

# The possibilities of Ukraine as a production area for EU and the world

**Volodymyr Vlasjuk**

CEO, Ukrainian Industrial Expertise  
Expert of the Reanimation Package of Reforms

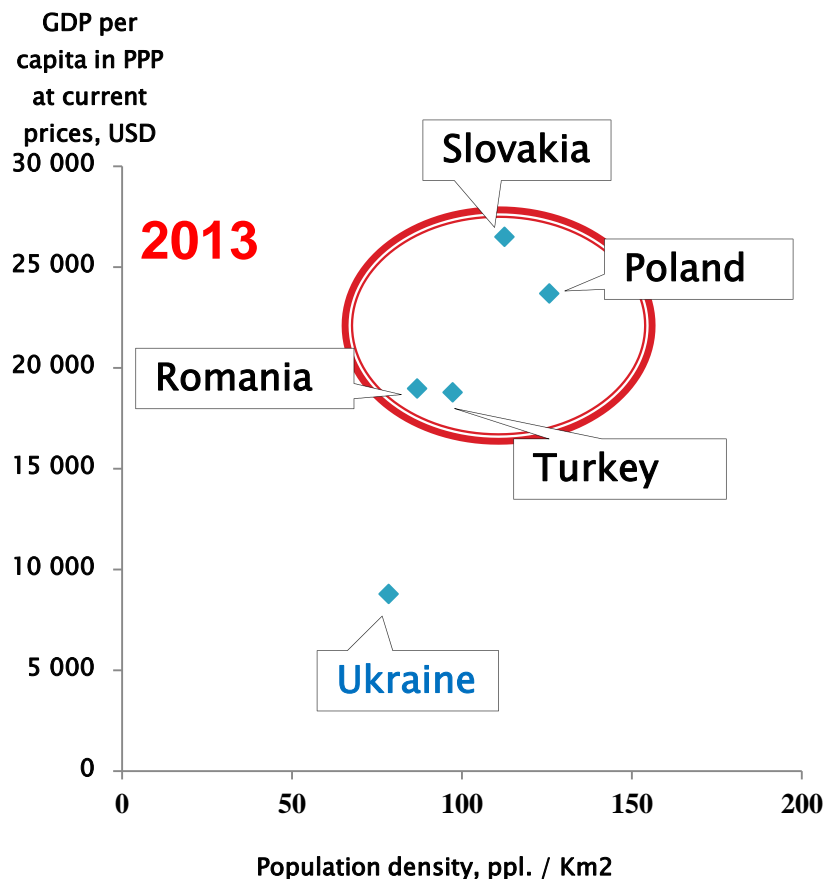
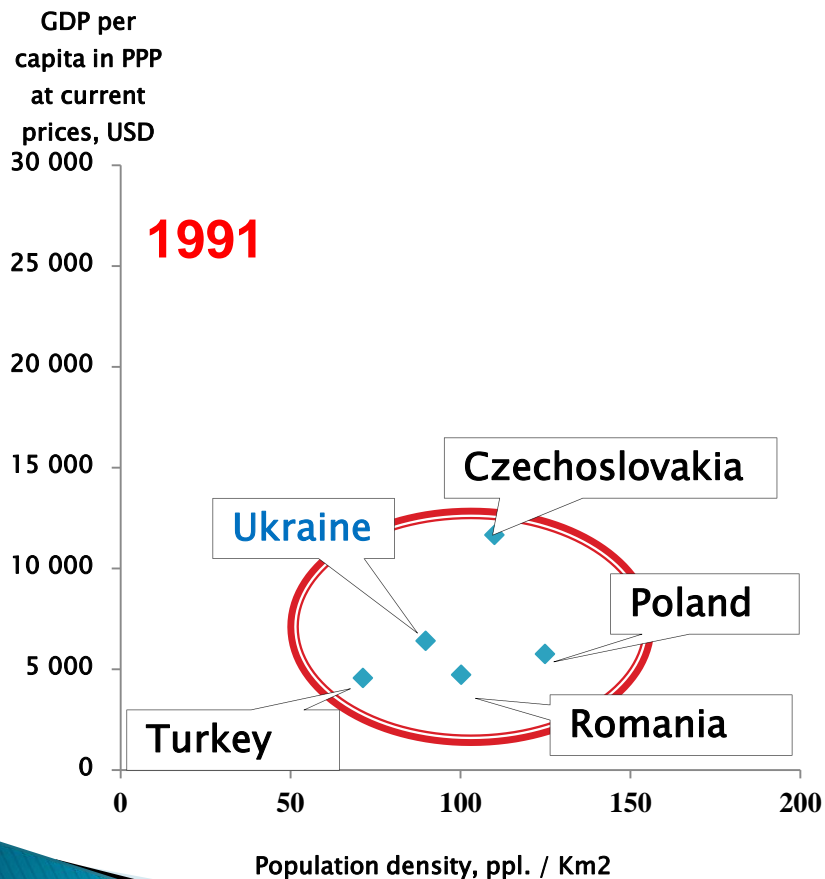


# The copyright owner is SE “Ukrainian Industry Expertise”

Printing, copying and distribution of materials is prohibited without written permission of the SE “Ukrainian Industry Expertise”. Quote SE “Ukrainian Industry Expertise” as a source of information. SE “Ukrainian Industry Expertise” does not bear responsibility for unauthorized actions associated with the spread of this document or any of its parts. Unpermitted distribution (including transferring printed document or scanned copies, sending the document as a whole or its parts, saving document on the server) is a violation of copyright law and may be subject of a lawsuit.

Production decline is one of the biggest risk for Ukraine.  
To overcome the gap from neighbouring countries  
Ukraine needs 7–8% of sustainable GDP growth

## GDP per capita and population density in some countries in 1991 and 2013



Source: World Bank

# We consider the following ingredients of sustainable growth

- ▶ Restructuring of industrial production, furthermore the development of manufacturing industry
- ▶ Export development, particularly due to integration into the global value chains (GVC)
- ▶ Infrastructure development in particular of energy and transport networks

# Ukraine will change the structure of the economy using the following strategic advantages:

- ▶ Rich sources of natural rent (for example minerals, grain, wood);
- ▶ Convenient geographical location: bordering to the EU, access to the sea, chain between Europe and Asia;
- ▶ Not expensive and skilled labor force;
- ▶ Capacious domestic market;
- ▶ A number of favorable external circumstances – EU–Ukraine Deep and Comprehensive Free Trade Area (DCFTA); growth of demand on emerging markets; tendency to site new production facilities outside China.

Plentiful natural resources provides the great possibilities for the value added activities

- ▶ **Agricultural soil** → wheat → flour → gluten, sugar syrups → citric acid, lysine
- ▶ **Industrial wood** → semi-finished wood → wood products → construction wood, carpentry → furniture
- ▶ **Iron ore** → metals → machine building
- ▶ **Geographical location** → logistics (transit) → tourism
- ▶ **Human resources** → engineering and design specialists → IT specialists ...



Location in the center of Europe with access to the sea gives Ukraine substantial logistic advantages for export to EU as comparing with Asian countries

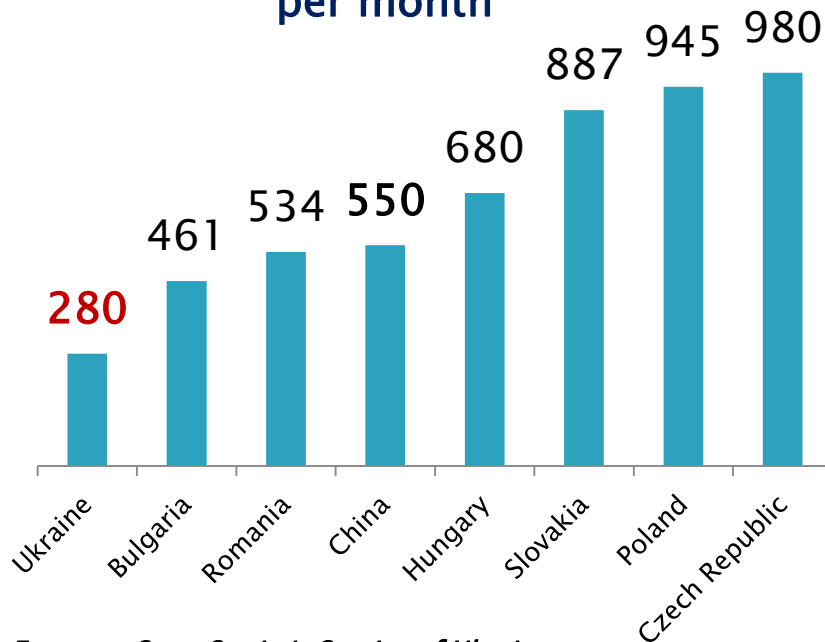
## 7 Time and cost of delivery 40 foot container from China and Ukraine to the EU



Source: Maersk

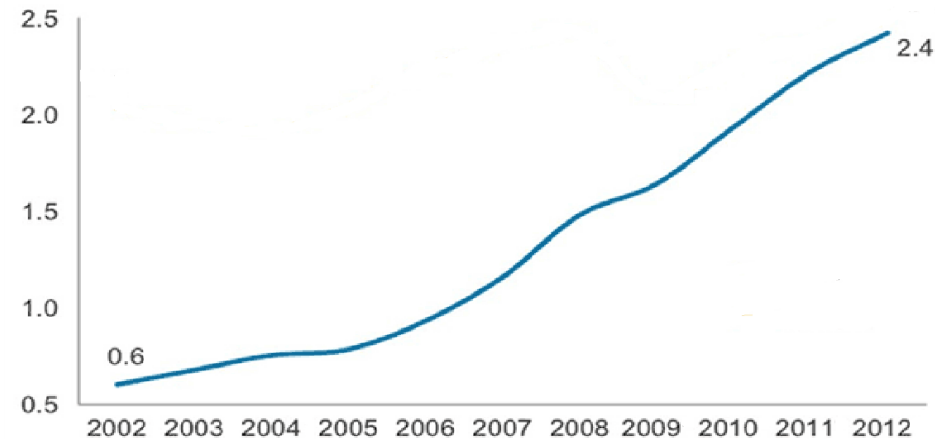
# Labor force in Ukraine is competitive in cost, level of education and qualification

The average monthly wage in Ukraine, Eastern Europe and China in 2014, USD per month



Source: Eurostat, State Statistic Service of Ukraine

Manufacturing wages in China in 2002–2012, USD per hour



Source : ILO, SHCP, Morgan Stanley

Current literacy rate in Ukraine is an estimated 99.5%. Nearly 50% of total population have vocational education and 27% – higher education. Each year, vocational education (vocational schools, technical schools, colleges) produce ~ 650 thous. experts, higher education institutions – ~ 400 thous. specialists.



# Ukraine proposes huge opportunities for the investment:

The most perspective spheres are:

**Energy efficiency**

**Agricultural products  
processing**

**Energy infrastructure**

**Production clusters**

**Transport  
infrastructure**

**IT sector,  
telecommunications**

**Waste recycling**

# FEU and UEX has performed special study to identify the most attractive products for investments

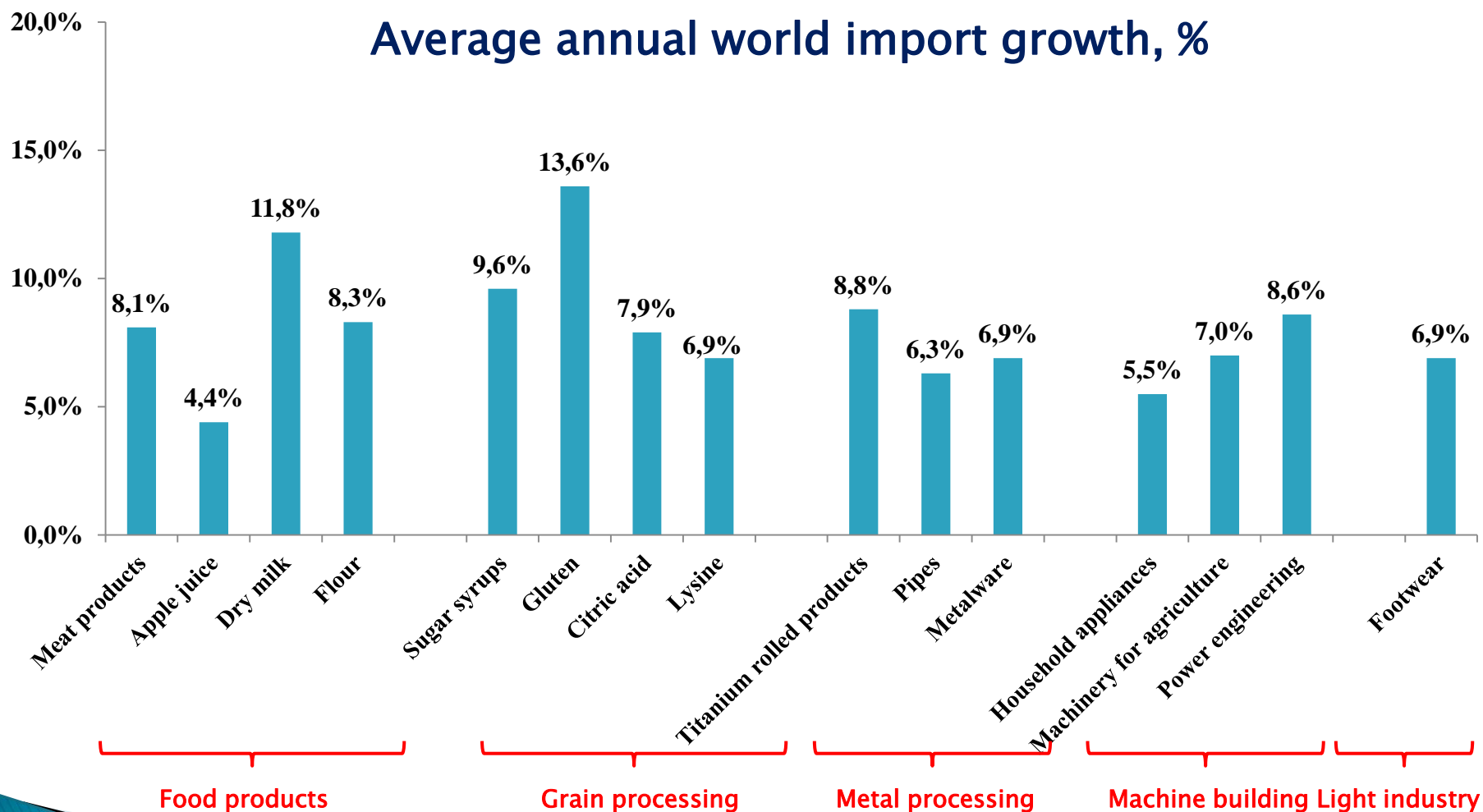
Methodology of rating of products perspective to production in Ukraine includes three groups of indicators :

- ▶ The total volumes of markets: growth rates and volumes of world imports, the volume of EU imports (including current positions of China and Ukraine in it) and the volume of Ukrainian imports.
- ▶ The availability of necessary raw materials and components for production.
- ▶ The existence of relevant production competencies, particularly skilled workforce.

# Ukraine proposes attractive conditions to produce a number of products strongly demanded in the global market

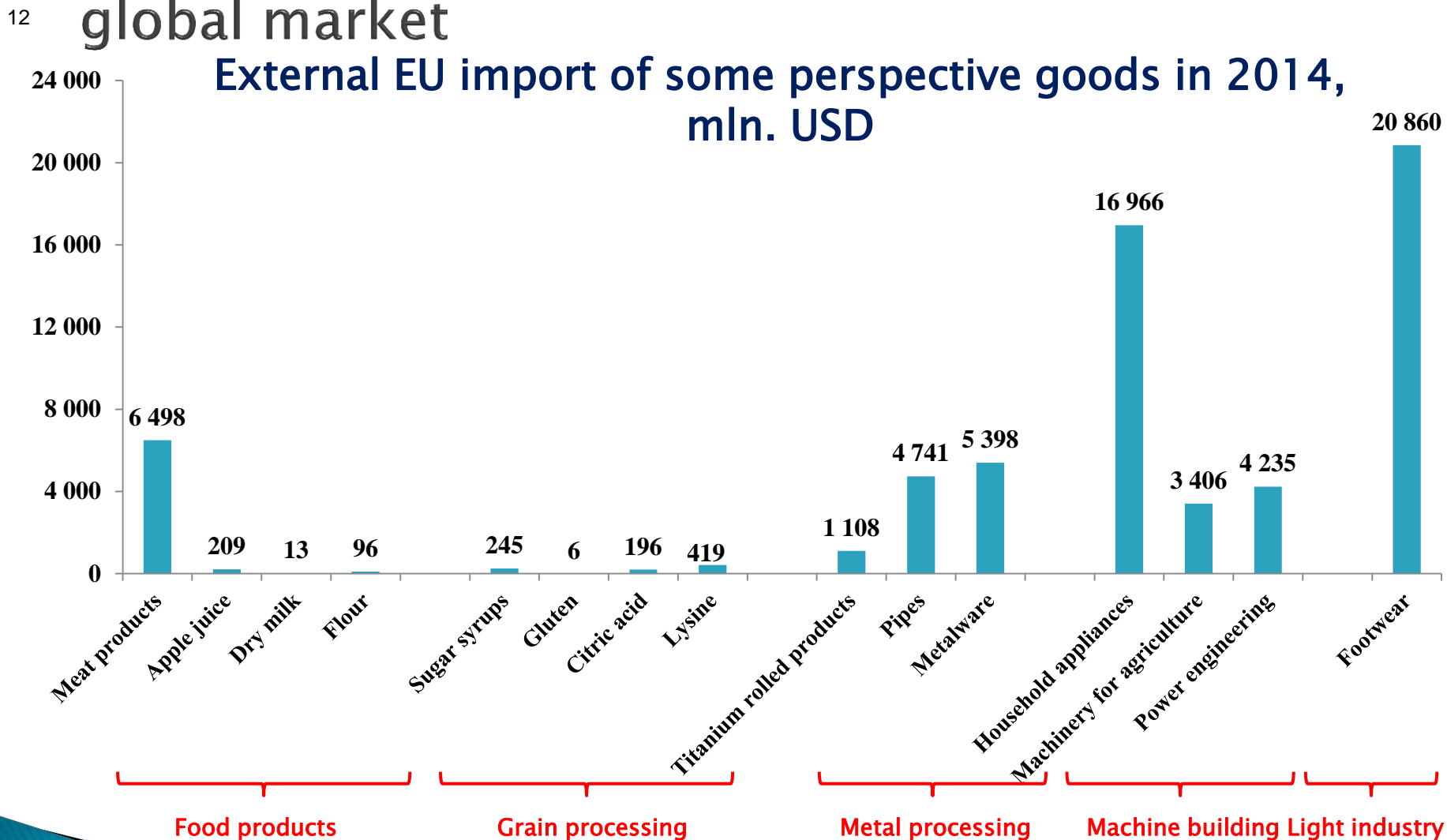
11

Average annual world import growth, %



# Ukraine proposes attractive conditions to produce a number of products strongly demanded in the global market

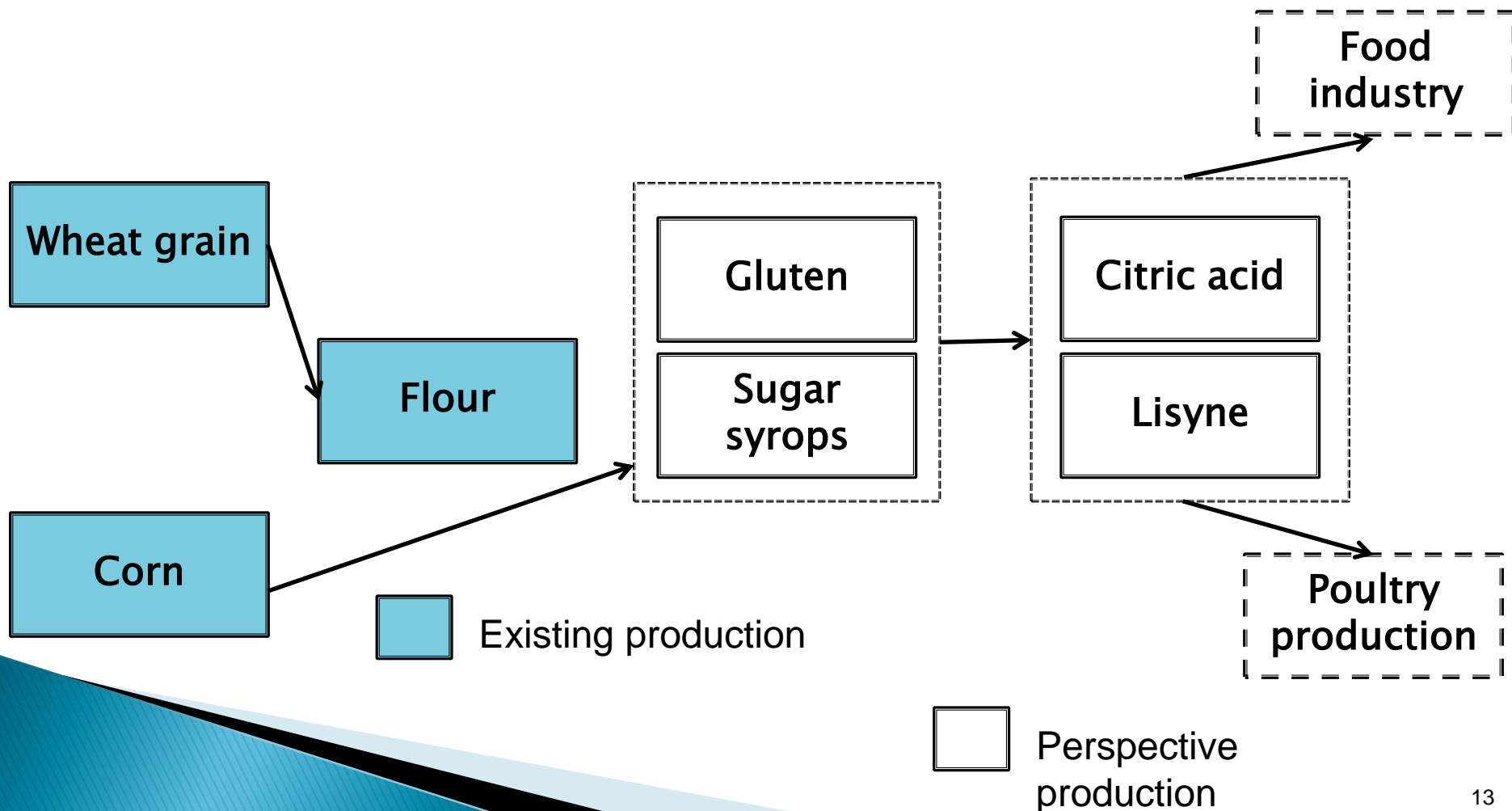
**External EU import of some perspective goods in 2014, mln. USD**



Source: Eurostat

The abundance of raw materials creates opportunities for new value added activities. Grain based value added chain is one of the most spectacular examples

## Grain processing value chain using industrial biotechnologies





# The efficiency of investment projects in Ukraine overcomes world's averages

Product	Project efficiency (EBITDA/sales), %	
	World's average	Ukraine
Meat products	17%	34%
Apple juice	42%	
Dry milk	22%	28%
Flour	26%	
Sugar syrups	29%	32%
Gluten	29%	32%
Citric acid	27%	
Lysine	27%	
Pesticides	24%	
Titanium rolled products	29%	
Pipes	21%	
Metalware	28%	
Household appliances	20%	
Machinery for agriculture	25%	
Power engineering	21%	
Clothes and footwear	20%	

Source: UEX estimation

So now it's the time for those  
who are the most enterprising  
to come and share with Ukraine  
its opportunities and challenges

[www.expert.kiev.ua](http://www.expert.kiev.ua)