Taking centre stage

Ukraine finds itself in a special position where the future of the country will be determined in the coming months

UKRAINE IS the second largest country in Europe, a land of vast fertile plains of barley and wheat as well as heavy industry, with a population of more than 45 million. Once the economic lynchpin of the Soviet Union, today it is a country in transition, gradually shedding the legacy of the communist decades that have for too long held back its economic, political and social development, and seeking a brighter future for its citizens.

Since entering office in 2010, President Viktor Yanukovych has spoken of implementing a series of comprehensive economic, governmental and political reforms aimed at transforming Ukraine into a dynamic, free-market democracy.

Business and government leaders would like to see the pace of reform accelerated in 2012, with top priority given to changes aimed at facilitating enterprise and stimulating investment. Economically, the country is back on track after the global financial and economic crisis checked its run as one of Europe’s top emerging markets. In 2011, prices and tariffs increased by only 4.6 per cent, representing Ukraine’s lowest rate in the past eight years. Furthermore, GDP expanded by 2.2 per cent in 2011 – the highest figure in the region, beating an estimated 1.6 per cent for the EU and 4.5 per cent for CIS countries.

Economic growth, which is greatly aided by the country’s appeal for international business, is expected to be given an extra boost this year by Ukraine’s co-hosting of the 2012 UEFA European Football Championships in collaboration with Poland.

Key to Ukraine’s future is a pragmatic foreign policy and its relations with its neighbours. Ukraine should make use of its geopolitical advantages and become a bridge between Russia and the West.

Negotiations on an association agreement between Ukraine and the EU were completed at the end of 2011, but at the time of writing the deal was still waiting to be signed, delayed by the fallout from the imprisonment last October of opposition leader and former Prime Minister Yulia Tymoshenko. Proceeding with the agreement, which includes a comprehensive free trade area, is in the interests of both sides. For Ukraine, furthering political association and economic integration with the EU, its largest trade partner, would enhance the creation of a more predictable climate for doing business, attract new investments into the economy and take the country a step closer to eventual EU membership.

In an encouraging sign of faith, the European Bank for Reconstruction and Development (EBRD), the largest foreign financial investor in Ukraine, last year made its second-largest contribution since the start of its operations in the country in 1993, increasing its investment by 21 per cent, compared to 2010, with 41 new deals worth €1.02 billion (£843 million).

Andre Kuusvek, EBRD director for Ukraine, says: “We have increased the level of investment very significantly since the crisis of 2008-2009. Out of the total €7.2 billion of investment, half of that was done over the past three years, compared to the past 16 years before that. This demonstrates the commitment we have.”
UK-UKRAINE FRIENDSHIP CAN BENEFIT BOTH COUNTRIES

Major economic, political and social ties bind the two countries

When presenting his credentials in 2008, Leigh Turner, the UK Ambassador to Ukraine, declared: "What happens here is of immense significance for the UK, for Europe and for the world." Ukraine is important, strategically, economically and, crucially, as a source of future agricultural produce – it has 25 per cent of the arable land in Europe and 33 per cent of the black earth in the world. It is the largest country wholly in Europe and borders four EU member states. It is also the most democratic country in the Commonwealth of Independent States, having held four free and fair national elections since 2004.

Ukraine's population of 45 million people is a rapidly growing market for foreign countries. UK-based companies exported £3.45 billion of goods and services there in 2009 and have invested £2.376 billion (£1.55 billion) there since 1992.

The UK is the sixth largest foreign investor in Ukraine. The Ambassador says: "Ukraine is a valued friend and partner. We co-operate extensively and productively in international organisations such as the United Nations, the Organisation for Security and Co-operation in Europe, and the Council of Europe."

He is candid about problems, in particular a reported lack of independence of the courts. Nevertheless he has an abiding love of Ukraine and remains confident about the future.

INVESTMENT IN UKRAINE: MANY REASONS TO BE CHEERFUL

While enjoying growing assets, a diversified portfolio and high return on public funds, ITT Group is also confident the agricultural sector is set to boom

Despite possessing the backbone for a potentially strong economy – Ukraine is rich in resources, strategically located and endowed with an educated workforce – the nation is ranked 145th out of 183 countries in the World Bank’s ease of doing business index. However, this position is set to improve with new government measures to stimulate business development.

With upcoming events such as Euro 2012 set to take place in Ukraine, the country is set to take another step towards reaching its mass-market potential. Coupled with social ameliorations – such as the establishment of pension reforms – local, experienced companies such as ITT Group are prepared to set the lead in attracting and orienting foreign investment.

Opportunities exist for early birds. "Ukraine does offer tremendous opportunity for growth, and whoever invests now will get more benefits than those who come later," says Oksana S. Markarova, president of the ITT Investment Group (ITT), highlighting the importance of timing for successful foreign investments. ITT knows first-hand that the Ukrainian market can produce.

"We work more with foreign companies that come here," explains Ms Markarova, and comments on Ukraine's willingness to continue moving in this direction. "If you do this it can increase competitiveness." ITT, founded in 1993, is a consolidated 100 per cent Ukrainian-owned company that provides leading services of brokerage and investment banking, private equity, asset management and funds and investment consulting in Ukraine.

While the modest size of the Ukrainian market, the country boasts the benefits of not having fully merged into the European or World economy. "While we watched the crisis evolving in other countries it did not have that much of an impact on us," explains Ms Markarova.

"When something happens in London, it does not affect us too much." In the long run, this "isolation" as some might describe it, proved advantageous for the Ukrainian market as it is now at the forefront of investment targets. "When you do something in Ukraine you see the results of your work almost immediately," says Ms Markarova.

With a proven track record, today four core companies lead ITT's main lines of business: ITT-Invest, ITT-Management, ITT-Real Estate and ITT-Capital. "We work in accordance with international standards of governance and we are PricewaterhouseCoopers audited," says Ms Markarova.

Though the chemical industry and metal processing are the traditional sectors in Ukraine, for the future Ms Markarova envisions "the core sources for growth will come from agricultural business and food processing."
"Joining the EU will make us more open, democratic and competitive"

Roman Shpek, an expert on economic matters in Ukraine, comments on the economical climate surrounding its aim to become a member of the EU and form part of the G20

Reforms and dialogue are vital to progress

Bringing the way Ukraine does government, business and the law into line with Europe is a major challenge for the government and has spurred progressive changes

AN ADVISOR TO THE PRESIDENT and senior advisor at Alfa-Bank, Roman Shpek, feels that the International Monetary Fund’s support of Ukraine’s macroeconomic, fiscal, budget and policy is vital. "It is not just about access to money but it is about recognising economic reform as well," he says. "The President and the Independent National Bank are crucial for Ukraine. President Yanukovych correctly determined the course of reform and he determined the long-term goals.

Alfa Bank (Alfa), a Ukrainian universal commercial bank headquartered in Kiev that has been assigned ratings by Standard & Poor’s and Fitch Ratings CIS Limited, shares the national strategic goal of European integration, which Mr Shpek believes will lead to an improvement in "living standards and labour productivity, as well as environmental protection and healthcare, etc."

Mr Shpek is confident that "joining the EU will make Ukraine a more open, democratic and competitive state." The first necessary step however towards becoming a member of the common market will be to increase private investment in the country as, according to Mr Shpek, "Ukrainians do not just need money, we need new knowledge, new technology and access to new markets."

To achieve its long-term goal of forming part of the G20, Ukrainian market experts have calculated a required indispensable economic growth of 9 to 11 per cent. "We have the greatest potential in the agriculture sector. We need to attract investment banks and corporate banks, this will help to increase domestic consumption," says Mr Shpek.

According to Alfa’s senior advisor, to date approximately 68 per cent of Ukrainian GDP goes to exports, a positive contribution to the country’s economy, though domestic production and consumption have decreased.

Structural reform and privatisation to increase competitiveness could be key in drawing investments to boost domestic trade.

Regarding the issue of non-performing loans within the Ukrainian banking system, Mr Shpek affirms that the matter has been tackled and confidence in the sector restored. "The level of deposits in Ukrainian banks has increased significantly and the level of credits in the economy has increased as well. Now all banks and government officials are working together to reduce the level of non-performing loans,“ details Mr Shpek. As Ukrainians pump money into their banks, foreign investors have made the country’s agricultural and energy sectors their targets. "We will start to privatise energy generation companies this year and we will continue to privatise energy distribution companies. We have special green tariffs for renewable energy and a lot of companies from Germany and Spain are looking at the possibility of investing in wind and solar energy," adds Mr Shpek.

Presently, the EU is Ukraine’s biggest trade partner, followed by Russia. New technology and electronic equipment come mainly from the European Union or the US, while most of the country’s energy sources, including gas, metal and oil, come from Russia. "Thanks to President Yanukovych we have significantly improved our political and economic relations with Russia and our trade has increased. This is very important because it has opened the Russian market to Ukraine for the building industry and the food processing industry," explains Mr Shpek.

Infrastructure developments, resulting from preparations for the upcoming Euro 2012 football tournament, will have a positive boost on local consumption and possibly unfurl the Ukrainian market to the EU. "There is a lot of good food in Ukraine and lots of good, small restaurants with international cuisine and good service," notes Mr Shpek, optimistic that the influx of tourists will create a consumer trend in Ukraine that will stick with the Ukrainians.

Regarding economic trends and movements, the UK is one of Ukraine’s reference markets. "London is the world financial centre and the UK is a very important part in the political, financial and general economic sense because there are a lot of British companies operating over here," says Mr Shpek.

Roman Shpek, Senior Advisor to Alfa Bank

Agrees that only reform can guarantee Ukraine a successful future and a realistic prospect of EU membership. "In addition to improving the political system that guarantees democracy, freedom of speech and fair justice, it is also important to strengthen the competitiveness of our economy," he says.

Vitaly Klitschko, leader of the Ukrainian Democratic Alliance for Reform, believes Ukraine is far from meeting European standards, but that with sufficient political will the country could change within a relatively short period of time: "European and world politicians are on our side – everybody is interested to see Ukraine as a modern country with political and economic stability."

Lev Partskhaladze, chairman of the Ukrainian Building Association, sees evidence of significant progress in his sector of the economy, where bureaucracy and corruption were deterring investment in construction. "We have taken the best of experience from other countries and used this as a basis," he says.
WITH ITS VAST FIELDS of wheat and barley, sunflower, beets and other grain and oil crops, it is easy to understand how Ukraine gained its nickname of the breadbasket of Europe. Ukraine is responsible for 60 per cent of world sunflower exports. It is the world’s top exporter of barley, a major supplier of wheat and also exports significant quantities of milk and meat.

Russia, Western Europe and China provide ready markets, and as global food shortages become an increasing problem, Ukraine is one of the few countries in the world that could be in a position to make a major contribution towards solving it. However, to make that happen the country needs a state-of-the-art agricultural sector to enable it to become a major supplier of high protein-based foods. This will require the investment of large sums of money in new technologies and infrastructure, which can only be provided by a major increase in international and domestic investment into the agricultural sector.

No doubt the huge potential of Ukraine’s fertile ‘black earth’, which once was used to produce 25 per cent of all agricultural output in the former Soviet Union. Blessed with around one third of the world’s humus-rich soil, some 54 per cent of Ukraine’s land is arable land – yet today only around half of it is being used for the cultivation of crops.

Our country can boast the highest potential for increasing the volume of agricultural production”

IEEC and Smart Holding create Ukraine’s first major biofuel plant

A new plant in Vinnytsia will convert agricultural waste into biomass fuel pellets that will provide energy for local state-run enterprises and households and create jobs

REACHING ONE MILLION tonnes of biofuel production will be our second target, and if we are successful at this stage, we will expand the project further up to five or 10 million tonnes. According to the calculations carried out by the Academy of Science of Ukraine, the potential of biomass in our country amounts to 27 million tonnes. You see that the potential is huge.

What else is the IEEC developing?

We are working on a set of programs aimed to solve the environmental problems and improve the energy efficiency of enterprises. We are also elaborating special projects for metallurgical and coal industries owned by SCM, Metinvest and Smart Holding. We have also developed a number of large-scale projects for the Industrial Union of Donbas and some other companies. To sum it all up, I would like to say that our experience in the development of energy efficient and environment-friendly technologies gives us good con-

We have a clear understanding of the reforms necessary in the agrarian sector to increase its pace and volume”

MYKOLA PRYSYAZHNYUK, Minister of Agrarian Policy and Food

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Moving towards energy independence

Energy diversification will give Ukraine the options it needs as it sets its sights on fully satisfying its domestic energy requirements

The Ukrainian Economic Reform Fund is an international organisation supported by contributions from private companies all over Ukraine. The Fund’s activities are focused on supporting projects aimed at the successful implementation of economic reforms, stabilisation of the Ukrainian economy, and the improvement of Ukraine’s image abroad. The Fund was founded in 2010, and its official presentation took place on January 14, 2011. Lyubov Rudyuk, president of the Ukraine Economic Reform Fund, explains how the fund will help boost Ukraine’s economy.

The idea of creating the Ukraine Economic Reform Fund (UERF) came to create an institution in Ukraine which would incorporate the best international practices. The Fund also maintains its presence in European countries and plans to further expand its activities, including the Ukrainian Chamber of Commerce, which is represented in every region of Ukraine. The Fund also maintains its presence in European countries and plans to further expand its activities, including the Ukrainian Chamber of Commerce, which is represented in every region of Ukraine.

Currently one of the top national importance is the liquefied natural gas (LNG) terminal. Mr. Kaskiv is confident that completion of the Ukrainian position in global politics and raise Ukrainian living standards. “It could ruin the monopoly of the Russian Federation,” he says. Works in the Black Sea are expected to begin once the feasibility study is concluded. The LNG terminal will handle an estimated capacity equal to 10 billion cubic metres by 2021.

Among the projects currently considered as top national importance is the liquefied natural gas (LNG) terminal. Mr. Kaskiv is confident that completion could transform Ukraine’s position in global politics and raise Ukrainian living standards. “It could ruin the monopoly of the Russian Federation,” he says. Works in the Black Sea are expected to begin once the feasibility study is concluded. The LNG terminal will handle an estimated capacity equal to 10 billion cubic metres by 2021.

The head of SAINPU denies reports in December 2011 suggesting delays in the development of the LNG project near Ochakiv port. The LNG terminal will be built in December 2011 suggesting delays in the development of the LNG project near Ochakiv port.
A legacy of education

Ukraine has produced some of the world’s finest minds thanks to its universities

THE FOUNDATIONS of higher education in Ukraine were laid in the 16th and 17th centuries, when urban populations began to organise fraternities, which began printing books and opening schools. In 1632, the first institution of higher education in Ukraine – Kyiv-Mohyla College (now KNU) – was created with the unification of the Kyiv and the Lavra brotherhood schools. The new college accepted students mainly of the upper classes, government officials, priests, rich burghers and Cossacks. Students were instructed in languages, along with poetic and rhetorical skills, Greek and Roman literature, philosophy, and theology.

The college, and others that followed, acquired a reputation for excellence, in particular in the sciences – a characteristic that was strengthened down the centuries. However, Ukraine’s Żerkalo Nedeli newspaper has reported that the communist leadership took unprecedented steps to ruin the Ukrainian school of maths and other sciences after the Bolshevik coup in 1917. The famous Kyiv school of algebra was liquidated and scientific attentions moved to Moscow, which became the scientific focal point. During the decades that followed, gifted graduates went to Moscow and to universities that practiced USSR-wide “wunderkind” selection. Nonetheless, the achievements of Ukrainian scientists of the Soviet years remain redoubtable.

In recent years, further reforms have been initiated, which included merging or closing down a number of fields. It employs more than 2,000 academic circles. Founded in 1906, it had 229 students and 22 teachers; today, more than 36,000 students are enrolled on its courses.

The university works closely with Samsung, MTS, Intel, Microsoft and other market leaders. The Department of Cybernetics recently signed an agreement with Microsoft, which has provided the faculty with a supercomputer. “International cooperation brings us very significant results,” says Prof Huberskyi.

Research activities in nanotechnology, biotechnology and high technology are keenly promoted, and KNU recently initiated a teaching-research centre where just 75 Master’s students are enrolled. “We aim to individually prepare genuine scientific elite,” says the rector.

KNU enjoys cooperation agreements with leading universities worldwide. Their Institute of Biology cooperates with the German Technical Institute on a research programme in biotechnology that aims to identify markers of cancer. In addition, their Institute of Chemistry cooperates closely with the University of Toulouse. “Our professors and graduates go to there for training, and their professors, including even the Nobel Prize winners, come to us,” says Prof Huberskyi.

Kyiv National Economic University (KNEU) is the largest economic higher educational establishment in Ukraine and is highly respected in economic-academic circles. Founded in 1906, it had 229 students and 22 teachers; today, more than 36,000 students are enrolled on its courses.

“During the Soviet times, we had a very powerful scientific basis. The majority of traditional Ukrainian universities, the ones that were established before the war or even before the revolution, retained this positive feature: fundamentalness and a scientific grounding of education. Only education which is seriously backed up by science has high quality,” says KNEU’s rector, Prof Anatoly Pavlenko. “At KNEU we have successfully managed to retain this high quality basic education.”

The quality of KNEU graduates is renowned; both business and government representatives often select students still in the third year of their studies. KNEU also regularly conducts large career fairs, in which 30 to 40 of the best Ukrainian companies participate.

“We constantly study the labour market and see that there is practically no unemployment problem among our graduates. This, we believe, is a good indicator,” says Prof Pavlenko, who also underlines the need for international collaboration.

“Ukraine ranks first among European countries in terms of graduates who manage to establish cooperation with foreign scientists in the development of alternative energy sources and energy efficient technologies,” says Prof Pavlenko.
A snapshot of Ukrainian industry, as seen from the helm of Azovmash

Alexander Savchuk, President of Azovmash, speaks about the future of business in Ukraine

How do you personally assess the business climate in the country and what is needed to improve it?

One of the most important problems of our country today is a lack of awareness in West about the Eastern mentality. We are a young country. The history of Ukraine is very complicated. Over the last 300 years, we have rarely enjoyed independence, as our state is on the border between East and West. Nevertheless, we want to make Ukraine free and rich, and create all necessary conditions to ensure that people live here as comfortably as possible. However, this is a very difficult task.

How do you feel about the implementation and progress of PPPs to improve the business climate?

I tell you: we have no other choice. We will tell you very clearly: the differences in the era of Leonid Kuchma, the era of Viktor Yushchenko and the era of Viktor Yanukovych. When Mr Kuchma came to power, Ukraine did not have a competitive market. In today’s world, such a market was not a statistic. It was a confusing time. Leonid Kuchma deserves a lot of credit for his 10 years in power because Ukrainians came to understand that they have their own country. The first wave of privatisation began, and we started to build something. As for the Orange Revolution, I want to say that its ideas were right and good. However, those in power paid more attention to clarifying their relations with each other than to the promotion of Ukraine’s progress, the establishment of international contacts, the improvement of conditions and efficiency of the public and private sectors. It’s not their fault, but it was difficult for them. Therefore, what a challenging legacy Viktor Yanukovych inherited after his election for president. Believe me, it was very sad. Today the situation has stabilised, but not all at once. I can say that if a person works in a different direction, and works effectively, the pressure he feels from the state has significantly decreased compared to previous years. The question is, what is important for private business? It is important that the business is less interfered with from outside. Unfortunately, one of the main problems in Ukraine is excessive powers of officials. Today, efforts are made to reduce bureaucracy in the country. Sometimes these measures are successful, sometimes they are not. We feel these changes and we can say that the direction taken by the current Government is the right direction. Of course, not everything, but we are at the beginning of a long journey. Despite the fact that the will of the President is the fundamental basis for the direction, not everything depends on him. Likewise, not everything depends on the will of PM Mykola Azarov or VMF Sergey Tigipko—top officials in the government. It is important that the entire chain of command works cohesively. If any official of a regulatory inspection—whether it be fire, tax or any other service—is not kept under strict control, it can hurt small, medium, and even large businesses. The main task today is to clear all that vertical control, it can hurt small, medium, and even large businesses.

What are the main competitive advantages of the enterprise which allowed it to achieve success and reach its current level?

In fact, you asked a very difficult question. Our main strength is not one single factor, but a symbiotic relationship and the sum of many terms. I want to note the importance of our top managers. This is crucial because the crisis, production figures fell by half. Compared to the pre-crisis period, we invested in modernisation, increased production by 50% and decreased the number of employees by 20 per cent. The positive results we achieved were the result of these actions. Thus, after a very hard period for us, we finally experienced a turnaround. This is the real speciality of “Azovmash” that explains a lot about our business.

How are your export markets evolving?

There were times when we exported goods to more than 40 countries, but the crisis has not spared Ukraine. Today we should not talk so much about the countries but the results. For example, if we talk about our products like carriages, we should note the following fact: the railroad tracks found in the former Soviet Union and Poland are different from European tracks. They are wider. They also have other technical requirements for railcars. For these kinds of products we are together with the Russian Ural’s railcar plant, located in Nizhny Tagil, sharing 30 per cent of the market. Thus, we are close competitors but depend on the number of countries in which we export and the type of track. You can see one more example in the metallurgical sector. We produce converters for making steel. We do not cooperate with individual countries. We are working with Arcelor Mittal, delivering products to the factories in Krivoy Rog in Ukraine, as well as in France, Italy, Russia, India, Pakistan and Kazakhstan. We work with international companies. Our cooperation with “Severstal” does not mean that we only supply products to Donetzkov. Working with No. 1 Lipetsk MC, does not mean we only supply good in Lipetsk. We work with the Industrial Union of Donbas, send products to more places then just Alchevsk. For example their operations in “Dunaferr”, Hungary, is no need our products. The modern globalised world

A snapshot of Ukrainian industry, as seen from the helm of Azovmash

Based on your experience as an MP, what do you think should be done to optimise government operations and cooperation with representatives of business?

On top of all the points that I have listed, it is necessary to bring in the proper legal framework. Raising the responsibility and discipline of officials, and establishing over them the social and governmental controls on the legislative level is important. I believe that we can have different attitudes to the current tax code and other defining codes that are adopted or are in the planning stages. At least we finally have a comprehensive document on the most important areas. Simple things is very important for people: accessibility of all sorts of populist slogans, and I want to give you an example. Mariupol is one of the most important industrial centres of Ukraine, accounting for 9 per cent of our gross domestic product. However, the number of doctors, that the proportion of people living here, is only 1 per cent, with almost a third of them being senior citizens. Furthermore, another important landmark which are now taken by the Government, are unavoidable. We must have the strength to take them, just as we did during the era of Leonid Kuchma. This is a poly-industrial centre providing the synergy of construction, powerful iron and steel plants and ports. Thus, Mariupol is therefore a very important part of Ukraine, remaining important.

What are the most important problems of our country today?

We always think about it, because our market is great, but the country has huge resources. We are now working on a new car. The project is tentatively called “East-West”, and our aim is to build a train, we develop, that could go from Vladivostok to the English Channel. This is a very difficult task, but the OS tracks are wider than in Europe, and require a special truck that can automatically narrow. Therefore, the project is innovative and not very easy. In another line of our products - Metallurgical Equipment – it should be noted that its production is not particularly relevant for Europe at the moment, because the steel industry is concentrated mainly in Eastern Europe, Africa, India and China. But in this regard “Azovmash” has partnered with companies such as Siemens. For example, today we are launching a new line of casting steel using the latest equipment. This is important because Europe needs high-quality alloy steel for the automotive and energy industries. We closely work with companies from Switzerland, Germany and Italy, and I think that next year we will deliver our steel in Europe. We also have a large project in the field of wind turbines.

Does your focus include any British company?

We cooperate with international companies, we have offices in the UK, but we do not see Europe in terms of countries. For us European companies are everywhere. The world is changing, becoming more globalised, and now there are no such boundaries as before.

How are you investing in your employees further education and professional development?

Of course, this is of great importance for our company. Without this, further work would be impossible. Each year, about 12 members of our staff receive specialised training. We are very seriously engaged in this, sending employees to various business trips. For example, when we supply our products to the company Arcelor Mittal, the largest of our partners and customers, our people go to India, Algeria and other countries to monitor the installation of equipment. They live there for a long time, training local workers to the rules of operation of our machines. In turn, our staff must themselves be competent and trained to the highest level. For us it is very important, so we give this issue a lot of attention. The aim is to ensure that people have developed an understanding of the importance of the educational process. Employees should always feel that there is more important for us than for us, because no courses will help if a person has no desire to educate themselves.

What is your vision of the future for Azovmash over the next three to five years?

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DONETSK IN THE DRIVING SEAT

Whether you talk politics or business in Ukraine, all roads lead to Donetsk.

The Donetsk region boasts 12 per cent of the country’s natural resources, making it Ukraine’s richest in this regard. Its companies produce 22 per cent of overall industrial produce, 45 per cent of finished coal, aluminium and ferrous metals, 46 per cent of steel; and 13 per cent of the nation’s energy. Well-developed infrastructure, modern telecoms and access to the Black Sea mean that in terms of external trade Donetsk is one Ukraine’s leaders.

In-depth professional training is also key to the region’s economic strength. Workers are highly motivated and it ranks top in terms of on-site specialised research and training. Donetsk’s GDP per capita is one third higher than the national average.

Donetsk accounts for 25 per cent of Ukraine’s innovation-related spending. Business leaders have been far-sighted in cooperating with bodies such as the AER and OECD. Furthermore, they have clearly identified the needs of overseas investors. Ralf Goldmann, head of the European Office Donetsk Chamber of Commerce and Industry explains: “We formulated a way to give companies a helping hand. So far, we have had a number of success stories.”

Gennadiy Chyzhykov, president of the Donetsk Chamber of Commerce, highlights the can-do attitude of the workforce and says: “People come here to focus on their business and to be pragmatic. We have a positive future based on the human resources here.” President of Investments and Developments (I&D) Vasyl Mikulin says: “We have seen many positive political changes which indicate the future direction of the country.” I&D’s chief strategic officer Alexey Gavrish exemplifies the confidence shared by the nation’s business leaders. Of the challenges ahead, he says: “Bring them on.”

The landscape of Donetsk is changing, with a new stadium and roads, for example. “The city is becoming more beautiful,” says Alexander Tislenko, chairman of the board of directors of Altcom. “We are constructing a modern airport that will become a hub between Eastern Europe and Asia.”

He adds: “A considerable number of country intellectuals are concentrated here. The world’s flagship technologies are coming to the city, and not only thanks to Altcom: nearly every entrepreneur tries to be maximally effective in the markets, at innovative methods, technologies. New, modern business-centres are being constructed, it will be beautiful, hospitable and investment-friendly here.”

As co-hosts of the tournament, the country will receive valuable, worldwide exposure – and has already enjoyed a massive boost to its infrastructure.

ACCORDING TO a report by UMG International, spending by the Ukrainian government for 2012 UEFA European Football Championship [Euro 2012] has seen a 3.5-fold increase in the building of bridges, overpasses, tunnels and underground facilities, while there has been a 1.6-fold increase in the construction of roads, air-facilities and sports surfaces. In fact, 83 per cent of all works in this beautiful, busy country is on new construction, reconstruction and technical re-equipments surrounding the prestigious event. UMG also predicts that hosting the competition, along with Poland, will have a positive effect on the country’s image and will attract more foreign investment.

Ukraine’s reputation among the “Big 8” (USA, Japan, Germany, Britain, France, Italy, Canada and Russia) has already increased by 6.7 per cent, according to a recent Reputation Institute study. Forecasts from the Cabinet of Ministers of Ukraine indicate that Euro 2012 should accelerate GDP growth by 1.5 per cent, while keeping inflation stable. Popular support has also been garnered. As Vitaly Klichko, former boxer and current party chairman of the Ukrainian Democratic Alliance for Reforms (UDAR), says: “It will promote our country and encourage investment. I was so happy when we won.”

The UMG report shows an overwhelming 90.9 per cent believe Euro 2012 will have a positive impact at home, while 77 per cent feel the event will have a positive effect on image abroad. Worth noting is that Canada rose to first place in Futurebrand’s 2010 Country Brand Index thanks to hosting the Winter Olympic Games that year. UEFA’s Euro championships have a track record of positively impacting host countries, not just new stadiums, but a new country.

Ukraine intends to leverage the Euro 2012 competition to draw interest from other high-spending nations. To this end, a series of advertising campaigns recently launched on CNN and Eurosport that showcase the country’s fascinating 1,000-year history. Joint projects with the Discovery Channel and National Geographic, showing the extraordinary cultural diversity, have also been developed. Media targeting of key foreign markets, strong presence at major tourism expos, and trained foreign language guides are among other key initiatives.

There is also the Discover Ukraine 2012 strategy. This unites the efforts of businesses, public sector organisations, media, destination marketing and communications experts to further showcase the best of Ukraine and to highlight the many steps the country is taking to raise its profile.

One of the project’s key elements is its website: www.discoverukraine2012.org. The portal has been designed to attract both foreign visitors and investors alike. President of the Football Federation of Ukraine Hryhorii Surkus – a major driving force behind the event – says: “All those involved in the preparations for Euro 2012 have clearly synchronized their work. The results are really impressive.”

Mr Surkus, a Ukrainian businessman and politician listed on Top-100 compilations of the most powerful people in Ukraine, says: “FIFA gave us a chance to build not just new stadiums, but a new country.”

Ukraine is building up not just its infrastructure, but a new, envious reputation. Alexander Starchenko, general director of the highly successful KNAUF Marketing concurs: “British project companies are actively working in Ukraine and we hope that construction and developer companies will also come to this market as objects constructed by British companies are very famous: Disneyland Paris, Hong Kong’s airport, the Olympic complex in Atlanta, and now Donbass Palace in Ukraine. The ground for investors to come to Ukraine is ready.”

Mr Klichko adds, “Euro 2012 has the power to change Ukraine. It is a huge opportunity. Many people will watch the championship and many will come to Ukraine. The country is beautiful, the people are friendly and hospitable. It will promote our country a lot and will encourage investment.”