

# KKI

**POLICY BRIEF**

## Ukrainian–Hungarian Economic Relations: Current Model and the Way Ahead



INSTITUTE FOR FOREIGN AFFAIRS AND TRADE



FOREIGN POLICY COUNCIL

# KKI Policy Brief

E-2020/53

Series of the Institute for Foreign Affairs and Trade

Publisher:

© Institute for Foreign Affairs and Trade, 2020  
© The Foreign Policy Council "Ukrainian Prism", 2020

Analysis by

Tetiana Zosymenko and Sándor Seremet

Reviewer:

Márton Ugródsy

Copyediting:

Réka Futász

Typesetting:

Andrea Tevelyné Kulcsár

Photo by

Ministry of Foreign Affairs and Trade, Hungary

Editorial office:

H-1016 Budapest, Bérc utca 13-15.

Tel.: + 36 1 279-5700

E-mail: [info@ifat.hu](mailto:info@ifat.hu)

<http://kki.hu>

The present analysis and its conclusions reflect the author's opinion and cannot be considered the official position of the Institute for Foreign Affairs and Trade, the Ministry of Foreign Affairs and Trade, or the Government of Hungary.

© Tetiana Zosymenko, Sándor Seremet, 2020

ISSN 2416-0148

*"Despite the coronavirus challenges, it is urged that the prospects of economic cooperation between Ukraine and Hungary are developed."*

(From the Dmytro Kuleba and Péter Sziijártó [telephone conversation](#), April 2020)

## INTRODUCTION

*T*he context for Ukrainian–Hungarian cooperation is framed by two contrasting tracks regarding the geopolitical location of the two countries: European integration and the Russian connection. Ukraine's ultimate choice of European integration marked the start of a new stage of economic relations with Hungary. This has manifested in two contrasting tracks that have defined the dynamics and content of their trade and economic cooperation since 2014. On the one hand, Hungary has always been supportive of Ukraine's European integration ambitions; on the other hand, Budapest has had to balance its dependence on Russia in the energy sector, which is of strategic importance to Hungary. Ukraine should address these circumstances in a constructive and pragmatic manner to maximize the mutual benefits of economic cooperation with Hungary in areas of common interest. The Belarus–Ukraine collaboration, with their commitment to increasing trade notwithstanding their different geopolitical aspirations, is a good example in this regard.

## INSTITUTIONAL FRAMEWORK

*T*here is no comprehensive and clear vision of Hungary as a strategic economic partner within the external economic policy of Ukraine. Hungary is not mentioned specifically in the official strategic documents of Ukraine. Nevertheless, upon considering areas critically important for Ukraine, it is Central and Eastern European countries that are referred to as the example of economic and social development to be followed. Most notably, the National Security Strategy of Ukraine emphasizes the need to get closer to the social standards of Central and Eastern European states to ensure economic security. Creating the best investment environment among Central and Eastern European countries is determined as one of the key conditions for a new quality in Ukraine's economic growth. EU countries as a whole are mentioned among the markets which are potentially attractive for the majority of the Ukrainian economic sectors. This is the case notwithstanding the essential differences in trade relations within country-specific contexts and the fact that Hungary is consistently in the TOP-5 EU countries in terms of merchandise turnover with Ukraine. Ukraine's Export Strategy (the "road maps" of strategic trade development), issued in 2017, declares that Ukraine has to focus on the export of



high-tech and innovative products in order to ensure the sustainable growth of the economy and gain a share of the world market via certain improvements both in the legal and the production environment, with significant support of small and medium enterprises (SMEs). This is a wise decision, and Hungary is ready to lend a hand to such initiatives based on the experience it has gained in the last few decades. From the perspective of the current global and regional situation, it is critically important to have sustainable and constructive cooperation among the neighbouring countries, especially if there are major possibilities of mutual benefits.

*On the Hungarian side, the sixth chapter of the recently adopted new Hungarian National Security Strategy lists the following among Hungary's basic interests (in section 88): "Hungary is interested in a strong, democratic, stable, economically developing Ukraine and balanced bilateral relations; at the same time, legitimate efforts to strengthen the Ukrainian national consciousness must not be to the detriment of the acquired rights of the Hungarian minority."* In the first half of the sentence, Hungary stands by Ukraine. In the second half of the sentence, Hungary stands for the rights of the Hungarian minority living in Ukraine. The Hungarian government remains convinced that the protection and support of minorities is one of the cornerstones of democracy.

*It is worth emphasizing here that the support and protection of Hungarian minorities in neighbouring states has been the cornerstone of Hungarian foreign policy for decades, regardless of governments and political affiliation.* This did not become important in 2017 and especially not in 2014, as it is sometimes claimed, neighbouring states have been able to count on this consistent policy for decades. Speaking of the National Security Strategy it is worth emphasizing that Hungary is committed to the Euro-Atlantic alliance. The Hungarian government has stood by all common decisions and policies, and it will continue to do so. The relevant decisions and votes confirm this. According to the National Security Strategy, Hungary seeks a balanced economic relationship with Russia within the framework of the norms of the EU and NATO.

*Ukrainian officials perceive relations with Hungary through the prism of Ukraine's European integration policy, with little regard for the bilateral and regional formats of institutional cooperation in the economic sphere.* In general, institutional cooperation with Hungary on economic matters is to be enhanced. The total trade turnover between the two countries in 2018 was nearly 3 billion USD, which is a 12% growth compared to 2017. The trade exchange between the two countries mainly focuses on raw materials, heavy machinery, energy, and food products. The cooperation between Hungary and Ukraine has wider possibilities than the current conditions of the European economy and cooperation strategies suggest us to reveal and develop.

Institutional economic cooperation has to be revived: there have only been four sessions of the Ukrainian–Hungarian Economic Joint Intergovernmental Committee for Economic Cooperation (the last one [took place in 2013](#)). To compare, the Intergovernmental Belarus–Ukraine Joint Commission on Trade and Economic Cooperation has held 27 meetings, the most recent of which took place at the end

of 2019. Due to the political tensions between Ukraine and Hungary, opportunities to enhance regional trade and investment cooperation are being lost. In particular, the V4+Ukraine format, which could provide tangible support, e.g. to small and medium enterprises, remains frozen.

*The lack of a nationwide view and the incoherence between the positions of the central and local authorities on the mechanisms and targets of Hungarian financial assistance result in the concentration of Hungarian projects in the Zakarpattia oblast, a phenomenon which is also rooted in the physical proximity of Zakarpattia to Hungary. This is often perceived ambiguously from the perspective of Ukrainian national interests.* The [agreement on economic cooperation](#) between the Government of the Republic of Hungary and the Cabinet of Ministers of Ukraine (2007) has no indication how to handle financial, donor, or humanitarian assistance. Any type of assistance is either offered by Hungary (usually the government), or it is asked for by Ukraine (the government, regional administration, city mayors, social infrastructure entities, etc.). Since only governmental agreements are public, it is difficult to trace other forms of financial assistance, e.g. at the regional level.

*Projects supported by the Hungarian government are mainly present in the Zakarpattia oblast, for two main reasons: 1) there is still a relatively small Hungarian community (about 150,000 people) living in the region, and in line with the Hungarian government's policy to support Hungarians living abroad, they are the target of various subsidies; 2) Hungary borders Zakarpattia (which is not connected to the rest of Ukraine very well), and therefore it is a logical entry point for Hungarian businesses trying to enter the Ukrainian market. As a result, these efforts have led to the increased integration of Zakarpattia's labour resources into the Hungarian economy. However, compared to the overall data, the weight of personal remittances from Hungary in Gross Regional Product (9.4% in 2019) indicates the highest reliance of Zakarpattia's economy on Hungary as opposed to other Ukrainian regions (where the weight of the average value of personal remittances from Hungary in GRP is 1%). It has to be noted, however, that the [share of personal remittances to Ukraine](#) was 11.23 percent of the GDP in 2018, meaning that Hungary is not a major target country for Ukrainian labour force outflow (possibly also due to the language barrier, which is easier to overcome for Zakarpattia citizens).*

## POINTS FOR IMPROVEMENT IN BILATERAL ECONOMIC RELATIONS

**A**gainst the backdrop of the positive changes in bilateral trade, caused by the start of the DCFTA, the key indicators of Ukraine–Hungary trade relations could be developed further. For one, the trade liberalization following the signing of the Association Agreement between Ukraine and the EU has had a positive impact on the Ukraine–Hungary trade dynamics. The growth rate of exports and imports between Ukraine and Hungary outpace similar indicators between Ukraine and the



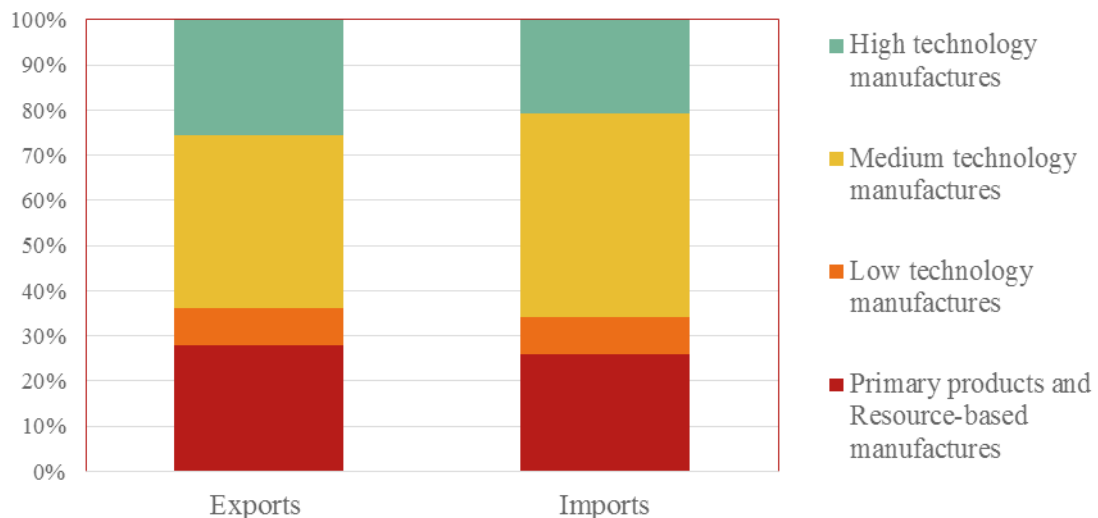
EU. Compared to 2015, Ukrainian exports to Hungary have increased by 70% (to the EU countries, on average, by 35%), while import has increased by 50% (from the EU countries, on average, by 41%). Nevertheless, Hungary's place among Ukraine's trade partners remains the same within its TOP-10 partners. Neighbouring Poland, for example, has moved from being the fifth largest exporter from Ukraine to the second place. There has been no apparent shift towards Ukraine's merchandise exports diversification. An exports product concentration index of 0.5 (ranging from 0 to 1, with a larger value denoting a higher concentration of exports) tells us that a large share of a country's exports to Ukraine is accounted for by a small number of commodities (compared to a 0.19 concentration index to the EU as a whole). The first five sections within the Harmonized System Code account for 80% of exports. Although the largest share of exports comes from a section with high value-added, "Electrical machinery and equipment and parts thereof", the main goods chapters (electric water heaters, wire, and cable) are not highly advanced technologically. The positions of primary and resource-based groups (electricity, fuels, ores, wood) remain strong. There has been no increase in the importance of other non-primary product groups (e.g. chemical industry products or motor vehicles).

*The openness of the Hungarian economy and the technological structure of trade between Ukraine and Hungary create the preconditions for strategic cooperation.* The average value of the Offshoring Index (the value of imported input expressed as a share of total intermediate consumption) in Hungary is over 40%, which reflects a high level of economic dependence on imported raw material and semi-finished products. Almost all the sectors are extremely or significantly affected by import (e.g. the manufacture of computer, electronic, and optical products: 90%; the manufacture of motor vehicles, trailers, and semi-trailers: 84%; the manufacture of textiles, wearing apparel, and leather products: 77%; pharmaceutical and chemical manufacture: approx. 60%). Vertical specialization values also show the attractiveness of the manufacturing sectors to Ukrainian exporters of intermediate goods. The preconditions for such cooperation should be confirmed by the technological cross-section of bilateral trade.

At first glance, Ukrainian exports to Hungary are by technological category commensurate with the Hungarian exports (Figure 1). One-third (28%) of the value of all merchandise flow that moves from Ukraine to Hungary accounts for primary products and resource-based manufactures. These technological groups constitute nearly as much (25%) in the structure of imports from Hungary to Ukraine. Low-technology exports and imports have equivalent weight (8%). 38% of Ukrainian exports to Hungary is provided by medium-technology manufactures, while such import accounts for 45% (the largest weight among all trade items imported from Hungary to Ukraine). The percentage of high-technology manufacture exports (26%) is slightly above such imports (21%).

Figure 1

Technological cross-section of merchandise trade structure between Ukraine and Hungary, 2018



However, the overall picture of Ukraine's and Hungary's export competitiveness (Table 1) demonstrates that Ukraine is ahead of Hungary only in primary products and resource-based manufactures (agricultural products, food, iron and steel).

Table 1

Comparison of Ukraine's and Hungary's exports position in merchandise trade, 2017

Commodity group	Ukraine's place among exporting countries	Hungary's place among exporting countries
Agricultural products	25	38
Automotive products	66	20
Chemicals	65	29
Clothing	60	48
EDP and office equipment	57	17
Food	24	35
Iron and steel	15	40
Machinery and transport equipment	51	23
Pharmaceuticals	64	19
Textiles	60	36

Under these conditions, the growth of intra-industry trade between Ukraine and Hungary is more beneficial than inter-industry trade because it stimulates innovation and exploits economies of scale. However, it should be noted that the vertical dimension of intra-industry trade has a bigger cooperation capacity, since the interests of its participants have many points of convergence. The horizontal dimension, in turn, entails more risks of rivalry or even fight, owing to the parties'



opposing interests. Moreover, mutually beneficial vertical cooperation by non-primary products may contribute to the competitiveness of exports from Ukraine, thereby ensuring the comprehensive modernization of the national economy. Thus, the increase in the number of business entities with common economic interests is key to the pragmatization of the bilateral relations agenda, mitigating political tensions.

*The intra-industry cross-section of Ukraine–Hungary trade specifies the design of a win-win model of economic cooperation, which should be the starting point to consider in external economic policy implementation.* A comparison of the specific indicators of international trade reveals the following features of the current model of trade cooperation between Ukraine and Hungary:

- The overall level of intra-industry trade is above the average (0.6 on average on a scale of 0 to 1) and tends to increase slowly, indicating a gradual strengthening of economic integration. There is a high level of mutual exchange of trade flows in resource-based and low-technology manufactures, as well as in medium-technology manufactures (except for automotive) and high-technology manufactures (electronic and electrical).
- A more in-depth analysis of the exports and imports dynamics (marginal intra-industry trade indexes for 2014–2018) within individual sectors demonstrates the prevalence of horizontal cooperation in the low-technology sectors of food and non-food agriproducts, textile, garment and footwear production, etc. This means that the products exchanged between Ukraine and Hungary are equivalent in terms of technological completeness and thus value added. Their different quality features (for example, brands of clothing or food products with special, innovative features) attract customers on both sides of the border. Furthermore, Ukrainian manufactures have relatively high productivity within the listed trade items. Therefore, fair competition is possible solely through searching and occupying a niche among Hungarian consumers, otherwise, trade protection measures (anti-dumping, anti-subsidy investigations) will be taken. The same applies to the trade exchange of items within the group "High-technology manufactures: electronic and electrical".
- Cooperation between medium-technology manufactures (process and engineering), despite its vertical nature, is receding from the perspective of Ukrainian manufactures productivity. This is where governmental support for Ukrainian producers is decisive. To define which commodity groups of Ukrainian production at the level of HS4 are promising for export to Hungary, further analysis should be conducted, notably regarding the revealed comparative advantage indexes for the countries and the gravity model of their trade.

*There is a requisite capacity for the inclusion of Ukrainian producers in the global value chain through vertical cooperation with Hungarian companies within the production of motor vehicles and pharmaceuticals.* The intra-industry trade of



these trade items between Ukraine and Hungary is now at a near standstill. For their part, Ukrainian companies are ready to scale up production of goods, the quality of which meets European customers' expectations. The increase in spark plugs exports is an example for this. Their supply to the EU jumped by one quarter and placed second in monetary equivalent exports. This became possible owing to the investment flows into enterprises targeting spare auto parts production. Since 2015, nine new plants that produce automotive cable products have been opened in Ukraine. And yet, just like before, Ukrainian goods, imposed on labour-intensive manufactures, not on technologies, are in industrial demand in Hungary, just as in the EU in general (e.g. the above-mentioned cable production technology boils down to wire twisting and junctioning with plastic ties). Ukraine still cannot boast of really technological exports. There are only small-scale start-ups (e.g. drones and electric bikes) exporting small shipments among the companies which trade with the EU.

*Despite the crucial role of foreign investment in boosting the medium and high-technology production activity of Hungarian investors in Ukraine, it is hampered by a number of internal and external factors.* In 2019 Hungary was a TOP-14 investor in Ukraine with USD 380.7 million accumulated direct investment. According to the most recent available data (May 2020), there are 833 companies owned by residents of Hungary. The majority of these are registered in Zakarpattia, Kyiv, Odessa, Lviv, and the Ivano-Frankivsk and Dnipro regions. And yet, there have been no major investment projects during the last few years on the Hungarian part, except for one pellet production project in the Zakarpattia region in Tyachiv/Técső, where 11 million USD was provided for expanding the manufacturing facility of pellets. The following SWOT analysis provides a quick overview of the perspectives of Hungarian investors regarding Ukraine:

- *Strengths:* Ukraine has a well-developed and widespread heavy industry. Over 25% of the population is employed by manufacturing companies involved in mining, railway rolling stock, energy, farm equipment, road construction equipment, machine tools, aircraft engines, instrumentation, and manufacturing for the light and food industries. Another major segment of the Ukrainian economy is agriculture, which employs nearly another 25% of the total employed population. Over 70% of the country's total area is agricultural land. Ukraine has a favourable geographic location, which places it in a temperate continental climate zone, with adequate access to water and transportation networks and domestic agro-tech manufacturing of the needed machinery, with major plants located around the country. This geographic location makes Ukraine the gate to the East – a significant advantage that combined with the extensive network of railroads (22,000 km) and highways (170,000 km) makes the country a major supplier for cargo transportation services. Ukraine has also demonstrated serious growth in the IT field. Today IT outsourcing is Ukraine's third largest export sector. All of the above is reinforced with a high percentage of educated professionals in each



field, provided by a strong education system. The average salary for an IT specialist is lower compared to India or China, which allows investing in or outsourcing businesses to Ukraine rather than the Far East.

- *Weaknesses:* Despite the impressive capacities, the Ukrainian economy struggles with low productivity and cost efficiency. Even though the heavy industry has undergone major changes and become more diversified, many of the main Ukrainian products lack competitiveness on the European market: the poor-quality and often outdated equipment and technologies, and the slightly hectic manufacturing processes are the main reasons why potential markets might be not satisfied. The significant amount of industrial waste in the extensive supply and energy consumption of the manufacturing process leads to weak cost efficiency. Despite the relatively low salaries to be paid to the employees, the production itself seems to be too expensive compared to the quality of the products. The extensive network of railroads and highways is often not maintained well. The quality of the international highways is poor in many cases, which slows down shipment. The current state of the railroads needs to be improved, as the current railway transportation is slow due to the outdated locomotives and the railroads themselves, which cannot bear high-speed cargo traffic. Conditions for small and middle business are not clarified, and the support system has numerous uncertainties.
- *Opportunities:* Every weakness is also an opportunity in a way. By detecting certain weak points, we have the opportunity to determine the crucial points of cooperation, such as sharing best practices or involving funds for the modernization of the manufacturing process, or further increasing the already impressive productivity of the agriculture. Thanks to the affordable labour costs, Ukraine provides a significant market for numerous branches of already existing business in Hungary, such as assembling factories, plastic and household waste recycling facilities, outsourcing IT services such as database management, server support, programming, and IT infrastructure design. Through a clear and understandable financial support model we can increase the competitiveness of the Ukrainian products in Europe and the region. This can make it possible to establish an alternative supply chain of goods and recourses in the V4+ region that in the current conditions of border closure due to the COVID-19 pandemic is more than a justified need. Establishing efficient regional economic cooperation is not only a temporary solution, it is also a way to gain the required level of trade and long-term financial benefits.
- *Threats:* The unstable political situation, the armed conflict in the East of the country, the slow implementation of the economic reforms, and a high level of corruption makes Ukraine less popular among investors. One has to keep in mind the often unclear conditions of VAT reimbursement, for example, for imported goods in prioritised green energy projects, and the list can be extended with bureaucracy at the local level as well. The Global Competitiveness Index of Ukraine in 2019 was 56.99 out of 100, which makes

it the 85<sup>th</sup> most competitive country in the world out of the 140 countries ranked. In the ranking of Hungarian Eximbank, Ukraine is rated in category 6 (out of 7, where we find countries such as Venezuela, Zimbabwe, Sudan, Afghanistan, etc.), which makes it difficult to gain financial support for major investments.

For Hungarian companies and other EU investors, the war in the East, the macroeconomic situation, slow economic growth, corruption, and the risks of protecting property rights are among the main barriers that discourage investment. Due to the unfavourable market conditions, several big players have left the market (e.g. Mol), others have interrupted their investment projects (e.g. Masterplast), and many investment intentions have been removed from the agenda (Graboplast, MVM). Areas of interest for the most important Hungarian investors are financial services (OTP Bank Group), pharmaceuticals (Richter, Egis), construction (KÉSZ Holding, Masterplast), agriculture and food industry (Penograin, Agrofeed, Hell Energy), machinery industry (A-Lap), and air transport (WizzAir).

*The improvement of cross-border infrastructure offers great possibilities for the economies of both countries, but their financial capacity is not sufficient to ensure the realization of such projects.* Since the inception of the bilateral relations between Kyiv and Budapest, the improvement of cross-border infrastructure is a topic that the governments have prioritized. The international transport corridor between Ukraine and Hungary connects not only their own markets but European and Asian markets as well. Therefore, Transcarpathian development projects could provide additional impetus to broader regional cooperation, aside from bilateral trade.

The efficiency of the transport sector depends a lot on the infrastructure. Today there is one cargo railway crossing point and one border crossing point for trucks available on the Ukrainian–Hungarian border. While the cargo railway works relatively efficiently, despite the differences of railroad standards, thanks to the seven reloading terminals located in the Transcarpathian region (according to the protocols of the joint Russian–Ukrainian–Hungarian–Serbian cargo transit and transportation committee issued in 2016, the seven terminals have the capacity to reload 518 wagons of various goods a day), the truck terminals are suffering major delays due to the low efficiency of the border crossing. There is already an ongoing truck terminal project at the Beregsurány–Luzhanka border crossing point. Hungary is open to discussing the possibilities of further developments of border crossing points, which would ensure fluent and uninterrupted cargo transportation. These activities, however, would need further development of the highway network in the border region – first of all, the construction of city bypass roads so that the increased amount of cargo trucks can avoid the cities. A significant increase of cargo transportation is expected on the Hungarian railways and highways due to the involvement of the ports of Koper and Trieste in Central European trade.

In order to build more border crossings and enhance the system of railway transportation, several joint actions have been launched. Some of them have been fulfilled by the Hungarian side, but the lack of resources from the Ukrainian



side [has hampered their implementation](#) in Zakarpattia. Moreover, large-scale development projects are mainly funded by international financial institutions (e.g. the World Bank). Access to that funding requires extensive experience, a solid reputation, and a strong capacity to guarantee such actions. A possible option might be the formation of consortia or other reputable forms of collaborative arrangements among East European countries that can facilitate access to larger sources of potential financing.

## RECOMMENDATIONS

**B**ased on the mutual economic interest, enhanced bilateral trade and investment relations have the possibility to defuse a politically loaded discourse between the governments of the two countries.

- *At the strategic level, it would be beneficial to highlight the comprehensive direction of Ukraine's external economic policy concerning Hungary in the official strategic documents.* First, this concerns a new version of the Export Strategy of Ukraine that will replace the current Strategic Trade Development Roadmap in 2022. The indicators of openness of economy show the attractiveness of Hungary's manufacturing sectors to Ukrainian exporters of intermediate goods. Further analysis is needed to identify the most promising commodity groups to be exported to Hungary. As indicators of the successful achievement of its objectives and activities regarding Hungary, it would be worthwhile to define indicators of foreign trade "quality", such as a product concentration index of exports, the technological level of TOP-10 sections within the Harmonized System Code, and the weight of non-primary goods in exports.
- *The next major step is the resuming of the medium-term programming of joint economic activity in the bilateral and regional formats of institutional cooperation.* This requires the reanimation and sustaining of the sessions of the Ukrainian–Hungarian Economic Joint Intergovernmental Committee for Economic Cooperation. The same increased attention should be paid to the reactivation of the Ukrainian–Hungarian Intergovernmental Commission on Cross-Border and Border Cooperation. Within the Commissions' work not only pressing topics such as building new checkpoints, highways, and transportation hubs require exploring, and focusing exclusively on the border region of the two countries can jeopardize other issues on the agenda. Hungarian support projects in Transcarpathia should be regarded as something that connects rather than separates the two nations. Hence, the improvement and enhancement of cross-border cooperation can and should open up new options to extend the scope of interest. Notably, it is worth extra effort to "unlock" the V4+Ukraine format, as well as to reach a

preliminary agreement on possible consortiums between the V4 countries and Ukraine. This aims at the full-fledged inclusion of Ukraine in regional infrastructure projects (the Business Forum of the Three Seas Initiative can be suggested as a platform to discuss the details of such initiatives), thereby embodying European integration not only declaratively but also in practice.

- *While selecting the forms and instruments to strengthen Ukrainian exports in the Hungarian market at the level of government trade policy, the state of bilateral economic cooperation deserves closer attention.* Currently, there are two main directions to establish a win-win model of trade via government regulation measures: on the one hand, through support for an increase in Ukrainian manufacturers' productivity that are prospective in terms of vertical cooperation with Hungarian entrepreneurs; on the other hand, the Government must refrain from regulations likely to escalate rivalry in the sectors where horizontal cooperation exists. Further development of the exports promotion policy should be based on Ukraine's capacity to be involved in the global and regional value chains through vertical cooperation with Hungarian companies. At present, substantial spare capacity to do so exists in the areas of motor vehicle production and pharmacy.
- *Microeconomic diplomacy requires special attention within bilateral economic relations.* Bilateral business-forums have created a favourable atmosphere for the establishment of mutually beneficial cooperation in the past. That is why the positive practice of Ukrainian–Hungarian business events (both general and specialized ones) would be appropriate. A good example is the successful organization of the forum in Debrecen in 2016, which has been the largest bilateral event so far, with the participation of the heads of government. The Ukrainian Government could offer such action in Ukraine after the relaxing of the quarantine measures, with support at the highest political level (under the patronage or in conjunction with visits by heads of state or government).
- *Considering the problematic investment climate in Ukraine, it is wiser to implement a model of targeted balancing.* This means that in an effort to attract investment across economic sectors, both the preferences of Hungarian investors and national interests should be taken into account. Although it is difficult to name any specific companies which now reveal an interest in investing in Ukraine, one can mention the Egán Ede Program for Zakarpattia set up by the Hungarian government. The following sectors of Ukraine's economy are listed there: agriculture, food processing (fruits and milk), and tourism (construction of hotels and thermal mineral water complexes). Moreover, Hungary aims to achieve 20% "clean" energy by 2030, and it is actively working on decarbonization. Sustainable development issues are also a priority for Ukraine, so there are many opportunities to develop green investment projects, in particular, in the implementation of joint renewable energy projects and the stimulation of the energy efficiency of industrial enterprises.



- *The cross-border cooperation system is the most efficient way of infrastructural developments and sharing best practices.* Ukraine is already involved in numerous projects within the framework of the Hungary–Romania–Slovakia–Ukraine (HUROSKUA), Poland–Belorussia–Ukraine (PLBYUA) and Romania–Ukraine (ROUA) European Neighbourhood Instrument cross-border cooperation programs. Such a funding system can be used for a separate Ukraine–Hungary project for investments and infrastructural developments, using the already implemented techniques of the Egán Ede Program in Zakarpattia. With proper preparation and a clarification of the legal conditions, it is possible to establish a system that can boost middle business and prospective branches of industries and support infrastructural projects.

## CONCLUSION

*It is about time to renew consultations on the possibilities of cooperation between Ukraine and Hungary.* Ukraine can build a bridge between Europe in general and Hungary in particular and gain benefits from it. New jobs can be created through the common projects and investments, which is a crucial need especially in the current conditions created by the pandemic – the majority of the Ukrainian guest workers have had to head back to their homes, where they sooner or later will needed to be employed. As neighbours and partners, our aim is to have a strong and prospering Ukraine next to Hungary. It is not a matter of choice who our neighbours are, but we can choose how to build our relations with them. Ukraine and Hungary might have different positions on certain questions, but today the main goal is not to discuss what divides us but to find that which unites.