Comparative Analysis of Balances of Payments of Ukraine and Poland in the Postcrisis Economic Environment

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Abstract

Condition of balance of payments is a crucial factor for effective development of small open economies, such as Poland and Ukraine. Because of their dependence on situation on international markets, Poland and Ukraine are really vulnerable to fluctuations of global conjuncture. That is why it is essential to develop effective instruments of balance’s of payments adjustment for both national economies under consideration. Such need requires research of the main regularities in the process of balance of payments adjustment for developing countries, since not all the aspects have been already explored. A comparative analysis of the balances of payments of these countries is conducted in the article. The article aims to prove similarities in external areas of both countries and explain why Poland has reached higher success in the process of overcoming the consequences of the global financial crisis. Such conclusions can be used as a roadmap for Ukraine on its way to adjustment of balance of payments. The main reason for such exploration is that Ukraine’s balance of payments is still in deficit conditions and negatively affects the overall state of national economy of the country.

Keywords: balance of payments, current account, capital account, small open economy, adjustment of balance of payments.

JEL Classification: F320; F430

Introduction and overview

The main economic challenge to the world of the recent years has been the global financial crisis. Balance of payments disturbances had been one of the reasons and, on the other hand, consequences of that crisis. Almost every country in the world has suffered because of the decline on the global financial markets. However, the so-called unstable economic systems were among the biggest victims of the crisis. The main reason for such situation is that, usually, they are small open economies and vulnerable to external disturbances.

All these factors have strengthened the need of research of external equilibrium and balance of payments in the unstable economic systems. The reason for it is that external component of majority of national economies of the countries of the world is still in negative conditions, what is reflected in balance of payments. It emphasizes the need to explore those processes that define conditions of balance of payments and make practical recommendations for the purpose of affecting the current situation.

The subject under consideration has always been a reason for discussion for representatives of almost every school in economics. Questions, related to the problem of balance of payment adjustment, have been among the central ones in works of such famous economists as J. Keynes, R. Mundell, M. Obstfeld, K. Rogoff, A. Thirlwall, T. W. Swan, etc. Also, a lot of practical researches and reviews are devoted to the problem of balance of payments. International Monetary Fund (IMF) uses state of balance of payments as the main indicator for evaluation of a country's economic policy in the process of providing financial help to a country.

Despite a great number of articles that concentrate on this problem, there are some aspects that are still not learned enough. First of all, research of state of balance of payments in the modern conditions of the global financial crisis is meant. Second of all, there is a need to provide recommendations how to improve conditions of balance of payments in the changing environment of international finances. The other important thing is detection of the main patterns in the area under consideration for the so-called unstable economies, among which Ukraine and Poland can be pointed out. These patterns can be used to develop an effective strategy of influence on external area of the countries.

The mission of the paper is to explore and justify similarity or difference in dynamics and conditions of balance of payments of Ukraine and Poland; analyze their influence on development of national economies; analyze Poland's experience in overcoming the similar problems, which are faced by Ukraine. For the purpose of making analysis, it is needed, first of all, to evaluate similarity or difference of the processes that define conditions of a balance of payments. In particular, special attention will be paid to the character of export-import operations of both countries, intensity of inflow of foreign investments in national economies, since these issues guarantee the major inflow of currency in a country. Second of all, dynamics of balance of payments of both countries for the last several years will be explored. Finally, influence of balance's of payments conditions on state of a national economy will be considered. Also, it will be concluded, which Poland's lessons and experience Ukraine can use for its own purposes.

Methodology

Traditional methodological instruments have been used by the author to explore the problem under consideration. Period for analysis has been chosen from the end of the previous century, when some vivid patterns and regularities in balances of payments of both countries have been formed. All the calculations and evaluations were based on official statistical information, got from national statistical bureaus, other regulative bodies and international organizations, such as IMF.

The research has faced several methodological challenges. Probably the most difficult challenge was definition and treatment of concept of “unstable economic system”. The term “unstable economic system” is a bit different from traditional and usual term “transition economy”. In fact, it is possible to say that transition period has ended already in the countries under consideration, but they are still characterized with unstable economic processes and features. Among the main features of unstable economic system the following ones may be pointed out:

1. The unstable economic systems are characterized with chaotic and dynamic fluctuations of the main economic indicators, such as GDP, inflation, unemployment, etc;
2. The unstable economic systems are reluctant to fluctuations of the global economic conjuncture. Usually, national economies of such countries are very open and their performance depends on situation on the world’s markets;
3. The unstable economic systems are characterized with a low degree of self-sufficiency. It means that crisis events have long term and severe character in such economic systems, and these economies return to an equilibrium condition quite long with help of governmental interference;
4. The unstable economic systems have not yet formed a perfect institutional mechanism of market economy. Some of the main institutions are simply missing, some of them function in not perfect way. Also, a lot of vestiges of past are present in the unstable economic systems;
5. The unstable economic systems, unlike the developed market economies, do not have built-in mechanisms for automatic adaptation and adjustment after some disturbances. Usually, post-crisis adjustment requires deep governmental interference and even support of international financial organizations.

Those were the main, but not all, features of an unstable economic system. It is believed that both Ukraine and Poland have these features. For instance, one of the main characteristics of an unstable economic system is imbalance in external area and significant fluctuations of balance of payments. Also, unstable economic systems is affected by the so-called "Thilrwall's law". A. Thirlwall developed the well-known model of balance-of-payments-constrained growth. According to this law, current account deficit and, respectively, balance of payments disequilibrium can be a serious restrictive factor for economic growth of unstable economic systems. The essence of this law can be described with the following words.

> According to Thirlwall's well-known model of balance-of-payments-constrained growth, output growth is demand-determined, provided demand is below supply capacity, which is normally the case in capitalist economies. However, the balance-of-payments situation can restrict the growth of aggregate demand because a country cannot persistently undergo an ever-increasing current account deficit (Lopez et al., 2000, p. 477).

It is believed that Thirlwall's law is especially inherent to Ukraine, where strong correlation between the current account and pace of economic growth is observed. Generally, it is caused by the production specialization of the country, with its focus on raw materials. In a long term perspective realization of Thirlwall's Law may lead to significant negative effects for national economy, what had been proven by experience of the countries in Latin America. These countries have a lot of common with Ukraine and Poland in the context of balance of payment adjustment and its influence on national economy.

> The econometric evidence regarding the validation of Thirwall's Law in Latin America suggests that even tough there are different periods of external adjustment, it has not been possible to reject the main proposition of

> Thirlwall's Law. In other words, no single economy is immune from its external sector constraint. Our approach suggest that Latin American economies need to implement significant changes in their specialization of production if the goal is to achieve sustainable long-run growth rates, which requires an increase in the growth rates of exports together with lowering the income elasticity of the demand for imports (Holland et al., 2004, p. 45).

Results

The first task of the research is to analyze the processes that define conditions of balance of payments. It is an obvious fact that export-import operations are probably the main driver of balance's of payments deficit or surplus. Dynamics and correspondence between Poland's export and import is described on the following Figure.

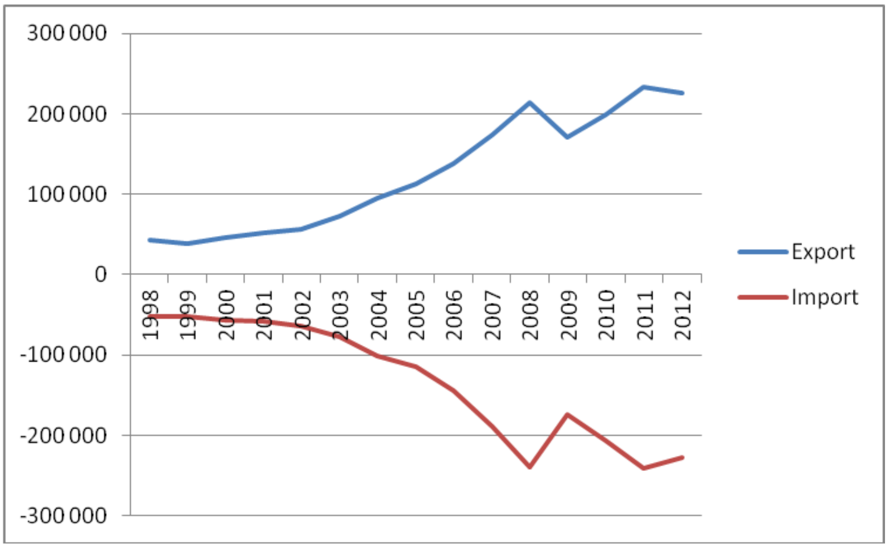

Figure 1. Dynamics of Poland's export and import

First of all, an interesting symmetry is seen between the country's export and import operations. In fact, it means that the country's balance of payment is developing according to typical and traditional laws of balance of payments fluctuations. Second of all, size of export and import is constantly growing from the beginning of new century. The only exceptions were 2008 and 2012. Such growth is compatible with the general growth of a national economy, since the role of external trade is significant in the country's economy. Dynamics and correspondence between Ukraine's export and import operations is provided on the following Figure.

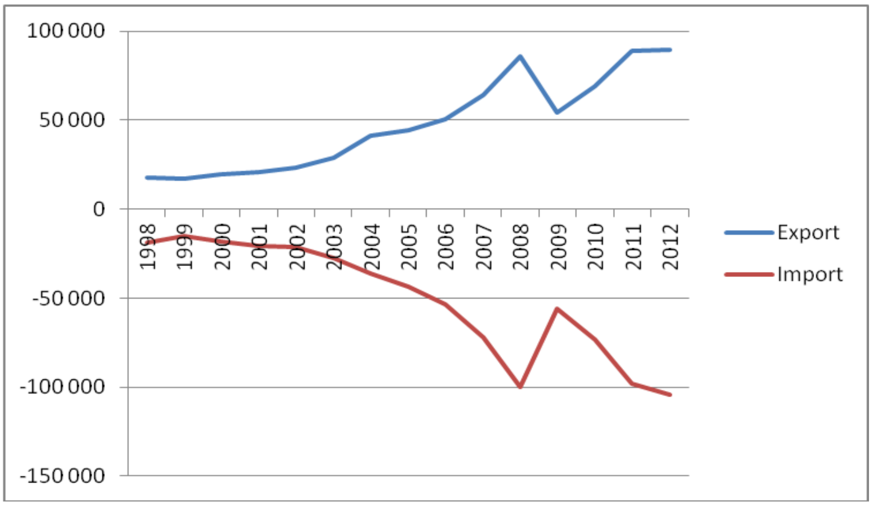

Figure 2. Dynamics of Ukraine's export and import

As we can see from the picture above, Ukraine's export-import operations are characterized with the same pattern and symmetry as Poland's external trade. However, the last year was more successful for Ukraine, than for Poland. As it can be seen from the table below, Ukraine's external trade is characterized with higher pace of change of size of export-import operations. Generally, it proves the fact that external trade plays more important role in national economy of Ukraine. It is obvious despite the fact that Poland s a member of a large international union with a tremendous market. Access of Ukraine to such markets is limited. For instance, even the main trade partner of Ukraine – Russia always puts forward a lot of challenges to Ukraine.

Table 1

Dynamics of export-import turnover in Ukraine and Poland

		2004	2005	2006	2007	2008	2009	2010	2011	2012
Ukraine	Export	142.61%	107.48%	113.21%	127.39%	133.77%	63.37%	127.65%	128.29%	101.04%
	Import	131.26%	120.36%	121.96%	135.35%	138.54%	56.23%	130.30%	133.48%	106.93%
Poland	Export	132%	118%	123%	126%	123%	80%	116%	117%	97%
	Import	130%	114%	126%	130%	127%	73%	119%	116%	94%

Note. The Table is based on information from National Bank of Poland and National Bank of Ukraine

Export and import operations should be analyzed not only in terms of absolute sizes or dynamics. A special attention should be paid to commodity and geographical structure of these operations. Analyzing commodity structure of export-import flows of Poland for 2011 it is essential to note that Poland mostly imports the following groups of commodities: machinery and technical appliances (22.09%), mineral products (13.57%), transport equipment (9.97%), base metals and articles thereof (10.9%). According to the Governmental bureau of statistics of Ukraine, the main components of national imports are the following for 2013: mineral products (27.6%), machinery and technical appliances (16.7%), products of chemical industry (10.7%), base metals and articles thereof (6.3%), transport and vehicles (8.3%).

As we can see from the analysis above commodity patterns of import of both countries are quite similar. The main difference is in the great share of mineral products in Ukraine's import, what indirectly reflects the lower level of energy efficiency of national economy and low degree of national oil and gas management. In fact, dependence on import of gas from Russia is among the deterrent factors of development of Ukrainian national economy. Price of Russian gas is about $430 for Ukraine. Poland pays about $460 per thousand cubic meters. Therefore, the price for Poland is higher. However, it is located for almost 1 500 km further than Ukraine from Russian border. In fact, the price of gas is always an instrument in the different geopolitical and economic discussions between Russia and Ukraine. It is an instrument that seriously defines direction and pace of development of Ukrainian economy.

It is an important fact that the greatest share in Poland's import is occupied by machinery and technical appliances. Poland imports equipment that is going to boost further development of production in the country and guarantee economic development. That is why deficit of the current account can be called as self-sufficient, since it is going to be covered via further growth of production in the country. Alas, Ukraine’s import has mainly raw character. That is why its character cannot be called as self-efficient. As a result, Ukraine’s government and National Bank are forced to use the so-called policies of adaptation and accommodation to manage the deficit of the current account. It is quite difficult to evaluate the final value of social and economic expenditures, needed to manage such fluctuations of the current account. However, it can be noticed that they seriously harm pace of economic development of Ukraine.

The commodity pattern of Poland’s export is the following: machinery and technical appliances (23.52%), transport equipment (15.97%), base metals and articles thereof (11.87%) [4]. The commodity structure of Ukraine’s export is the following: base metals and articles thereof (27.7%%), mineral products (12.9%), machinery and technical appliances (10.1%), products of chemical industry (7.8%), vehicles and transport (7.2%).

Commodity structure of Ukraine’s export has a strong raw character. The country exports mainly commodities with a low value added. Such commodities are characterized with unstable demand and prices on international markets. As a result, the country is very vulnerable to international conjuncture’s fluctuations. For instance, export of grain has always played an important role in Ukrainian economy. Respectively, conditions of balance of payments and national economy, in general, significantly depend on weather conditions. It is not the right way for the country with such resources as Ukraine.

On the other hand, Poland exports mainly machinery, transport equipment, etc. It allows the country to get higher profits on international markets. Moreover, these profits are quite stable and less dependent on international markets’ conjuncture. Brief description of commodity structure of both countries’ export-import operations is provided in the following Table.

Table 2

Commodity structure of Poland's and Ukraine's export-import turnover

Poland's export: 1. Machinery and technical appliances – 23.52%; 2. Transport equipment – 15.97%; 3. Base metals and articles thereof – 11.87%.	**Ukraine's export**: 1. Base metals and articles thereof – 27.7%; 2. Mineral products – 12.9%; 3. Herbal products – 12,2% (8,8% - grain) 4. Mechanical equipment – 10.1%.
Poland's import: 1. Machinery and technical appliances – 22.09%; 2. Mineral products – 13.57%; 3. Base metals and articles thereof – 10.9%.	**Ukraine's import**: 1. Mineral products – 27.6%; 2. Mechanical equipment – 16.7% 3. Products of chemical industry – 10.7%.

Note. The Table is based on information from National Bank of Poland and National Bank of Ukraine

Analyzing this structure and dynamics for the last years, it is obvious that the overall pattern has not changed significantly. Especially it is related to Ukraine. Poland has got some bonuses from entrance to European Union, but not the whole potential has been realized for this quite short period of time. Also, the crisis has played its negative role. In fact, the last year was quite difficult for Poland's foreign trade.

An important addition to structural analysis is such indicator as concentration of exports-imports operations of both countries. The so-called commodity and geographical concentration is meant. The following indicator is going to be used for the analysis – G-4 ratio, which is calculated as the overall share of four leading regions or commodity groups in structure of exports and imports and characterizes the intensity of concentration as well [1, P. 44]. This indicator will be calculated for commodity groups according to CN (Combined

Nomenclature) classifications. Simply speaking, Combined Nomenclatures is a form of classification that is used by EU to classify all the goods that are the objects of foreign trade.

> All goods imported into or exported from the EU must be classified for Customs purposes. Each separate product is assigned a particular classification code. The Combined Nomenclature (CN) sets out the general rules for the classification of goods to an eight-digit level and is updated on a yearly basis (Classification of Goods).

G-4 for Polish exports and imports in commodity terms was 58.12% and 56.54% in accordance in 2011. Ukraine is characterized with the following values of the mentioned indicators in commodity terms in 2013: G-4 – 62,9% and 63,3% in accordance. First of all, it is obvious that Ukraine is characterized with quite high degree of concentration of commodity export, where the main role is played by commodities with low value added and low competitiveness on international markets, namely by base metals and articles thereof. Such concentration increases national economy’s dependence on conjuncture on international commodities markets. In fact, the recent global financial crisis has proven it. Decline of prices of products of steel industry was among the key drivers of crisis in Ukraine in 2008-2009.

Poland is characterized with a lower degree of concentration of export of commodities. In fact, we can say that such situation totally responds to popular laws of international specialization of countries. On the other hand, Poland’s specialization can be considered as more competitive in the modern conditions. Ukraine will be forced to change its specialization in the nearest future in order to avoid further fluctuations of balance of payments and increase the overall competitiveness of national economy.

Regarding geographical concentration of exports-imports of both countries, the leading trade partners of Poland were the following in 2011: exports – Germany (26,12%), France (6.12%), Italy (5,34%), Great Britain (6,45%) and Czech Republic (6,25%); imports – Germany (22,4%), Russia (12,03%), China (8.66%), Italy (5,41%) and France (4,18%). Ukraine's share in Poland's exports is 2.46%.

It is important to mention that Germany has been the leading trade partner for Poland for the last 18 years. Russia plays an important role in Poland's imports. The reason for it should be found in imports of gas. However, this share has been constantly falling for the last years.

Russia is the leading Ukraine's trade partner according to the Governmental bureau of statistics in 2013. Russia concentrates 23.02% of Ukraine's exports. Among the other trade partners the following ones may be pointed out: exports – Kazakhstan (3.47%), Poland (3.89%), Germany (2.43%), Turkey (5.91%), Italy (4.18%) and China (4.49%); imports – Russia (29.31%), Belorussia (4.72%), France (2.67%), Italy (2.51%), Germany (8.55%), Poland (4.94%), Turkey (2.4%) and China (11.75%). Poland's share in Ukrainian imports is 4.94%, exports – 3.89%. Trade relations are in favor of Poland.

Table 3

Geographical structure of Poland's and Ukraine's export-import turnover

Poland's export: 1. Germany – 26.12%; 2. United Kingdom – 6.45%; 3. Chezh Republic – 6.25%.	**Ukraine's export**: 1. Russian Federation – 23.02%; 2. Turkey – 5.91%; 3. China – 4.49%.
Poland's import: 4. Germany – 22.34%; 5. Russian Federation – 12.03%; 6. China – 8.66%;	**Ukraine's import**: 1. Russian Federation – 29,31%; 2. China – 11.75%; 3. Germany – 8.55%.

Note. The Table is based on information from National Bank of Poland and National Bank of Ukraine

It is quite an interesting fact that both countries have almost similar pattern of import in the terms of trade partners. There are two main features. First of all, import of oil and gas plays an important role in trade relations of both countries. Second of all, the largest regional neighbor executes the role of the leading trade partner of Ukraine and Poland.

G-4 ratio in geographical terms of Ukrainian exports and imports is 37,6% and 54,55% in accordance. Poland is characterized with the following values – 44,93% and 48,43% in accordance. Therefore, Poland is characterized with a higher degree of geographical concentration of exports-imports operations. Especially it is related to exports, where 26,12% is related to trade relations with Germany.

It is also important to mention the following thing. Gravity of both countries to their biggest and most economically powerful neighbors is observed. Russia and Germany is meant. In fact, these countries are centers of commercial gravity in appropriate areas – Western and Eastern Europe.

An important task is to evaluate the role for national economies, which is played by exports-imports operations. Export quota for Ukraine was 50,92% in 2012. Import quota was 51,22% in 2012. Poland's export and import quotas were 46.17% and 46.31% in accordance in 2012. Thus, national economy of Poland is less open and, respectively, less vulnerable in the modern conditions of globalization, what is an important conclusion for the further research. Also, both countries can be considered as small open economies. Countries with a small open economy are considered as the so-called price takers in international trade. It means that such countries are not able to affect prices in international trade, they simply accept existing terms of trade. Respectively, such countries, including Poland and Ukraine are really vulnerable to fluctuations of international conjuncture. Also, international relations play an important role in development of national economies.

The following indicator that characterizes external operations of both countries is dynamics of foreign direct investments. For the period of independence Ukraine has mastered almost $54.5 billion of foreign direct investments. Mostly Ukraine gets foreign direct investments from Cyprus (31.7%), Germany (11.6%), Netherlands (9.5%) and Russia (7%). Native investors invest their money mainly in Cyprus (89.2%) and Russia (5%)1. The overall amount of Ukraine's investments abroad for the period of independence is only $6.5 billion. Generally, we can say that the native citizens (economic agents) do not invest abroad. All the existing amounts are the result of seeking schemes for optimization and maximization of financial flows. Moreover, significant amount of foreign direct investments is, in fact, money of native businessmen that try to cover financial flows from taxation. It is a great methodological and theoretical challenge to evaluate real amount of foreign direct investments in Ukraine.

Poland as for third quarter of 2012 has got more than $183 billion of foreign direct investments. Germany, Luxemburg and Spain are among the main investors in Poland's national economy according to National Bank of Poland. Here it would be reasonable to say a few words about the so-called built-in stabilizer of Poland's national economy, which allows effectively influence conditions of external equilibrium. The so-called free economic zones are meant.

> According to the National bank of Poland foreign direct investments for 6 months of 2009 were 962 mln Euro. Herewith choosing a place of realization of an investment project, foreign investors prefer the so-called free economic zones. Despite the fact that privileges that exist in such zones were significantly limited from 2001 to meet requirements of EU, interest to realize some projects on their areas has not decreased. Thus, Poland experience shows that free economic zones can effectively exist in EU and be powerful instrument of attraction of foreign investments (Ukrexport).

[1] Data of Governmental bureau of statistics as for the end of 2012

Respectively, free economic zones play the role of peculiar autonomous instrument of involvement of foreign investments, what positively influence conditions of external balance. Free economic zones were used by Ukraine in the past. However, their efficiency was low, since they were mainly used as an instrument of optimization of taxation once again. That is why they were cancelled by respective regulative bodies.

Thus, we have managed to justify similarity of characters of external relations of both countries. Among the main features and similarities of both countries in the area of international relations the following ones may be pointed out:

1. Ukraine and Poland are small open economies, which are vulnerable to fluctuations on international markets. Moreover, they are the so-called price takers on international business arena;
2. International area and relations play a crucial role in development of national economy of both countries;
3. Poland and Ukraine have quite similar geographical and commodity structure of export and import operations;
4. Both countries can be called as net creditors, according to conditions of their current account for the last several years;
5. The global financial crisis has significantly damaged conditions of national economies of Poland and Ukraine. The most severe consequences were depreciation of national currency, decline of GDP, negative state of balance of payments;
6. Taking into account all the mentioned information, it is possible to say that there are a lot of similar factors that define conditions of balance of payments of both countries. Respectively, it is possible to suppose that balance of payments of both countries may be characterized with similar regularities.

Finally, it sounds reasonable to study experience of both countries to find some effective and common instruments of management of balance's of payments fluctuations and its impact on national economy.

According to definition of International Monetary Fund "Balance of payments is a statistical report, which systematically summarizes for some particular period of time economic operations of national economy with rest of the world".

Thus, technically balance of payments is an accounting report, which reflects transactions of a country's residents with nonresidents. Balance of payments reflects character and orientation of external performance of a country, the degree of its integration into international economy, external balance or imbalance of national economy. Besides, according to conditions of balance of payments, it is possible to judge the overall state of a national economy.

Ukraine has experienced surplus of balance of payments from 2000 to 2007. The biggest surplus was in 2005 (22.43% of GDP), because of the record inflow of foreign direct investments in the amount of $7.5 billion. Deficit of balance of payments, caused by the global financial crisis was in 2008 and 2009. The biggest deficit was in the third quarter of 2009 - $12 173 million or 19.47% of GDP.

Talking about correspondence of current account and capital account, it is essential to mention that, starting from 2005 capital account has been making bigger contribution in inflow of foreign currency in the country, since balance of exports-imports operations has been negative in Ukraine during that period. It has happened mainly because of activation of dynamics of inflow of foreign investments in Ukraine after political and economical success of 2004-2005.

The current account has been negative from 2006, what is caused by prevalence of imports over exports. Generally, it can be explained by the growth of prices of oil and gas, which are imported by Ukraine and also by liberalization of imports of the last years. However, it had been possible before to keep positive balance of payments thanks to inflow of foreign capital, what has become impossible in the conditions of the global financial crisis. It is more reasonable to talk about outflow of foreign investor from a national market. Additionally, conditions of international markets have been not favorable for Ukraine's export after the global financial crisis. Correspondence between current and capital account of Ukraine's balance of payments is provided on the following Figure.

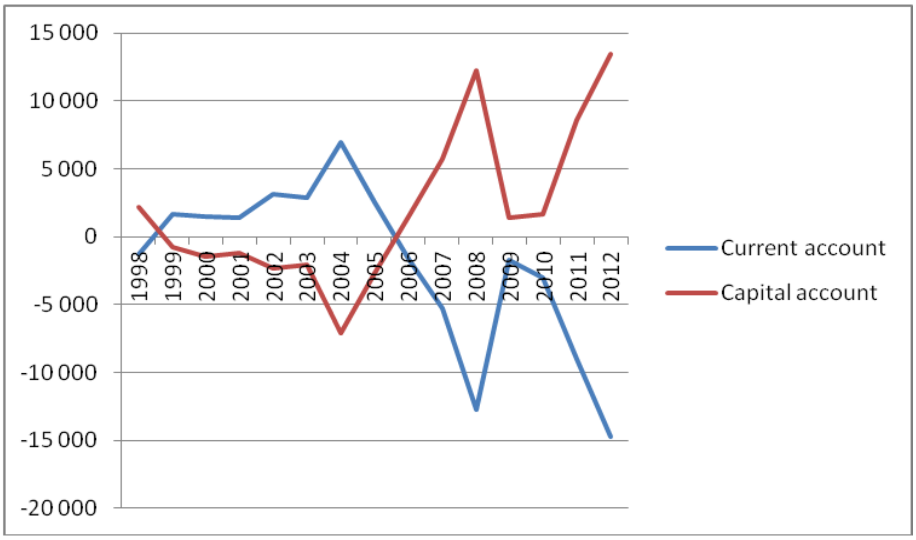

Figure 3. Dynamics and correspondence between Ukraine's current and capital account of balance of payments

Poland, except of 2001 and 2008, has also experienced stable surplus of balance of payments. The biggest surplus was in 2007 (2.99% of GDP) and the biggest deficit was in 2008 (0.78% of GDP). Balance of the current account is negative as in Ukraine. Thus, it is possible to conclude that both countries are net importers in commodity terms. One more time significant inflow of foreign currency in countries is guaranteed by foreign investments and external borrowings. Correspondence between Poland's current and capital account is provided on the following Figure.

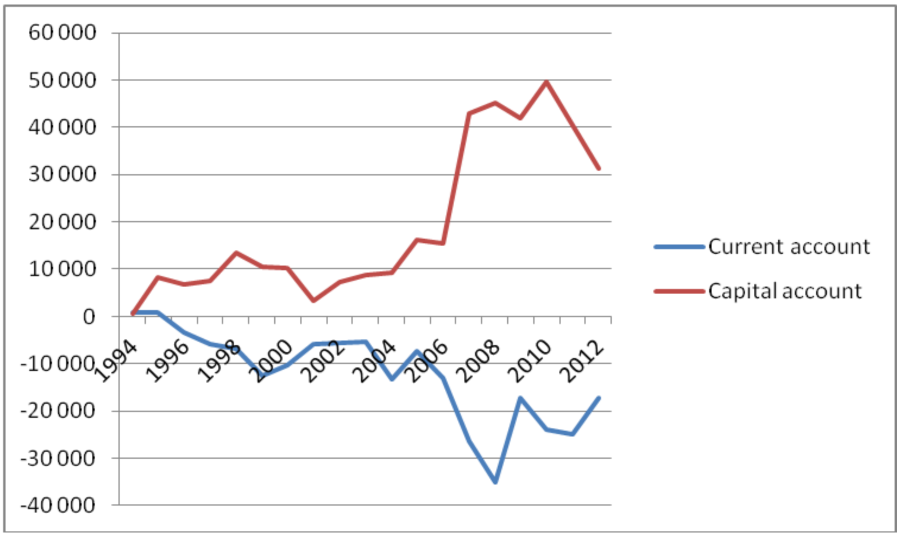

Figure 4. Dynamics and correspondence between Poland's current and capital account of balance of payments

Analyzing dynamics of Poland's balance of payments it is impossible to miss the following fact. Positive changes with capital account have happened after 2004, when Poland became a member of European Union. For instance, foreign direct investments have doubled from 2004. Thus, entrance to integration association like EU not only puts forward a lot of challenges to a national economy, but also provides instruments of financial management and management of a real sector, what should become an additional argument for Ukraine on its way towards European community. The following Figure describes dynamics of balance of payments of both countries.

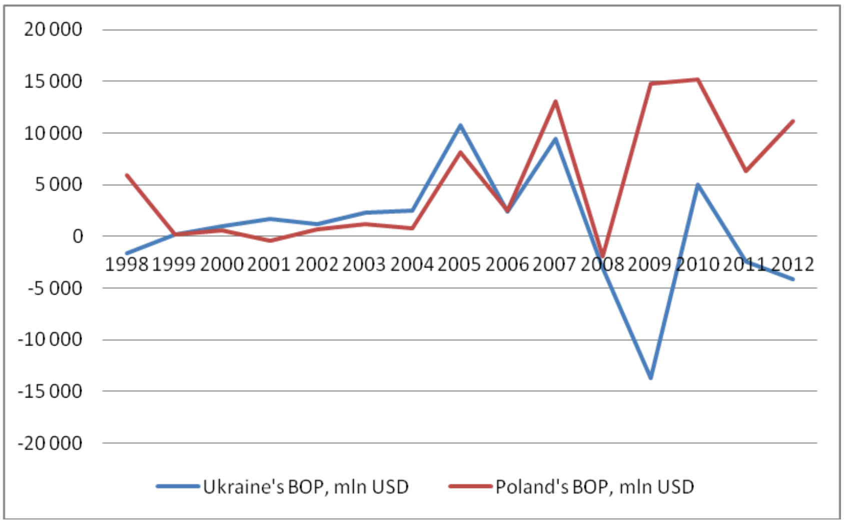

Figure 5. Dynamics of Poland's and Ukraine's balance of payments

As it can be seen from the picture Ukraine's and Poland's dynamics are almost similar. Fluctuations of balance of payments of both countries are practically identical. Very vivid differences are in 2009. Probably, Poland has managed to enter the way of stabilization of external relations sooner than Ukraine. There are a few reasons for such situation.

As it can be noticed from discussion above, crucial role in negative condition of balance of payments has been played by the current account. There are two opposite approaches to relation between state of current account and state budget. One of them claims that deficit of state budget will, in the end lead, to increasing deficit of the current account.

> A variety of models predict a positive relationship between government budget balances and current accounts over the medium term. Overlapping generations models suggest that government budget deficits tend to induce current account deficits by redistributing income from future to present generations (see Obstfeld and Rogoff, 1998). Furthermore, in the absence of a full Ricardian offset via private saving, an increase in the government budget balance could lead to an increase in national saving. In developing economies, where more agents may be liquidity constrained, this relationship might be expected to be stronger (Chinn et al., 2003, p. 50).

Generally, negative conditions of the current account of balance of payments mean that both countries use this deficit to finance growing consumption. According to Atish (1995), deficit of the current account can be used as one of the instruments to smooth consumption in a long run, especially in the conditions of lack of internal financial resources, what is intrinsic to the unstable economic systems.

Moreover, as it has been mentioned above specialization of Ukraine in international trade is mainly based on the goods with low value added. Markets of such goods are characterized with high degree of fluctuations. That is why Ukraine is more vulnerable to changes of international conjuncture than Poland. Also, such deficit of the current account cannot be called as self-efficient. Ukraine is forced to borrow a lot in order to finance the growing pace of consumption. It leads to significant levels of governmental and overall debt of the country.

Ukraine, unlike Poland, is characterized with more problematic correspondence between external debt and GDP. However, there is no need to talk about possibility of default right now. The actions of the last 3 years have proven ability of Ukrainian companies, financial and governmental institutions to negotiate with their creditors. That is why it is possible to forecast improvement of situation with external debt of Ukraine in the conditions of improvement of situation on international markets.

However, it may be more difficult for Ukraine to return trust of investors, since the country is characterized with worse institutional and investment climate, than Poland. For instance, such issues as corruption, low degree of development of financial infrastructure, political instability are typical features of Ukrainian business environment.

Generally, the expenditures, related to balance of payments adjustment, are higher in Ukraine. Reduction of official reserve assets is a great evidence for this argument. Decline of official reserves of Poland was only 5.423% in 2008. Official reserves of Poland grew for 29% in 2009. Ukraine has experienced decline of 16.83% for the last two years. Therefore, it is possible to consider that Poland has broader reserves in order to balance fluctuations of external area. On the other hand, Ukraine is forced to apply for help of international financial institutions, for example, IMF. In turn, it puts forward new challenges to national economy of the country. According to the last agreements with IMF, Ukraine is going to reform its pension system and adjust utility rates in accordance with market conditions.

Looking at Polish statistics, it is an obvious fact that entrance to EU was a factor that provided a significant boost for a national economy. The size of export and investments has grown significantly after the entrance. Probably, it was among the main factors that have helped Poland to overcome the crisis faster and in a more effective manner than Ukraine. In turn, Ukraine is currently facing a lot of obstacles from Russian Federation that tries to convince the country that its entrance to EU is not needed.

Ukrainian exporters bring the highest share of currency to the country. Taking into account high degree of openness of a national economy, it means its great dependence of conjuncture of international commodity and financial markets. Poland, having lower exports quota, is characterized with lower dependence on earnings of exporters, what creates better conditions for stabilization after the global financial crisis.

It is important to mention that Poland actively uses such item of financing of own needs as external loans and bonds of public and corporate sectors. It is caused by a higher level of institutional attractiveness of a national economy of this country and its lower credit risks as borrower on international financial markets. Alas, political, institutional and economic hazards do not allow Ukraine count on such trust of international community, what also affects possibilities of a government to influence the external balance. According to Bird (1997) countries that have free access to international financial markets have broader instruments of influence on balance of payments adjustment.

Analysis of a balance of payments without consideration of its influence on other sectors of a national economy is senseless. It is essential to evaluate influence of a balance of payments on the exchange rate of national currencies of both countries. There is a negative correlation between balance of payments and exchange rate of a national currency in Poland. Devaluation of zloty was 67.1% in a peak period of the global financial crisis. The exchange rate has begun to strengthen in the conditions of improvement of a balance of payments. Ukraine is also characterized with a negative correlation between the exchange rate and conditions of a balance of payments. Devaluation of UAH was 65.6% in a peak period of the crisis. Positive balance has allowed the country to keep stable exchange rate of a national currency for years. It is not surprising that the exchange rate has been affected by falling inflow of foreign currency from operations of exporters during the global financial crisis.

It is q well-known fact that exchange rate is probably the main indicator for performance of national economic agents. That is why its fluctuations destroy all the guides for making effective decisions. It creates negative long term consequences for national economy.

Stable deficit of the current account forces Ukrainian government to look for financial support on international arena. Debt burden for the country is constantly growing. It distracts money from development of national production and realization of social initiatives.

Finally, negative international conjuncture leads to fall of production by Ukrainian manufacturers. It causes growing unemployment and budget problems. It is not surprising that pace of growth of the country's GDP was really modest in the last years.

Conclusions

The following conclusions can be made, basing on the previous research. First of all, Ukraine and Poland are countries, which are quite similar in the terms of a character of external operations, dynamics of balance of payments, etc. The countries have quite similar commodity and geographical structure of exports-imports operations. Both countries tend to their direct and economically powerful neighbors. Both countries are net importers in commodity terms. Financial account plays an important role in balance of payments. Also, both countries are characterized with negative correlation between conditions of balance of payments and the exchange rate of a national economy. Those are the reasons for a similar dynamics of balance of payments. Moreover, both countries can be called as unstable economic systems, which definition was provided in the article.

However, both countries have the different possibilities to influence a balance of payments. Poland has better instruments, and, as a result, this country has better possibilities to enter the way of stabilization after the global financial crisis. That is why it is very important to study experience of this country for the purpose of its usage for stabilization process in Ukraine.

Because of existence of certain stabilization factors (built-in stabilizers) Poland has managed to enter the way of restoration of external balance. Among these factors the following ones may be pointed out: lower degree of openness of a national economy, membership in a large and powerful integration, a higher rating of a country and its financial institutions on international markets, lower correspondence between external debt and GDP, etc. In turn, Ukraine is characterized with raw orientation of export, higher degree of dependence on international markets, low quality of business environment, etc. That is why the overall conclusion that can be made is that Ukraine has to rebuild foundations of its national economy in order to reach balance in external area. Generally, the external imbalance has internal origin.

Tasks of the further researches will be analysis of efficiency of the mentioned built-in stabilizers and degree of their influence on conditions of national economy of unstable economic systems.

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