hungarian-owned companies in Transcarpathia, among them 20 companies could be contacted personally or by phone. Before the survey, the round tripping investments were excluded from the sample by interview because the theories of international production underlying our research are not able to explain this type of investor behaviour. By reason of the low number of the questioned companies, our research cannot be considered as representative but due to the difficult availability of the investors, their low willingness to respond and the illegal economic activities characterizing the border region since the nineties the motivations of Hungarian companies investing in Transcarpathia has not been surveyed yet.

General characteristics of the Hungarian firms investing in Transcarpathia. Our research confirms the hypothesis that the firms established in Szabolcs-Szatmar-Bereg county invest more actively in Transcarpathia in comparison with the firms operating in other regions of Hungary. 45 % of the sampled companies have their headquarters in the Northern Great Plain Region from which all except one is found in Szabolcs-Szatmar-Bereg county directly neighbouring Transcarpathia (mainly in Nyfregyhaza). Further 20 % of the questioned firms operate in Budapest. The investment activity of the companies of the Northern Hungarian Region and of the Southern Great Plain Region could also be emphasized: 10–10 % of the surveyed investor firms have their headquarters in these areas. Only 10 % of the questioned companies arrived from the most developed (and more distant) Transdanubian regions.

Consequently, the geographical proximity of Transcarpathia has played a major role in the investment decisions. Half of the investing companies have their headquarters at a distance of 80–170 km (2–3 hours) from the Hungarian-Ukrainian border which – apart from the difficulties of border crossing – allows easier contact between the investing Hungarian firm and its Transcarpathian affiliate or joint venture operating with Hungarian capital share. The companies were growing in the home market and only after attaining a certain level of development became engaged in FDI, which supports the sequential internationalization model of the Scandinavian School.

The majority (75 %) of the Hungarian investing firms in Transcarpathia operate as limited liability companies while 25 % of the sample formed joint stock companies. According to their size, 30 % of the questioned firms were large companies with over 250 employees, while 70 % were micro, small and medium-sized enterprises. This result justifies our hypothesis -formulated previously on the basis of the number of firms operating with Hungarian capital share – that the region offers promising investment opportunities primarily for the SMEs. Examining the ownership structure it has revealed that the majority (80 %) of the investing companies are wholly, while 10 % are in majority Hungarian-owned enterprises (big formerly state-owned companies which were privatised through the stock exchange). Among the surveyed companies there were only two firms which invested in Transcarpathia as the Hungarian affiliate of a foreign-owned multinational enterprise.

*Investment motives.*The OLI-paradigm of Dunning and many theories of international production emphasize that the firm has to possess ownership-specific advantages to be able to invest abroad. In the case of the Transcarpathian investments, it was primarily the technological know-how which provided such firm specific advantages for the Hungarian manufacturing and service companies (50 % and 20 % of the sampled firms) against the local or other foreign competitors. However, the production and service experiences of the investors have also played a major role: 90 % of the questioned companies were founded between 1989 and 1997, partly by the reorganization of the formerly state-owned enterprises during the privatization process, therefore they possessed considerable technical knowledge, well-known brand names, and in some cases products enjoying a patent protection. The experiences and the technological know-how of the Hungarian firms offered a possibility of modernization for the inefficiently operating economic sectors of Transcarpathia. The fact that the investments were realized on the Ukrainian and especially on the Transcarpathian market of which development level is lower than the national average suggests that the ownership specific advantages of the investing Hungarian SMEs and large companies are only sufficient to outperform such ownership advantages of firms from less demanding markets. The foreign expansion of the Hungarian firms might be accelerated by the fear of obsoletion of the ownership-specific advantages but the process was primarily motivated by external factors (tight Hungarian market, the trends of globalization).

In the case of the sales subsidiaries and sales joint venture companies (30 % of the sampled firms) good quality and lower price compared to the products of the developed countries have provided unique and sustainable ownership-specific advantages for the Hungarian firms. Among the firm-specific advantages of the Hungarian investors it is also necessary to emphasize the formerly established business (or personal) ties with the economic players of the region. The dominance of the companies set up in the adjacent Hungarian county among the investors is primarily due to the geographical proximity and to the previous economic or personal ties: the companies of Szabolcs-Szatmar-Bereg county possessed more comprehensive and more precise market information than the competitor firms operating in other parts of the country. The management and marketing skills could be considered as important ownership-specific advantages only in the case of large companies (*figure 1*).

According to our survey, the most important motive of the Hungarian investments in Transcarpathia was market seeking, therefore the companies aim to have access to the Ukrainian market of 46 million people. Among the main objectives of several domestic investors not only the Ukreinian but also the Eastern European, mainly Russian market entry was included.

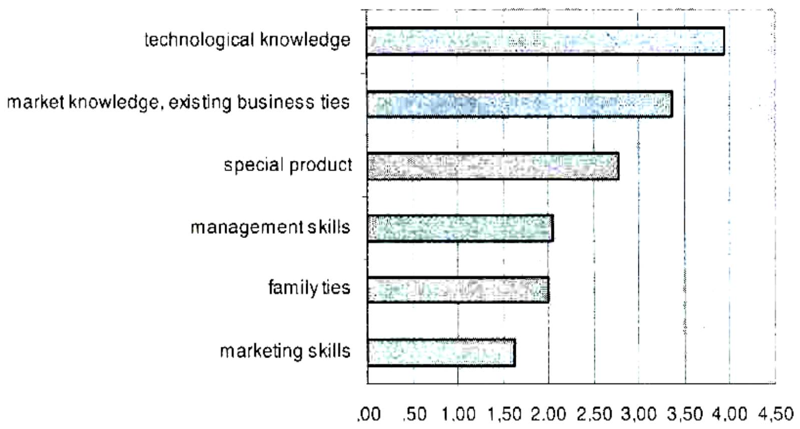

Figure 1. The ownership-specific advantages of the Hungarian firms investing in Transcarpathia

Source: own research.

75 % of the sampled Transcarpathian subsidiaries and joint venture companies carried out their transactions in the Eastern European market from which 55 % were present only in the Ukrainian market, other 10 % supplied simultaneously the Russian market too, and an additional 10 % sold their products only for the Russian market. 15 % of the companies addressing the Ukrainian market are present only in Transcarpathia because these firms conduct a fixed service activity (drinking water services, waste management) and for this purpose they are using partly the existing infrastructure network of the region. Beside the size of the market, the Hungarian investors were attracted by the relatively low labour costs (in 2010, the average wage in Transcarpathia reached only 82 % of the national average wage of Ukraine). In investment decisions, low transportation, production or infrastructure costs – depending on the type of activities of the company – have played additional role, but these appeared much less significant than the labour costs. The role of tax relief and lower duties provided by the Ukrainian government were negligible and given the high proportion of small and medium sized enterprises among the surveyed companies, the strategic asset seeking motives were less important.

Between the motives of SMEs and large enterprises, no significant difference can be detected: the market access have proved to be by far the most important investment motive regardless of size. In the case of smaller companies, the personal ties have played a more accentuated role in the investment decisions (55 % of the sampled companies), but without the market motives and the endowments of the region they would not provide sufficient incentives for investing. The lower labour and transportation costs also appeared to be more important for SMEs.

Other endowments of the Ukrainian county exploitable only for Hungarian investors rendered the investment possibilities even more attractive for the domestic companies. Among the locationspecific advantages of the region, principally the proximity to the border was highlighted by the Hungarian investors. The introduction of the Schengen border control system has made the communication between the parent companies and its Transcarpathian subsidiaries or joint ventures more difficult but the majority of the firms were able to adapt to the situation. Beside the geographical proximity, 90 % of the surveyed companies have referred to the presence of the Hungarian minority and the absence of language barriers as factors that influenced their location decision. The observed Hungarian firms (apart from a Hungarian subsidiary of a multinational company) did not get engaged in FDI in other internal regions of Ukraine. For the investors, the small distance was important not only in a physical sense, but also in a mental and cultural sense. The similarities in mentality and the sense of belonging to the same nation have facilitated the situation of the Hungarian investor firms especially in the case of a lack of market knowledge and experience. Beside the wholly Hungarian owned companies, they have established in majority joint ventures relying on the local economic actors especially on the members of the Hungarian minority group living in the region. The strong personal contacts accounted primarily for the SMEs which represented 70 % of the surveyed companies. The personal ties influenced also the investment decisions of larger investor firms with 250 or more employees which represent 30 % of the sample. Among the locationspecific advantages of Transcarpathia, the respondents have highlighted the relatively low labour costs and the existing business and family ties, but they have influenced the investment decisions in a lesser extent then geographical and cultural proximity. The presence of other foreign investors were negligible from the point of view of the Hungarian investors (*figure 2*).

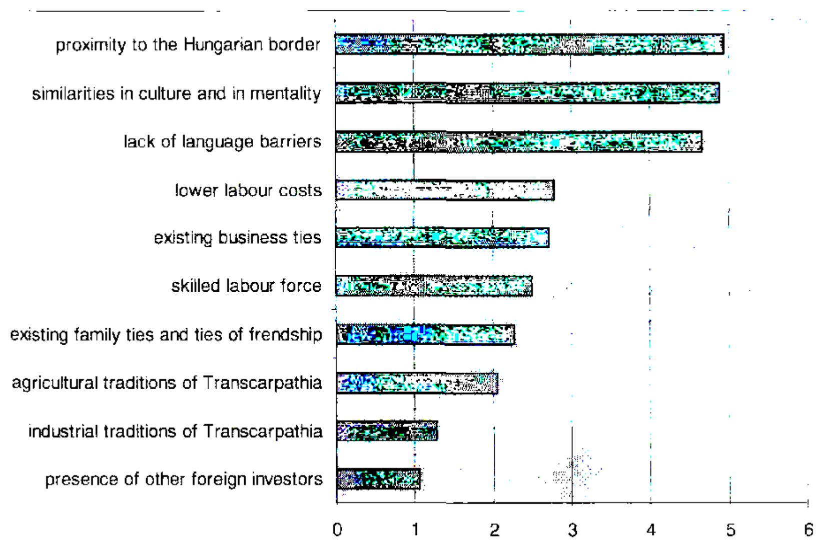

Figure 2. The locationspecific advantages provided by Transcarpathia

Source: own research.

The characteristics of the Transcarpathian subsidiaries and joint ventures operating with Hungarian capital. The sampled Hungarian companies prefer to invest in the directly adjacent areas of the Hungarian border (in the Uzhgorod, Beregovo and Mukachevo district), which can be explained by the geographical proximity, by the high share of Hungarian minority and also by the fact that these districts are the most dynamically developing areas of Transcarpathia where the largest cities can be found and a large part of the production capacities is concentrated. The survey showed that the majority of the Hungarian investors (55 %) established their subsidiaries or joint ventures not in the most dynamically developing Uzhgorod or Uzhgorod district but in Beregovo and in Beregovo district with a considerable Hungarian majority. Taking the location of the Transcarpathian companies operating with Hungarian capital into account we can conclude that the Hungarian investments were not affected by the regulation of Timosenko government in 2005, which abolished the tax incentives that were granted to the firms operating in the special economic zones because the Hungarian investments were not realized in the territory of the Special Economic Zone of Transcarpathia. The majority (80 %) of the companies operating with Hungarian capital were set up in the period between 2000 and 2008 Despite the fact that the Hungarian investments in Transcarpathia increased the most dynamically between 1996 and 2000, there were only 4 enterprises which were established in this period.

30 % of the surveyed investing companies were established as wholly Hungarian owned subsidiaries, while for 70 % a joint venture involving a local partner was the appropriate form. We can conclude that 65 % of the investing companies preferred the establishment of wholly or majority-owned Hungarian subsidiaries. Only 35 % of the Transcarpathian subsidiaries operated with a share of Hungarian capital less than 51 %. The theoretical explanation of the preference for total or majority ownership lies in the fact that the Hungarian firms do not possess strong ownership-specific advantages which must be protected. But the good knowledge of the Ukrainian market or the lack of suitable local partners could also lead to the establishment of asymmetrical relationships. The companies which have decided to involve in a greater extent its local partners were motivated primarily by the lack of knowledge of the business environment or by the partner's relationships with local administration and with business actors. The Hungarian minority ownership was typical by sales subsidiaries or in the case of the subsidiaries involving local government partners. Between the share of Hungarian capital and the size of the investing company no significant correlation was detected.

Barriers to setting up and running a business. The investing Hungarian companies are getting involved in a completely different business environment in Transcarpathia. Although the Ukrainian corporate law and the legislation about foreign investments do not differ significantly from the European regulation, the emergence of an investment environment similar to the European has failed. According to the survey conducted among the Hungarian investors, the non-transparent legal environment has presented the main problem during the establishment and operation of their companies in Transcarpathia as in consequence of the large number, the specific elements and the frequent changes of laws regulating the Ukrainian economic system. Among the downside risks of the company's start-up and operation, they have mentioned the lack of application and the unambiguous interpretation of law, the prevalence of bureaucracy and corruption, and the presence of black economy. The opinions of the individual economic actors differ substantially about the impact of the difficult permeability of borders on the operation of the company: they all agree that the introduction of the Schengen border control system did not create optimal conditions for the emergence of the Hungarian-Ukrainian cross-border economic relations, but there are some investors who believe that border crossing became easier despite the tightening of border control. The previously significant number of cross-border illegal traders was reduced and replaced by a more moderate shopping tourism. The deficiencies of the intermediary mechanism between the Ukrainian companies and the potential Hungarian investor firms represent another important barrier to foreign investments: for the latter, it is difficult to get information about investment opportunities and about potential Ukrainian partners. To a lesser extent but high banking costs, low interest rates on deposit accounts and the difficult access to bank loans especially for SMEs contribute also to the presence of a disadvantageous investment climate in Ukraine. For the Hungarian SMEs setting up a business in Transcarpathia at least the lack of a reliable partner presented a barrier in the process of capital allocation due to the personal and business ties underlying the investments.

Summary. Transcarpathia, the Ukrainian county along the border plays a major role in the Hungarian-Ukrainian economic and trade relations. The sharpest increase in Hungarian FDI inflows to Transcarpathia occurred in the second half of the nineties, but these capital allocations cannot be explained by the real investment intention of the Hungarian economic actors (round tripping FDI). As a cumulative result of the strengthening of the Hungarian companies, the consolidation of the Ukrainian market economic conditions and the tightening of the border control system, the importance of the round tripping investments is gradually declining and the Hungarian FDI allocated for real investment purposes also appeared in Transcarpathia. The investment decisions of Hungarian entrepreneurs have been primarily motivated by market seeking factors: the delocalization of the production and sales activities abroad have opened for them not only the Ukrainian but also the Russian market due to the internal tariff concessions of the CIS region. In our survey we pointed out that the investments links between the Hungarian and Transcarpathian economic partners are in reality FDI-relations between two entrepreneurs of Hungarian nationality rather than a Hungarian and a Ukrainian ones. This is supported by the fact that the majority of the Hungarian investments was realized in the Hungarian-speaking area of the Ukrainian county, primarily in the city and in the district of Berehove.

The Hungarian investors are getting involved in a completely different business environment in Transcarpathia. In this risky and uncertain business environment, the advantages of the Hungarian companies compared to their stronger Western European (for example Austrian) competitors arise from the fact that due to their former business and personal relations with the members of the Hungarian minority living in the region they possess market information ensuring the security and the success of their investments. The comparative advantages offered by Transcarpathia can be exploited mainly by a group of investing companies familiar with local conditions, aware of the unwritten rules of the Ukrainian economy or with the help of its reliable partners can find the way in the labyrinth of the legal uncertainties. According to our survey, the geographical proximity can be a key factor to get information about the market because the Hungarian firms investing in Transcarpathia have their headquarters in Szaboics-Szatmar-Bereg county immediately adjacent to Ukraine. In the case of the FDI arriving from the more distant regions of Hungary generally personal or business ties linking the investor firms to the members of the Hungarian minority in Transcarpathia can be detected.

In order to increase the Hungarian FDI stock in Transcarpathia and the number of SMEs, which consider the Ukrainian county along the border as a promising investment opportunity, above all the business climate generally characterizing Ukraine should become more investment-friendly. This can be achieved primarily not by the amelioration of the laws intended to attract foreign investors, but by the impressive presence of the market economic conditions and the more coherent and effective implementation of the reform process. Ukraine is potentially a promising investment market for the Hungarian companies regarding only the size because it is itself as big as all the other neighbouring counties altogether. It is expected that after the crisis the growth of the Ukrainian economy will exceed the European average from which – under appropriate conditions – also the Hungarian entrepreneurs can benefit. As the purchasing power of the domestic market is unlikely to change significantly in the forthcoming period, capital export presents a growth and income stabilization option for the Hungarian SMEs mature to enter international markets, particularly in such sectors as agriculture, information technology, the service sector, the food industry and mechanical engineering. Assuming that the Hungarian-Ukrainian border will remain the external border of the European Union for a long period, the development of the cross border economic cooperation is a key issue for both sides of the border.

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Імре Г. Інвестиції з Угорщини в економіку Закарпаття. *За допомогою анкетних досліджень виявлено мотиваційні фактори угорських інвестиційних фірм, що функціонують у Закарпатті. Проаналізовано особливості інвестиційного середовища в Україні та його відмінності від європейського, що обумовлюють незвичні для зарубіжних інвесторів виклики і проблеми; на основі досвіду малих і середніх угорських підприємств, що функціонують у Закарпатті, розглянуто різні варіанти їх вирішення.*

Ключові слова: Закарпаття, Угорщина, прикордонне співробітництво, капіталовкладення, мотивація інвестицій.

Имре Г. Инвестиции из Венгрии в экономику Закарпатья. *Посредством анкетных исследований выявлены мотивационные факторы венгерских инвестиционных фирм, действующих в Закарпатье. Проанализированы особенности инвестиционной среды в Украине и ее отличия от европейской, обусловливающие непривычные для зарубежных инвесторов вызовы и проблемы; на основе опыта малых и средних венгерских предприятий, функционирующих в Закарпатье, рассмотрены различные варианты их решения.*

Ключевые слова: Закарпатье, Венгрия, приграничное сотрудничество, капиталовложения, мотивация инвестиций.