supply of capital. Indeed, as the data presented indicate, it is important to consider the underlying cause of the trade deficit. According to the most commonly accepted economic approach, in a world with floating exchange rates and the free flow of large amounts dollars in the world economy and international access to dollar-denominated assets, macroeconomic developments, particularly the demand for and supply of credit in the economy, are the driving forces behind the movements in the dollar's international exchange rate and, therefore, the price of exports and imports in the economy. As a result, according to this approach, the trade deficit is a reflection of macroeconomic conditions within the domestic economy and an attempt to address the issue of the trade deficit withoutaddressing the underlying macroeconomic factors in the economy likely would prove to be of limited effectiveness.

In conclusion, the nation's net international investment position indicates that the largest share of U.S. assets owned by foreigners is held by private investors who acquired the assets for any number of reasons. As a result, the United States is not in debt to foreign investors or to foreign governments similar to some developing countries that run into balance of payments problems, because the United States has not borrowed to finance its trade deficit. Instead the United States has traded assets with foreign investors who are prepared to gain or lose on their investments in the same way private U.S. investors can gain or lose. It is certainly possible that foreign investors, whether they are private or official, could eventually decide to limit their continued acquisition of dollar-denominated assets or even reduce the size of their holdings, but there is no firm evidence that such presently is the case.

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MERGERS AND ACQUISITIONS IN EUROPE

It is now a well-known fact that mergers and acquisitions (M&As) come in waves. Golbe and White (1993) were among the first to observe empirically the cyclical pattern of M&A activity. Thus far, five waves have been examined in the literature: those of the early 1900s, the 1920s, the 1960s, the 1980s, and the 1990s. Of these, the most recent wave was particularly remarkable in terms of size and geographical dispersion. For the first time, Continental European firms were as eager to participate as their US and UK counterparts, and M&A activity in Europe hit levels similar to those experienced in the US. It is widely believed that the introduction of the Euro, the globalisation process, technological innovation, deregulation and privatisation, as well as the financial markets boom spurred European companies to take part in M&As during the 1990s. Mergers and acquisitions (M&A) form an important part of companies' strategies. The possible motives for M&A are varied. They include:

- A search for efficiency gains through new combinations of material and immaterial assets;
- A drive to increase market shares and market power;
- A desire to safeguard access to important inputs;
- A search for access to new technologies and know-how;
- A drive to gain access to new customer groups or new geographic markets;
- A desire for diversification.

M&A merit special attention, because they affect all of us in the EU, whether we are consumers, entrepreneurs, academics, regulators or policymakers. Consumers may or may not benefit from mergers and acquisitions. The pooling of assets through M&A can lead to efficiency gains, with benefits to consumers if the gains are passed on in the form of lower prices, higher quality or new products and services. However, if mergers and acquisitions are not controlled by an effective competition policy they may lead to excessive market concentration and anti-competitive behaviour, so that consumers find themselves paying higher prices or faced with poorer quality goods and services. Businesses, for their part, need to follow M&A activities in order to respond to new economic conditions and changes in the strategies of their competitors, which often involve mergers and acquisitions. The importance of M&A can be seen from the extremely high ratio of cross-border M&A values to foreign direct investment worldwide (over 85% in 2000). Multinationals, in particular, need information on where, in what form and why competitors are investing so that they can make effective investment decisions themselves. Lastly, academics, regulators and policymakers need to understand companies' strategies and their impact on economic performance so that they can design and implement policies which will help increase prosperity and raise living standards over time.

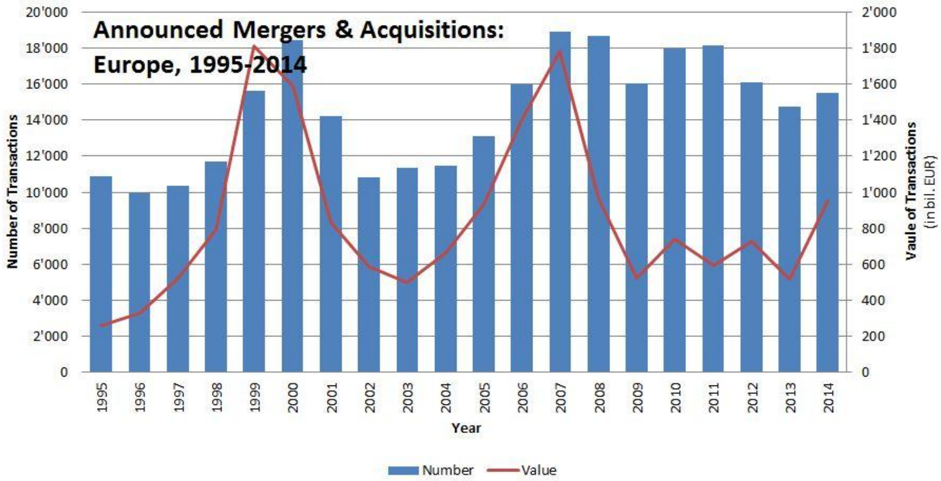

Fig. 1. Mergers and acquisitions in Europe.

Source: [compose by author by: http://www.imaa-institute.org/statistics-mergers-acquisitions.html]

The bulk of European M&As of the 1990s was expected to improve efficiency as they triggered substantial share price increases at the announcement, most of which were captured by the target-firm shareholders. We find large announcement effects (of 9%) for the target firms compared to a statistically significant announcement effect of merely 0.5% for the bidders. Including the price run-up, the share price reaction amounts to 21% for the targets and 0.9% for the bidders. However, we show that market expectations about takeover profitability depend on the different attributes of the bids. For instance, the type of takeover bid is an important determinant: hostile takeovers trigger substantially larger price reactions to the target shareholders (15.5% on the event day) than friendly M&As (3%). This stands in marked contrast with the share price reaction of bidding firms: a hostile acquisition triggers a negative abnormal return of -0.4% whereas that of a merger or friendly acquisition generates a positive abnormal return of 0.8%.

MANGU KAMARA

ECONOMIC RELATIONSHIP BETWEEN UKRAINE, AFRICA AND THE MIDDLE EAST

The role and place of this region in the modern system of international political, economic and security co-ordinates define the importance of Ukraine's relationship with the Middle East.

Mutual aspiration of Ukraine and Middle Eastern countries to promote relations is evidenced from their broad diplomatic presence: Ukraine has its Embassies in Jordan, Iraq, Israel, Kuwait, Lebanon, Qatar, Saudi Arabia, Syria, the United Arab Emirates, and the Representative Office of Ukraine functions in the Palestinian National Authority. Iraq, Israel, Kuwait, Lebanon, Palestine, Qatar, Saudi Arabia, Syria and the United Arab Emirates have established their Embassies in Kyiv.

Ukraine's interestedness in expanding trade and economic cooperation with the countries of the region is prompted by their relative geographic proximity, strong demand for Ukrainian products (mainly metals and agriculture, chemical industry and mechanical engineering), and the possibility of diversification of energy sources, significant investment potential.