

Ukraine and the Global Economic Crisis

by

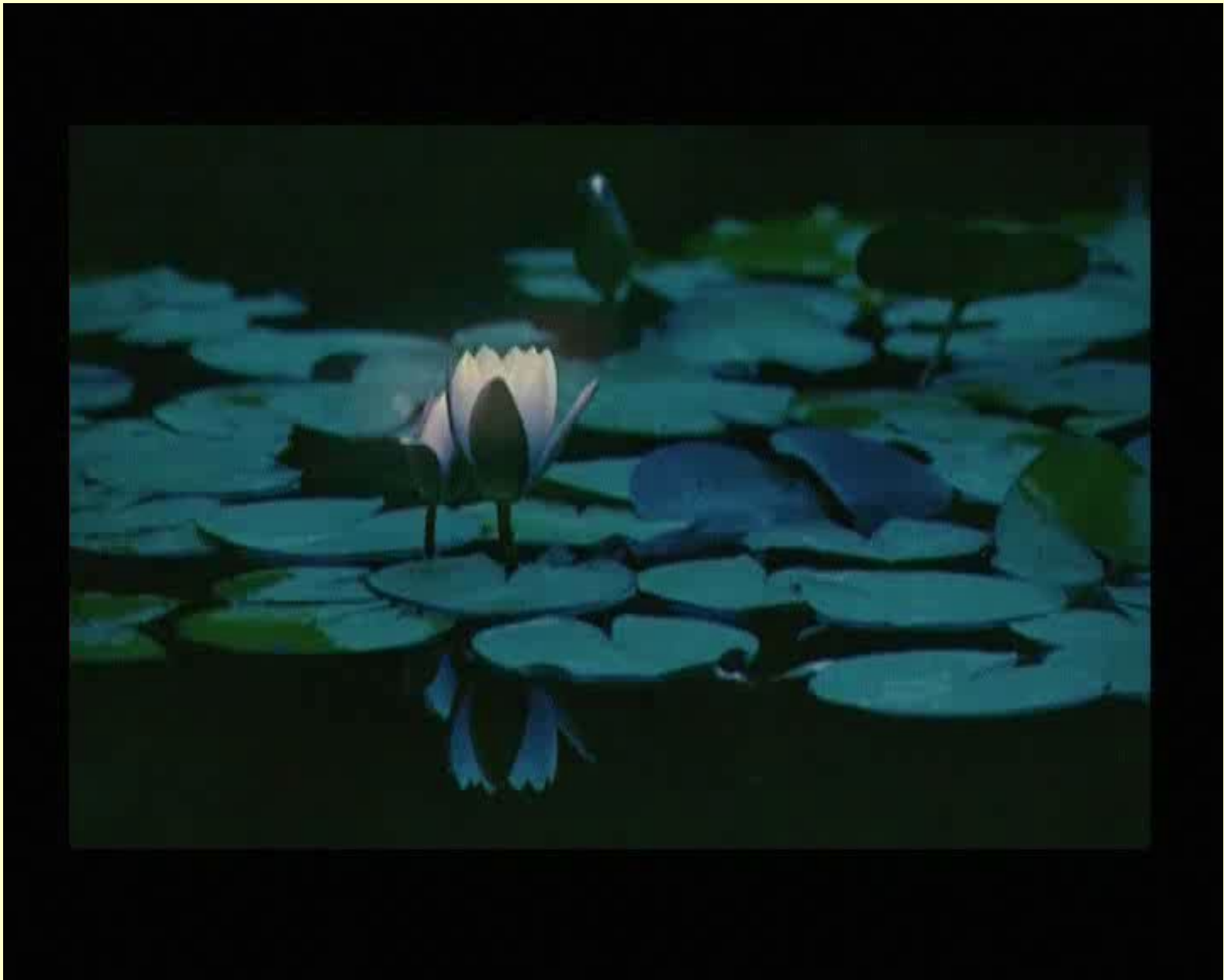
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Ambassador of Ukraine to Japan

23 October, 2009

The Structure of the Lecture

- 1. General information about economy of Ukraine.**
- 2. Ukraine and the global financial crisis.**
- 3. Cooperation with IMF and state anti-crisis measures.**
- 4. Current economic situation in Ukraine.**
- 5. Economic cooperation with Japan.**







General Information about Economy of Ukraine

Young and Ancient Ukraine



Independence

December 01, 1991 90% of Ukrainians voted for Independence



Administrative Map of the Soviet Union



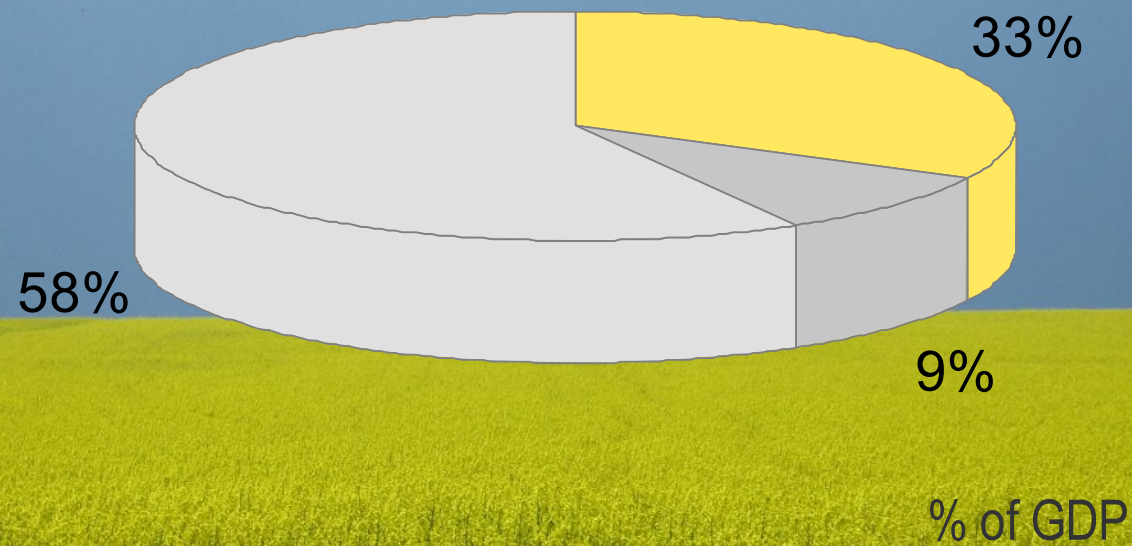
Economic situation in the 90's

- privatization
- attraction of foreign direct investments
- stabilization of financial and monetary system
- introduction a new currency - hryvnia in 1996



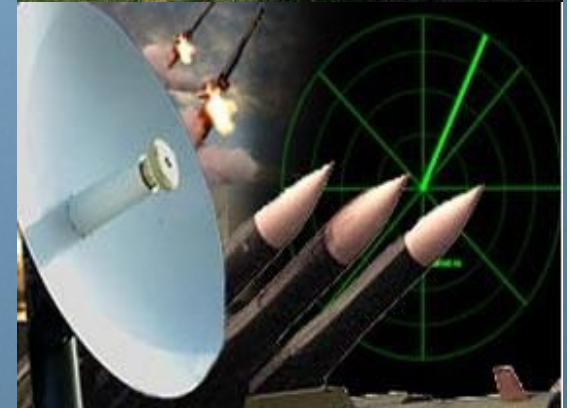
The Structure of Ukraine's Economy

Industry Agriculture Services

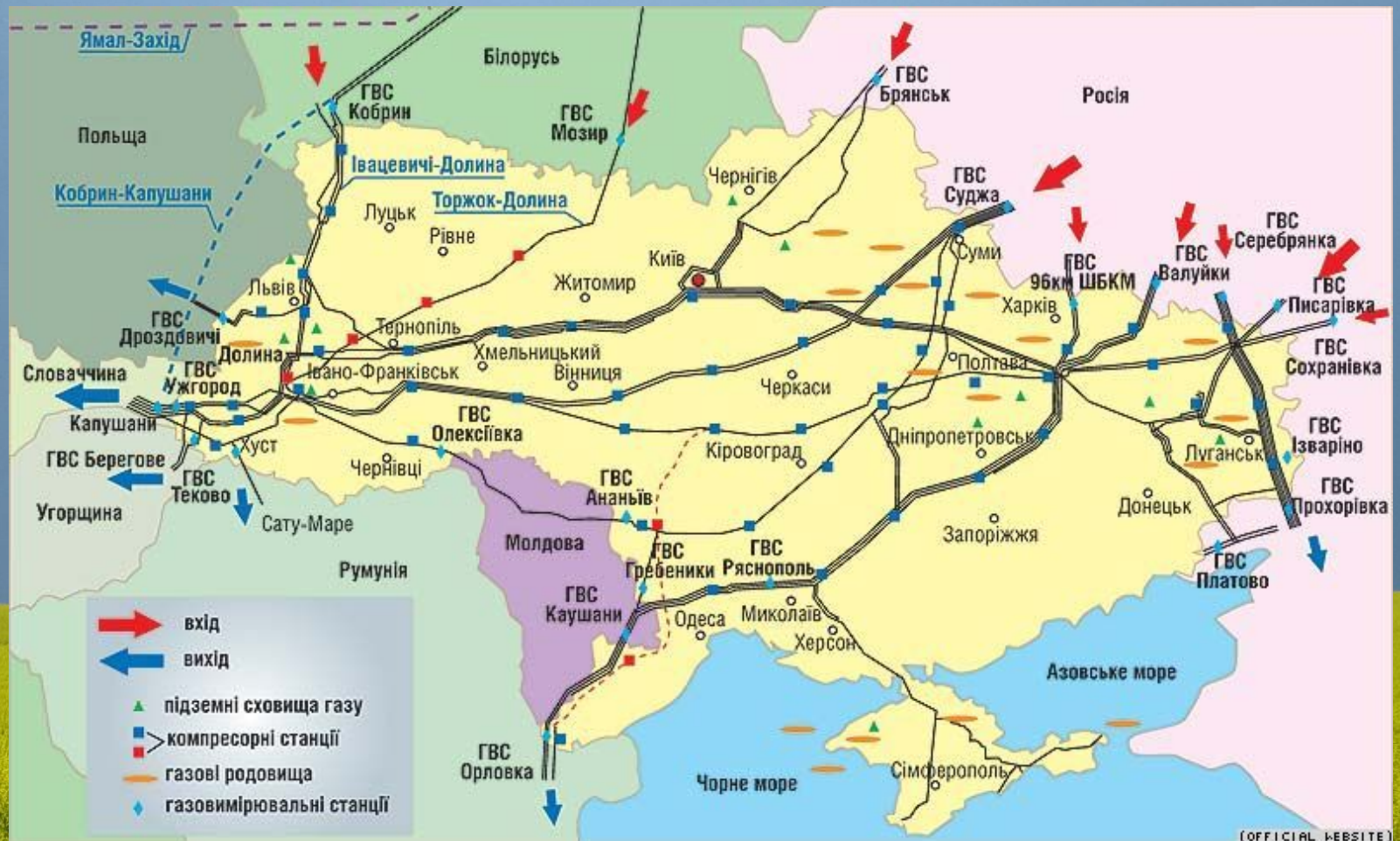


- Ukraine has a well-developed industrial base
- Rich farmlands
- Highly trained labor
- Good education system
- Ukraine has ferrous metal industry, producing cast iron, steel and a wide range of metalware, including pipes
- Ukraine is one of the world's largest steel producers
- Strong chemical and petrochemical industry producing coke, mineral fertilizers, acids, soda.
- Ukraine manufactures metallurgical equipment, diesel locomotives, tractors, automobiles.

- Ukraine possesses a massive high-tech industrial base, including electronics, arms industry, space program
- Ukraine is a major producer of grain, sugar, meat and milk products.



Ukraine transports gas from the Russian Federation to the European Union through its well-developed gas pipelines system





Ukraine is one of the 5 countries-leaders
in space research industry



The Antonov An-124 Ruslan was the
largest aircraft ever mass produced



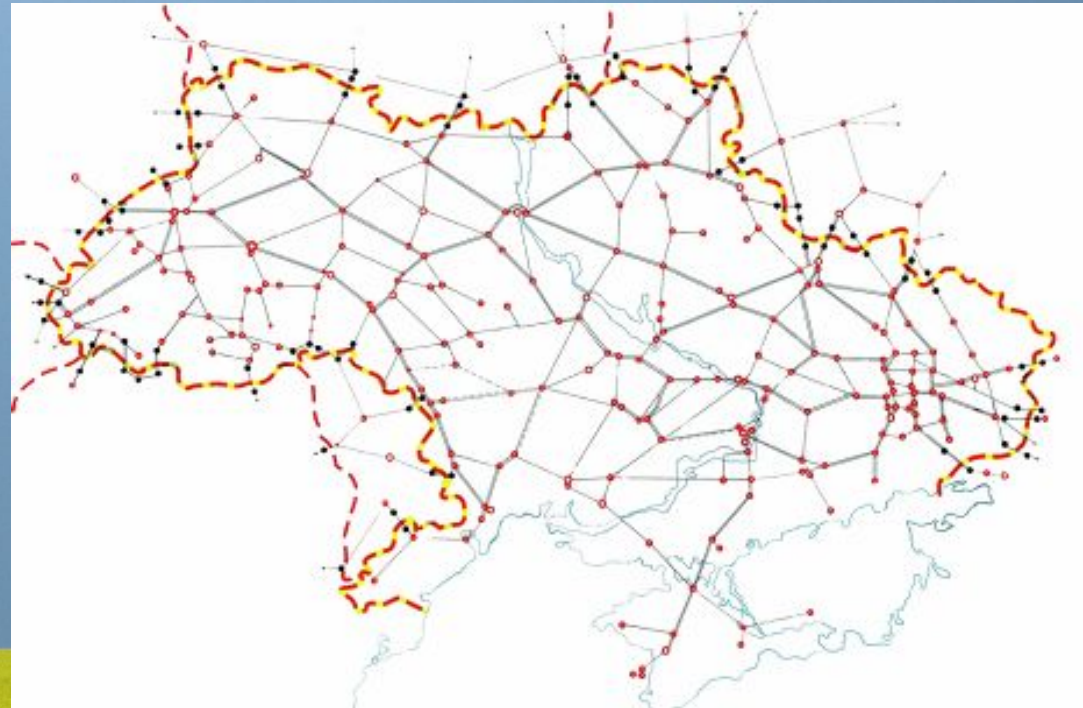
An-225 Mriya, the largest aircraft in production

Transportation Potential

4 of 10 European transport corridors run through Ukraine

Dense network of

- 273 700 km of highways
- 22 510 km of railways
- 4 500 km of water ways
- 42 900 km of pipelines
- 250 000 km of air routes



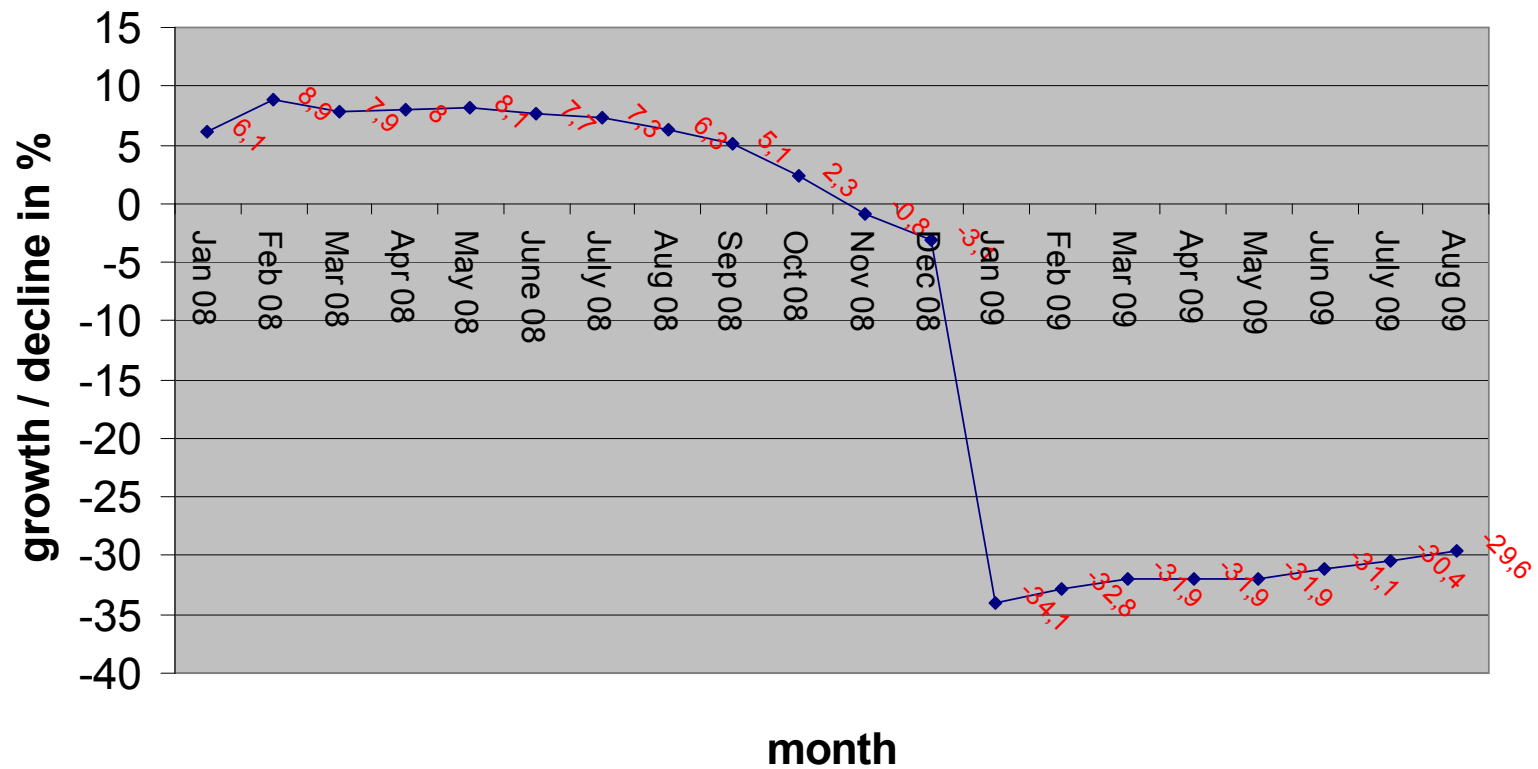


Ukraine and the Global Financial Crisis

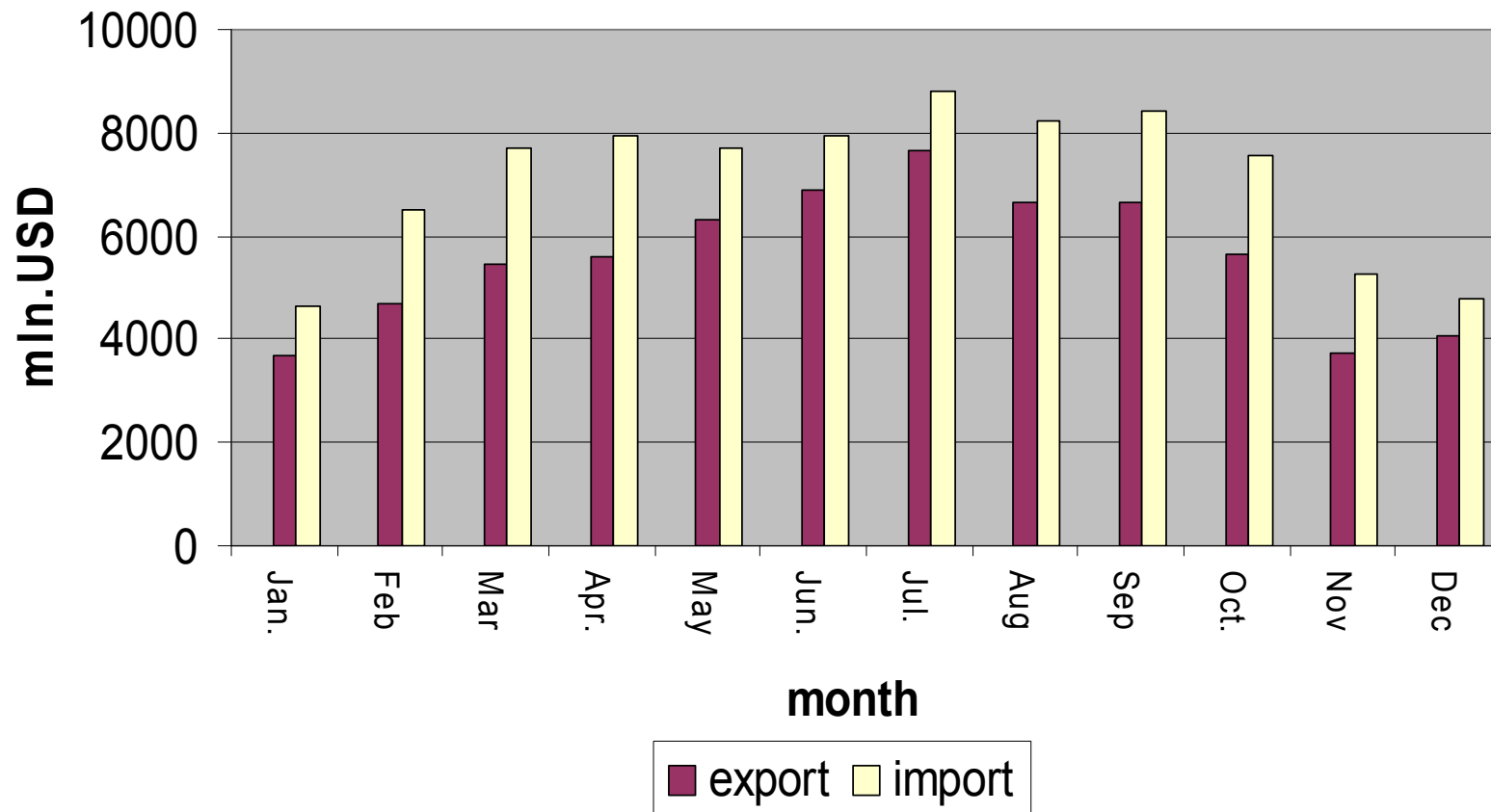
Triple shock under the influence of the global financial crisis

- 1) world prices for Ukrainian export goods, mainly metal and chemical products, sharply fell reducing the amount of foreign currency inflow.**
- 2) energy prices, especially prices for gas imported from Russia and Central Asia, significantly increased worsening our trade balance**
- 3) foreign capital started leaving the country causing troubles in banking sector.**

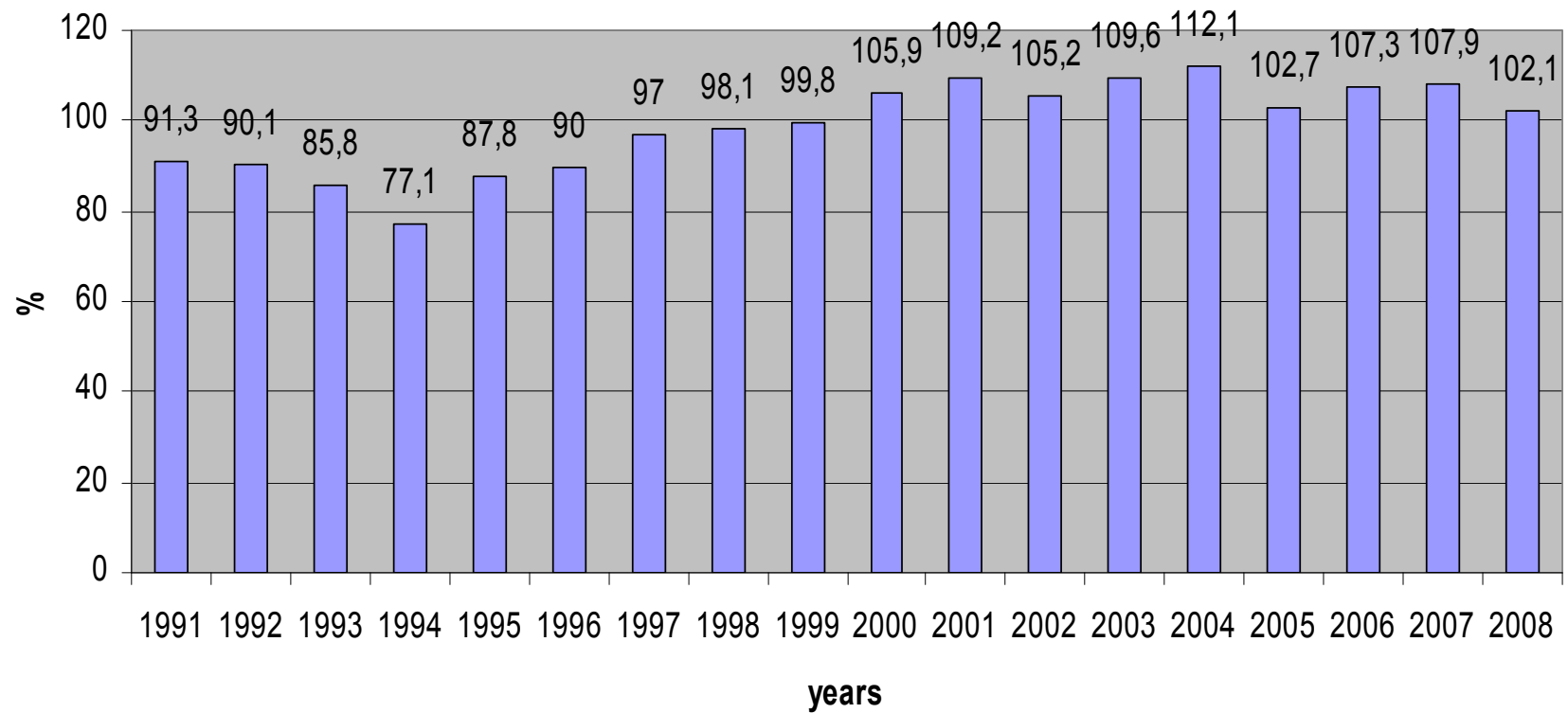
Monthly real growth / decline of industrial production, in % (2008 - 8 months 2009)

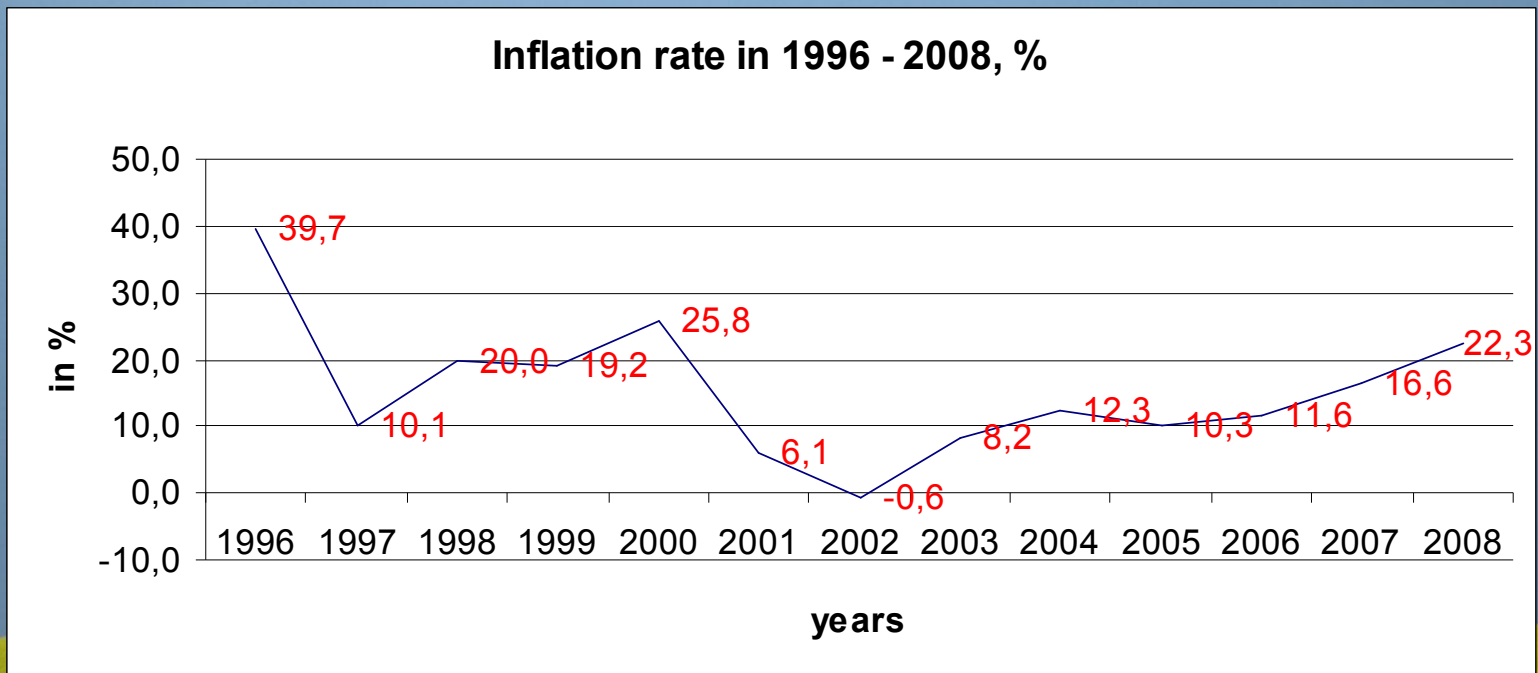


Monthly export and import of goods 2008

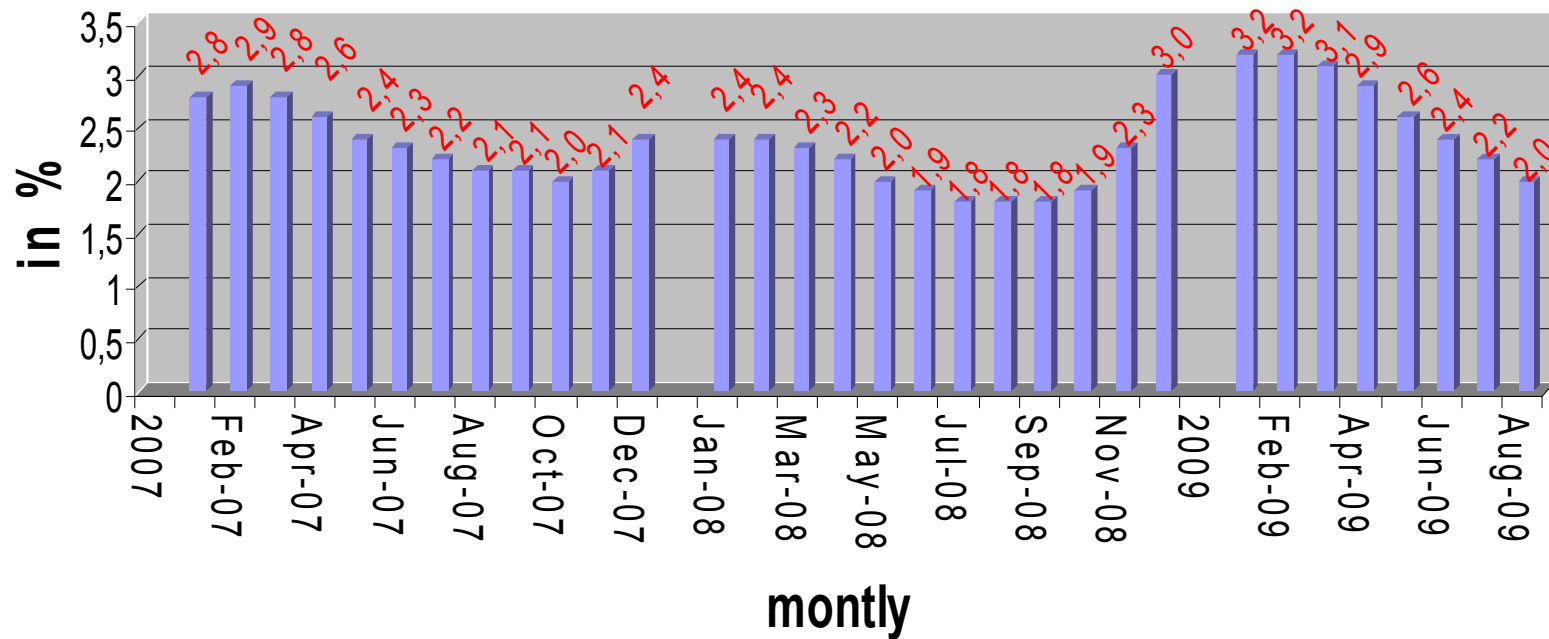


GDP growth





The unemployment rate in Ukraine (2007 - 8 month 2009), in %



Problems in financial and banking sectors

- Difficulties to access overseas loans for Ukrainian Banks;
- Depreciation of the Ukrainian currency hryvnia from 5 UAH/USD to 9-10 UAH/USD;
- Reduction of foreign currency reserves of the National Bank of Ukraine (NBU) from \$ 38 billion to \$ 32 billion;
- People started to withdraw bank deposits fearing collapse of the banking system

Banks' lack of liquidity and credit freeze



**Cooperation with IMF and
Anti-crisis Measures of the
Government**



November 2008 - IMF loan equal to 16,4 billion USD

November 2008 – First tranche of 4,5 billion USD

May 2009 – Second tranche of 2,8 billion USD

**July 2009 – Third tranche of 3,3 billion USD
fully covered by the Japanese
Government**

November 2009 – Forth tranche is expected

Main anti-crisis measures of the Ukrainian Government within the framework of cooperation with IMF

- **Implementation of flexible exchange rate regime**
- **Reduction of inflation by 17%**
- **Stabilization of banking system**
- **Reduction of budget deficit**
- **Recapitalization of banks**
- **Limitation of minimum and average public wage**
- **Balance of revenues and expenditures in financial plans of two main state enterprises – Naftogaz and Pension Fund**

Anti-crisis program of the Government of Ukraine "Overcoming the impact of the global financial and economic crisis and progressive development".

- filling the budget and cutting budgetary expenditures,
 - preventing lower incomes,
 - promoting entrepreneurship,
 - attracting investments,
- supporting the real sector of the economy.

Anti-crisis measures of the government (continuation)

Finance and banking

- establishment of Stabilization Fund in the state budget,
- increase of statutory capital of two state banks - OJSC Sberbank (a total of 13.9 bln. hryvnia) and OJSC UkrEximbank (up to 9.4 bln. hryvnia).

Social policy

- creation new jobs and public works.
- strengthening employers' responsibility for crimes in the workplace

Private business

- simplification of the procedure of cessation of business entities,
- simplification of the procedure of establishment of Limited Liability Company,
- temporal restriction of state supervision (audit) of economic activity of private companies,
- implementation of new electronic system of state registration of legal persons and natural persons, which will reduce registration procedures from 10 to 5-6

Anti-crisis measures of the government (continuation)

Investment promotion

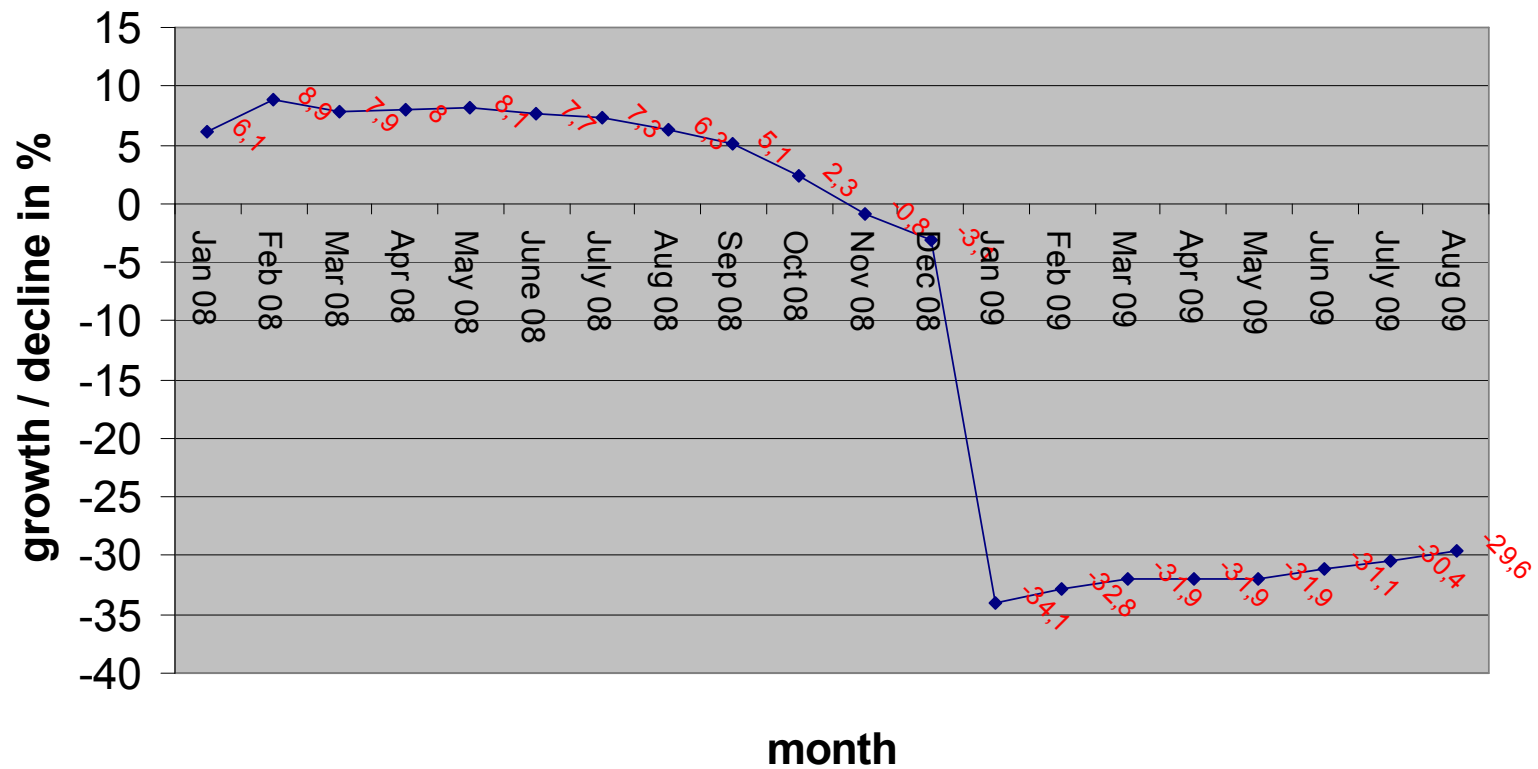
- Establishment of special fund for state guarantees for investment projects aimed at economic development of Ukraine;
- Establishment of National Agency of Ukraine for Investments and Development.

Export promotion

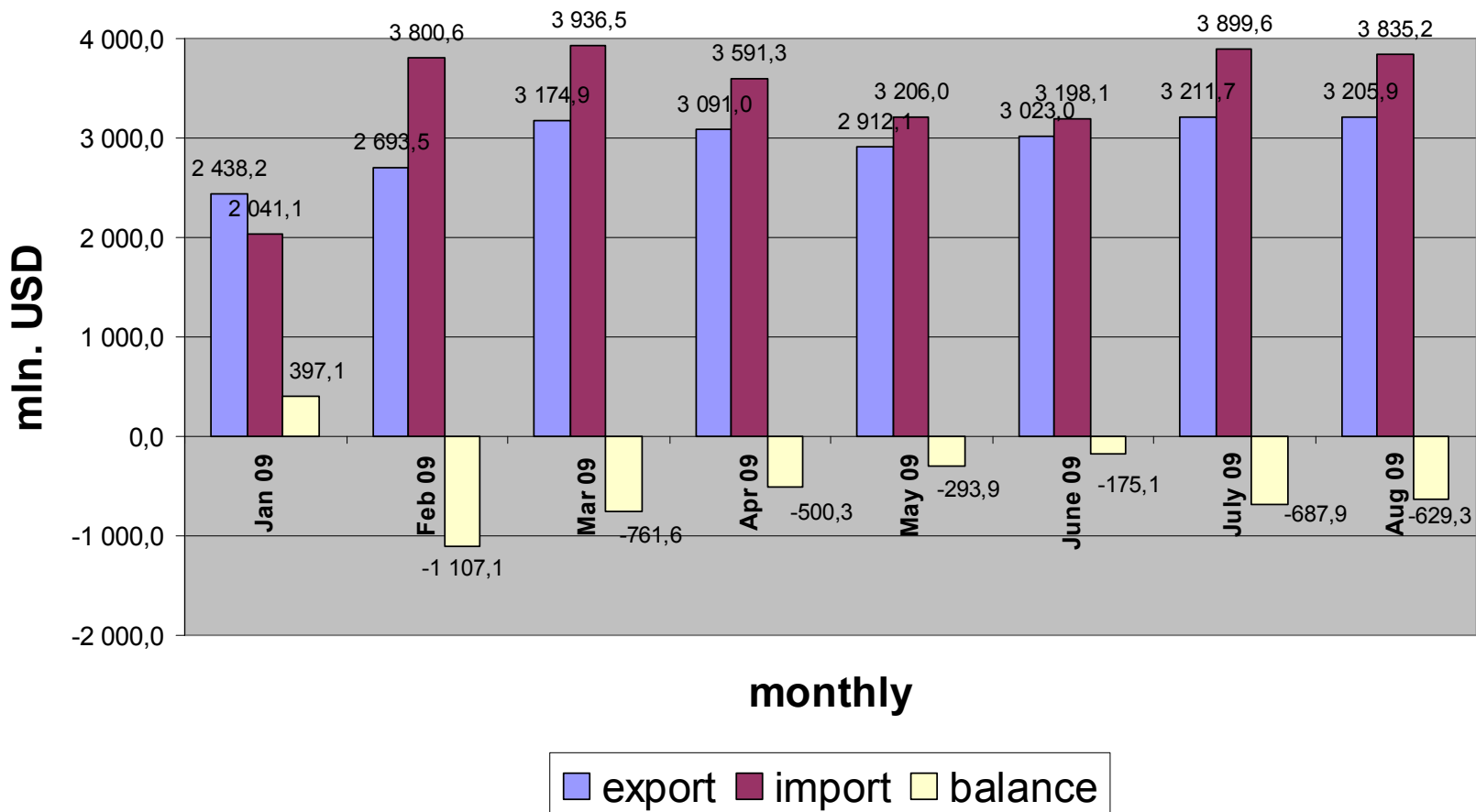
- Draft law on system of export is credit and export insurance;
- Establishment of Council of Exporters under the Ministry of Economy

Current Economic Situation

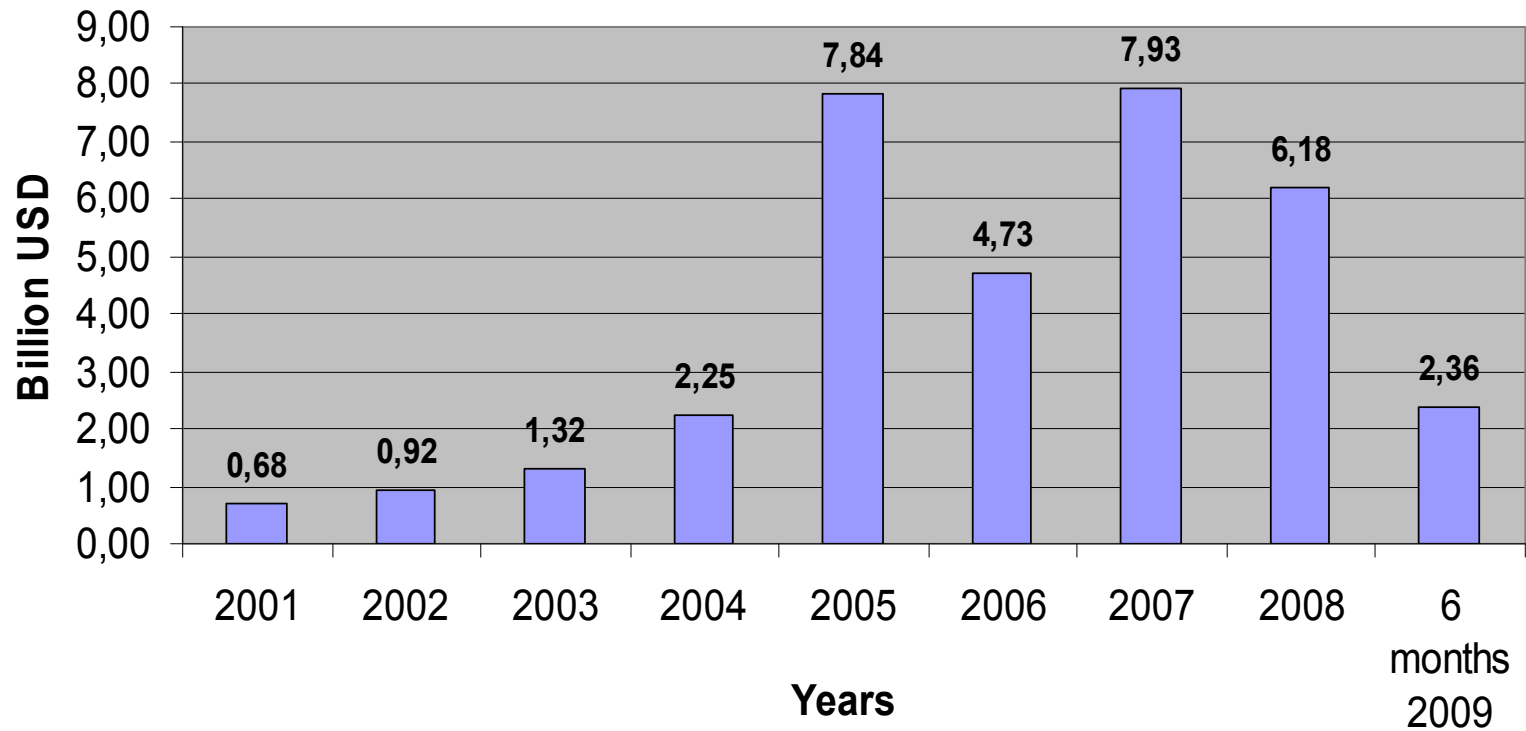
Monthly real growth / decline of industrial production, in % (2008 - 8 months 2009)



Monthly volume of foreign trade in 2009



Net annual inflow of FDI, billion USD



Foreign Direct Investment Climate in Ukraine

The foreign investments due to the world economic crisis by the end of June increase by 6,6% in FDI to Ukraine.

The total volume of FDI was about 38 billion USD or 823,9 USD per capita.

Net growth of FDI for the first half of this year amounted to 2,36 bln. USD.

Major investors were Cyprus, Germany, Netherlands, Austria, United Kingdom, Russian Federation, France, United States etc.

Prospective areas for foreign direct investments

Agriculture

- Around 25% of the world black soil.
- Ukraine grows wheat, maize, buckwheat and other corn, red and green vegetables, all kinds of fruit, melons and berries.
- 2008 – biggest grain crop in the history, 53 mln.t.
- Export potential - 20-25 mln. t annually.

Infrastructure

-Construction of highways, stadiums, airports, hotels, railway reconstruction, technical refit of local TV and radio companies, reconstruction of student dormitories, creation of modern public transportation systems, as well as development of essential infrastructure in the cities of Kyiv, Lviv, Dnipropetrovsk, Donetsk, Odesa, Kharkiv, Symferopol, and at their neighbor areas.

Implementation of energy-saving technologies

- Reduction of import of traditional energy sources.
- Introduction of energy saving technologies in metallurgy, chemical industry, housing and communal services.



Economic Cooperation With Japan



Cooperation within the framework Of Kyoto protocol

Green Investment Scheme

In March, 2009 - Agreement on the purchase of AAU under the green investment scheme between Japan and Ukraine for the total amount of 300 million euros. Ukraine became the first country with which Japan signed such agreement.

Joint Implementation Scheme

- Recycling and utilization of methane gas in Zasyadko Coal Mine (together with Marubeni corporation)
-
- Production of electricity using blast furnace, converter and coke oven gas at the Alchevsk Metallurgical Plant (together with Sumitomo and Mitsubishi Heavy Industries)
-



**Official Development Assistance program (ODA)
(Reconstruction of the biggest Ukrainian airport “Boryspil”)**



Bilateral trade



- During the 2005-2008 total trade turnover between Ukraine and Japan increased by 6 times;
- In 2008 bilateral trade turnover increased twice and reached the biggest figure in the history of our relations - 2.9 billion USD.
- In 2008 Japanese import, which mostly consisted of cars and autoparts, amounted to 2,8 billion dollars, reflecting the growing interest of Japanese companies in our country.
- Ukrainian main export goods to Japan are aluminum, ferroalloys, dried milk and grain

24 companies with the Japanese capital are operating in Ukraine

All biggest Japanese companies such as:

- Mitsubishi,
 - Marubeni,
 - Mitsui,
 - Itochu,
 - Sojitz,
 - Sumitomo,
 - Mitsubishi Heavy Industries
- have representative offices in Ukraine.



Ukraine-Japan cooperation in agricultural area

This year Ukraine supplied corn and wheat to the Japanese market.

In the previous years Ukraine was one of the major suppliers of milk powder.

Ukraine is a breadbasket of Europe and one of the biggest exporters of grain in the world.

Japanese business is very interested in construction of grain elevators and terminals for grain storage.

There are also a lot of joint business opportunities in food processing industries, such as production of frozen bread, fruit and vegetables.



Thank you for your attention!

Q&A

