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DEVELOPMENT TENDENCIES OF UKRAINIAN-ISRAELI RELATIONS IN THE CONTEXT OF UKRAINIAN GEO-ECONOMIC PRIORITIES

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The article outlines the development peculiarities of Ukrainian-Israeli relations in the context of Ukrainian geo-economic priorities. Particular Attention udeleno Ekonomicheskieskie process in the country of data and the specifics of development of bilateral relations under the Influence of Global transformations.

Key words: export, import, transformational processes, global changes, innovations, economic development.

Introduction. The development of Ukrainian-Israeli relations are becoming of great importance, taking into the consideration the historical similarities of two countries, and promotion necessity of trade, economic, tourist, political and cultural connections promotion.

Considering the need of observance and further development of the legal foundation between Ukraine and the State of Israel, particularly the Agreement between the Government of Ukraine and the Government of the State of Israel for the reciprocal promotion and protection of investments; Joint Declaration on Deepening and Further Development of Mutual Relations, Partnership and Cooperation between Ukraine and the State of Israel; The agreement between Ukraine and Israel on social security and Convention between the Government of Ukraine and the Government of the State of Israel for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital, signing the Agreement on the Creation Free Trade Zone between Ukraine and Israel has great prospects for economies of both countries.

There are some distinguishing factors that make Israel take important place in Ukrainian foreign-economy policy.

The most significant fact is that 400 thousand Israeli citizens (5 percent) come from Ukraine (by the way, in Israel there is the only Association of Ukrainians in the whole Middle East). Moreover, in the light of sheer and dramatic events in the Arab world, Israel plays a special role that

guarantees it the place among the key international players for a long time.

Experts say, the dialogue between Ukraine and Israel has intensified lately. The tight schedule of high-level bilateral visits of politicians from both countries proves the fact. They were not just limited to loud speeches. Signing of bilateral agreements was also included to agendas. This means: Kyiv and Tel Aviv partnership becomes more specific. The agreement on the cancellation of the visa regime, which came into force at the beginning of 2013, gave a new impulse to the development of Ukrainian-Israeli relations.

Problem statement. The goal is to analyze the current state of Ukrainian-Israeli relations, to determine existent problems and find the ways of solving them.

Research results. Social component. Today there are more than thirty thousand Ukrainians by origin living in Israel. Among those who moved to Israel there are approximately thirty five thousand ethnic Ukrainians – members of mixed families, who are Israeli citizen and permanently reside in Israel. The special aspect of relations between Israel and Ukraine is social security. The Agreement between Ukraine and Israel on social security signed in 2012, has already been ratified by Israeli government. For Ukrainian party the ratification of the Agreement is of a great importance from economic as well as from diplomatic aspect.

Signing of the Agreement gave Ukraine the opportunity to provide unlimited extension on pension payments not from the moment of the Ukrainian Constitutional

Court's decision, but from the moment of the Agreement expiration. Correspondingly, from the moment of the Agreement on social security ratification, the Constitutional Court's decision loses its validity and is considered to be regulated by the norms of the international agreement, which according to the Ukrainian law has priority over the norms of the internal law of Ukraine.

2. Idle potential

According to trade and economic indicators, figures of our trade with Israel are lower than with Turkey, Iran, Egypt, Saudi Arabia and even with Lebanon.

Currently, the structure of Ukrainian export to Israel consists only of raw materials and semi-manufactured articles, among which mainly agricultural products and metal goods.

Traditionally, Ukraine exports to Israel ferrous materials, crops, chemical and food products, etc. In 2011 main Ukrainian export commodity groups to Israel were the following: vegetables (43.7% of total export volume), food products (11.8% of total export volume), non-precious metals and goods made of them (22.3 of total export volume).

In 2012 main export items from Ukraine to Israel were: crops (50,6%), ferrous materials (18,2%), aircrafts (6,9%), waste products of food industry (5,8%), seeds and fruits of oil-bearing crops (3,3%), fats and oil of animal or vegetable origin (1,5%), electric machines (1,2%), nuclear reactors, boilers, machines (1,1%).

Since the beginning of 2013 there is a steady growth in all traditional export groups.

Main Israeli export items to Ukraine are rubber and plastic materials, chemical and agricultural products, precious stones, machines and equipment. Chemical products constitutes 52.5% of total export volume; mechanical equipment, machines and equipment, electric equipment and its parts, recording, image or sound devices (8.2% of total export volume); vegetables (7.8 of total export volume)

In 2012 Israel exports to Ukraine mainly mineral fuel; oil and its by-products (42.4%), various chemical products (9.0%), plastic products; polymeric materials (7.0%), goods bought in ports (5.5%),

pharmaceutical products (4.8%), electric machines (4.4%), nuclear reactors, boilers, machines (4.1%), edible fruit and nuts (3.1%), equipment and optical or photographic devices (2.2%), soap, surface-active organic substances (1.9%), synthetic or artificial threads (1.7%), vegetables (1.6%), essential oils (1.5%).

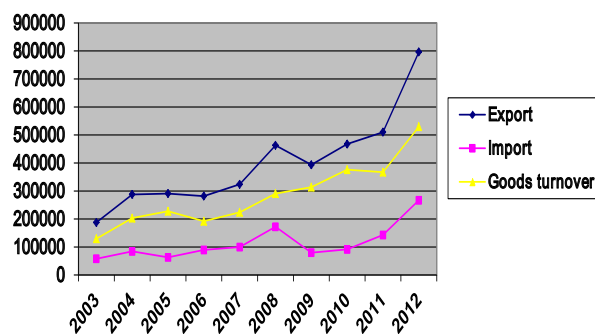
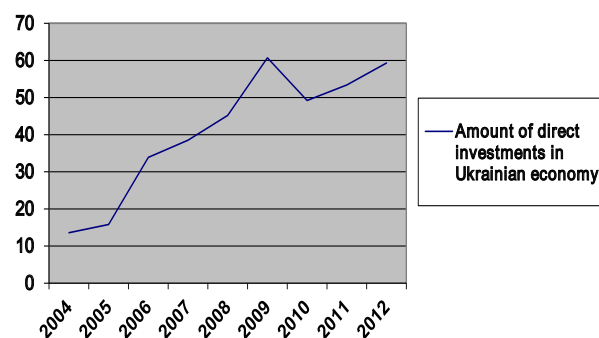


Figure 1. Trade turnover of Israel and Ukraine

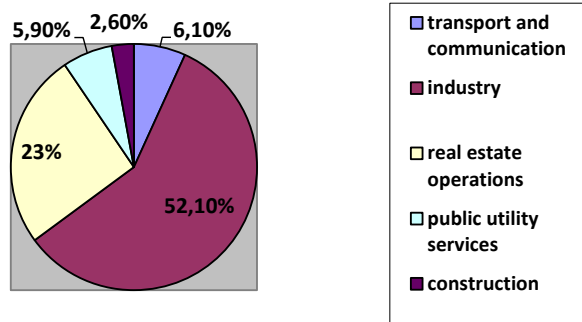
As it is shown on the graph above, there had been fourfold increase of goods turnover since 2003 to 2012. External trade balance with Ukraine is positive and in 2012 was \$529579.8.

Amount of Israeli direct investments in Ukrainian economy (millions of dollars)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
Value	13.6	15.8	33.9	38.5	450.2	60.7	49.2	53.4	59.3



The industrial structure of Israeli investments is the following: industry – 52.1%, real estate operations, engineering and entrepreneurial services – 23%, wholesale and retail 7.2%, public and individual utility services – 5.9%, construction 2.6%.



The fact that in Israel there is a substantial number of consumers, who have similar to ours tastes and preferences, is one of the circumstances we can use in bilateral trade.

Experts admit that despite of geographical limitations, small size, lack of water and fertile land, Israeli specialists managed to achieve impressive results.

The effect of free trade zone creation between Israel and Ukraine

The creation of free trade zone involves economic relations liberalization in such areas as commodity trade (liquidation of tariffs and quotas on 95% of bilateral trade of consumer and industrial products during 3 years and other conditions during 10 years following after the ratification of the Agreement on free trade zone creation), services, investments etc.

The results of international cooperation on the free zone creation between Ukraine and Israel can be assessed in the following directions:

- it is possible to calculate the increase in GDP of Ukraine and Israel from the creation of free trade zone

- the growth of Ukrainian export to Israeli and its ration to the growth of Israeli export to Ukrainian

- liberalization of capital movement between countries along with lowering service trade barriers will allow both countries to increase the amount of mutual foreign investments. The direction of investments movement between countries after the creation of free trade zone will depend on the level of protectionism in separate sectors of the countries and their readiness to keep with liberalization principles.

Taking in consideration the fact that Israel has quite developed system of non-tariff barriers and the system of export support, main potential for bilateral relations lies in barriers removal for Ukrainian agricultural products (grain, corn, and

sorgo). In this aspect it is reasonable to expand cooperation in technological support of agricultural sector.

Israel has interest in Ukraine for its resources (grain, raw materials etc.). At the same time access of Israeli goods to Ukrainian markets is more liberal and not vice versa. That is why the creation of free trade zone will give Ukraine additional opportunities on Israeli market.

Conclusions. It should be mentioned that the State of Israel is a recognized leader in the sphere of high technologies, in the number of economy's sectors, namely in agricultural, informational, pharmaceutical and technological industries, in the sphere of national security and social sciences.

Special attention deserves the work of Israel in ecological direction (rational usage of water resources, renewable energy). This aspect is very important in terms of implementing the Agreement between the Government of Ukraine and the Government of the State of Israel on Cooperation in Environmental Protection. There is no doubt that research and developments in high technologies industry play one of the main parts in Israeli economy. The example of Israel economic development is efficient and practical for Ukraine.

Along with that, investment attraction implies financial guarantees by the accepted party. In case of investment activity suspension, a foreign investor is guaranteed his investment return in kind or in currency the investment was made without customs duty, and also the investment revenues in money or in goods. The state also guarantees free and immediate revenue transfer abroad as well as other assets in foreign currency, obtained on legal basis due to investment operations. This condition is granted by the Law of Ukraine on amendments to some legislative acts of Ukraine concerning stimulation of foreign investments and crediting from 27.04.2010 N 2155-VI that cancels obligation to register foreign investment and necessity to register investment according to two different procedures; the Law of Ukraine № 2623 on preparation and implementation of investment projects by the principle of «the single window» came into force from the first of January, 2012. This Law determines legal and organizational aspects of relations connected with preparation

and implementation of investment projects by the principle of «the single window»; the Law of Ukraine № 2404-VI from 01.07.2010 on public-private partnership was passed, that determines legal, economical and organizational aspects of public-private partnerships realization in Ukraine, particularly regulations of relations that emerge during projects realizations in some spheres of economic activity; the Law of Ukraine № 2880-VI on amendments to some legislative acts of Ukraine on guaranteeing the rights of concessionaires was passed. The Law introduces changes the Land code of Ukraine and the Law of Ukraine on concessions in or-

der to intensify state guarantees of concessionaires' rights. These changes should create favorable conditions for unification of state and business interests when concluding and executing concessions treaties. Washington Convention on the settlement of investment disputes between states and nationals of other states was ratified by Law of Ukraine from 16.03.2000 № 1547.

Taking into consideration Israel dynamic economic development and its interest in relations with Ukraine, it is advisable to promote bilateral cooperation within the limits of signing the Agreement on the Creation of Free Trade Zone, trade and economic relations, as well as investment activity.

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ТЕНДЕНЦІЇ РОЗВИТКУ УКРАЇНСЬКОГО-ІЗРАЇЛЬСЬКИХ ВІДНОСИН У КОНТЕКСТІ УКРАЇНСЬКИХ ГЕОЕКОНОМІЧНИХ ПРІОРИТЕТІВ

Резюме

У статті викладено особливості розвитку українсько-ізраїльських відносин у контексті українських геоелекономічних пріоритетів. Особливу увагу приділено економічним процесам в даних країнах і специфіці розвитку двостороння відносин під впливом глобальних трансформацій.

Ключові слова: експорт, імпорт, трансформаційні процеси, глобальні зміни, інновації, економічний розвиток.

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ТЕНДЕНЦИИ РАЗВИТИЯ УКРАИНСКО-ИЗРАИЛЬСКИХ ОТНОШЕНИЙ В КОНТЕКСТЕ УКРАИНСКИХ ГЕОЭКОНОМИЧЕСКИХ ПРИОРИТЕТОВ

Резюме

В статье изложены особенности развития украинско-израильских отношений в контексте украинских геоэкономических приоритетов. Особое внимание уделено экономическим процессам в данных странах и специфике развития двусторонних отношений под влиянием глобальных трансформаций.

Ключевые слова: экспорт, импорт, трансформационные процессы, глобальные изменения, инновации, экономическое развитие.