

CONCLUSIONS

Ukraine: From Third World to First

Real Instruments of Economic Development:
Priority Industries and "Growth Points"

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Road Map for Ukrainian Development: Conclusions and Recommendations of the First Kyiv International Economic Forum

How can Ukraine achieve the economic breakthrough? The first Kyiv International Economic Forum (KIEF) held on October 2, 2014 outlined the ways to develop different sectors of the Ukrainian economy, which shall help achieve it.

Ukraine needs to study carefully and implement the best practices of countries that managed to make a leap from poverty, technological and social underdevelopment retardation to a productive economy and social well-being. Exactly for this reason KIEF has gathered successful reformers from such countries. Business leaders and key economic experts discussed the urgent issues in detail during panel discussions.

KIEF participants – the recognized international and Ukrainian experts – put forward progressive recommendations based upon new approaches to education, science and economic “growth points”. We are bringing these recommendations to your attention in the format of a road map.

Plenary Session

The state of Ukraine is described as a raw materials colony and a third world country. The reason for this lies in the underestimation of the industrial development policy, which could have but did not become a foundation for the postindustrial economy and economy of knowledge.

Ukraine urgently needs to change the principles of public administration and interaction between the authorities and business, and to use adequate and active tools of economic development in keeping with Friedrich List's principles.

Horizontal and vertical reforms are to be implemented concurrently.

(Horizontal reforms mean creation of general conditions for business, overcoming corruption, and property protection. Ukraine had to complete their implementation in mid-90s. Vertical reforms are those associated with changes in specific sectors of the economy and economic structure. Active government involvement is required for their implementation.)



Erik Reinert

Professor of Development Strategies at Tallinn University of Technology

1. Ukraine is in a tough position but not in a desperate one. It is necessary to create a development strategy based on Friedrich List's principles, as "the invisible hand of the free market" will not resolve the problems of the Ukrainian economy.
2. A technological policy should be designed for the country. Focus should be on high technologies but creation of "high-tech islands" is not enough – all enterprises in all sectors need to use these technologies, it is the key to technological breakthrough.
3. Development targets should be set not only for the economy in general but for chosen sectors with preferential advantages provided for them.
4. Balance should be achieved between the cost of capital (to be significantly decreased) and the cost of labor (to be significantly increased).
5. One cannot join the "rich club" (Association Agreement with the EU) without consideration for the time required to implement this association. It is necessary to follow the way used by the so-called "EU-1" (1950s) – to develop the industry according to the approaches designed by Friedrich List.
6. Furthermore, Ukraine should use an analogue of the Marshall plan in its 1947 form (reindustrialization) which replaced the Morgenthau plan of 1945 (ruralization) for post-war Germany. This would prevent deindustrialization and accordingly de-ruralization and depopulation of Ukraine.
7. Spain's example of joining the EU should be used – set a term of 10 years to ensure the existing industry does not perish.
8. Ukraine should establish its own development bank to provide business with low cost capital.

Dmytro Shymkiv

Deputy Head of the Presidential Administration of Ukraine for Administrative, Social and Economic Reforms

1. The overriding priorities for attracting investors are:
 - rule of Law;
 - deregulation;
 - promotion of the "Ukraine" brand in the world.
2. The use of business approaches in ruling the country will contribute to success of reforms – first of all, setting a goal and fixing clear indicators to be achieved.
3. A specific list of reforms is not the only requirement, each reform should include specific steps with specific results.
4. (Business and society) should not wait for someone to hand down reforms, but begin to offer various options and specific steps.
5. A clear vector – European values and European standards of life by 21 indicators.
6. The growth of export-oriented industry should be promoted.
7. At the beginning – the use of natural resources as the platform to begin the motion. The next step is development of what creates added value: creation of things with intellectual value and large capitalization, so engineering and high technology are the priorities.
8. Directions to facilitate the modernization and development of the state:
 - in the agro-industrial complex – infrastructure development, food processing industry;
 - military-industrial complex.

Anatolii Maksiuta

Former Acting Minister of Economic Development and Trade of Ukraine

1. A plan should not be confused with the dream.
2. There is a need to abandon the consumer model of development and change over to the investment model.
3. The goal is to be defined: what we would like Ukraine to be.
4. The plan to achieve the goal should be developed.
5. The plan implementation budget should be shaped.
6. Reforms should be implemented all at once.
7. One must not carry out reforms for the sake of reforms.
8. It is necessary to get rid of the illusion that reforms lead to savings in the short run, more money is needed in fact.
9. One cannot implement reforms for the sake of getting the international financing.
10. It is necessary to find the sources of financing reforms, to present a clear reform program, a plan and a budget to funders.
11. The idea of "Ukraine being an agriculture-based country" and its implementation should be abandoned. One must set the goal to make Ukraine an industrial, technologically developed state with powerful agricultural sector.
12. One must select priority sectors and focus on them. The fields that have already had a high rate of growth should be used as drivers.
13. Tools to support the business as a "development projects web" need to be created:
 - Development Bank
 - Export Credit Agency
 - State Leasing Company
 - Mortgage Institution
 - Investor Support Agency
14. Growth points – industrial parks and free economic zones – are to be established.
15. It is necessary to create analytical structures capable of planning at the level of sectors and territories and having appropriate models and tools for such planning.

Victor Galasyuk

President of Ukrainian Association for Innovation Development

1. It is necessary to create globally competitive conditions for Ukrainian business so it can compete with other countries.
2. Today deregulation and liberalization of international trade is certainly insufficient. It should be done and forgotten.
3. We need powerful investment incentives: high quality education, cheap loans for high tech production, quality infrastructure, tax incentives. Only proactive deliberate national policy targeted at creation conditions for national businesses can help us shift from resource-based economy to the economy of high margin finished products.

Panel Discussions

High Technologies: Ukraine in the High-Tech Race

The high-tech sector (high-tech) is an umbrella for rapid development. It subordinates strategic intents and the whole economies.

High-tech solutions are able to make a huge contribution to the development of economy and society as a whole. High-tech has great potential for output of products with high added value, export growth, GDP growth, creating high-paying jobs.

Research and development and creation of finished products must be the overriding priority of high-tech in the future. These activities are more valuable than software development by outsourcing, which dominates this sector in Ukraine today. But IT outsourcing should also be developed, as it temporarily prevents the "brain drain" abroad.

High-tech business does not evolve from outsourcing to the product model by itself, without creating special incentives on the part of the government. Therefore, the state should establish comprehensive tax, credit, regulatory, infrastructure, educational, diplomatic support for high-tech business, eliminating global competitive disadvantages for the conduct of this business in Ukraine and for development of the new knowledge-driven economy.



Trudy Norris-Grey

Public Sector, Central & Eastern European Managing Director, Microsoft

1. Intellectual property piracy must be overcome.
2. The current crisis should be used as an opportunity to fight corruption and start moving to the new industrialization (being in arrears of other countries gives a chance to overcome in 2-3 years the problems on which the developed countries spent 10-15 years).
3. The global achievements of the high-tech should be used for deep penetration into all spheres of life – culture, business, public administration. This will launch the processes of creating one's own high-tech products.
4. It is necessary to use the internal readiness of Ukrainians for dramatic changes.
5. Movement towards the EU can be used as a stimulant of changes in the structure of the economy and driver of high-tech development.
6. IT should be used not only to create transparency, but also to change people's capabilities.

Thomas Myrup Kristensen

Director Facebook, Policy Nordics, CEE & Russia

1. The possibility of freedom of thought in Ukraine is to be upheld.
2. Openness and transparency similar to Facebook ideology should be maintained to build trust and cooperation.
3. Development should be planned by leaps (not gradually) to quickly reach the higher proportion of Internet-related products in GDP than in the EU (6-8%).
4. Penetration of Internet, including the mobile one, must be maximized.
5. It is the IT sector where one should attract investors to make it a priority.

Manmeet Singh

Angel Investor And Mentor At Chinaccelerator

1. It is necessary to choose one of the development patterns for Ukraine, either the Chinese (plan pattern) or Indian one (market pattern).
2. It is necessary to choose one direction (e.g. to become a "biotechnological capital of the world" or "outsourcing capital").
3. Educational investments should be made a priority in terms of using the West's assistance in the current situation of continuing military action.
4. Similar to India, Ukraine can change its focus (in a leap) to the service economy by summoning efforts of the state and business (in India the service economy takes up 60% of the total volume).
5. Population's striving for changes should be used.
6. Ukraine's industrial status should be perceived as temporary, movement towards post-industrial status is to be made.
7. Implementation of the economic policy should be egocentric and aimed at achieving results for the country.

Viktor Galasyuk

President of the Ukrainian Association for Innovation Development

1. The IT sector must become a priority.
2. The IT sector stands not only for outsourcing. Ukraine must be the user and consumer of high tech products in different sectors.
3. Improved education should not be the only focus. The government must help cast off the raw materials status in the IT domain as well.
4. Sectors should not be uniform, meaning different tax levels need to be established for the raw materials segment (higher tax) and high tech segment (lower tax). The investment climate must be improved for high tech.
5. It is necessary to penetrate niches in the value chains where products generating higher margin are manufactured.
6. "Training" in the high tech sector with the help of IT outsourcing is required.
7. Industry associations strongly representing their sectors need to be created.
8. Connectivity as a development pattern (brain energy must be consolidated).

Valeriy Fischyuk

Regional Government Relations Manager at Cisco Ukraine, Vice President of the Ukrainian Association for Innovation Development

1. A rapid and efficient development of Ukraine in terms of global competition is only possible through comprehensive usage of innovations and technologies by the government and society.
2. Global competition is effected, first and foremost, through the use of the newest goal attainment tools. Innovations and digital technologies are those tools. It is the innovations and digital means that influence the efficiency of a specific individual, family, organization and country. Owing to them goals are achieved faster and at less cost. Therefore, the strategies based on innovations and technologies constitute the key strategies of the countries on their way towards their goals.
3. The international experience provides an unconditional evidence of the fact that substantial development and improvement of the society's well-being takes place in the countries which have recognized the use of innovations, technologies and evolvement of a "digital economy" as the essence of their development. The only and uncompromising content, not a component, a constituent, a part etc.
4. Identification of innovations and information and communication technologies in Ukraine as the key national strategies will provide for the so-called "digital leap" phenomenon.
5. Reforming can and must mean "digitizing", and digital technologies do not represent a piece but the essence of multiple modern reforms. Replacing physical processes by digital ones is all but the only way to implement reforms quickly and at a low cost. In other words, if a reform does not result in an increased number of PC users and IP addresses, such reform should be considered as failed in the contemporary world of technologies and the Internet.
6. Building an innovative and "digital" economy and the country in general will create a strong internal market, primarily the ICT market, innovations market, etc. This will keep a huge human capital from migration and provide hundreds of specialists with jobs.
7. Thanks to innovations and technologies multiplied by existing natural and social factors, Ukraine can become the global growth leader. According to estimates, the implementation of innovations and technologies can ensure annual GDP growth by 4-7% and generation of 500,000-700,000 additional "digital" work places of a fundamentally new type.

Valeriy Tsepalo

Head of Belarus Hi-Tech Park

1. An example to follow should be chosen and this experience should be emulated (e.g. Belarus copied Israel's experience regarding high tech development).
2. The purpose of changes is to create technological clusters. Benefits should be only given for the cluster core.
3. Conditions should be created for talented people's self-fulfillment within tech parks.
4. People from different professional areas need to receive additional training to enable their work with high technologies.
5. International companies should be involved so that they provide jobs to those whom they re-train.
6. Establishment of laboratories run by leading universities on the sites of technology parks.
7. A large number of engineers need to be concentrated in one place, similar to the Silicon Valley.
8. There should be conditions providing for the opportunities of development of "product" companies.
9. The technical potential and entrepreneurial initiative of people working in the tech park should be developed.

Yevgen Sysoyev

Cofounder and Managing Partner of AVentures Capital

1. The goal pursued should be about developing high technologies on a global scale and not only locally in Ukraine.
2. Venture business development needs to be commenced, even with the understanding that its scope is insignificant now. Venture capital must work in Ukraine on the same level it does in the Silicon Valley.
3. Solutions associated with a margin that exceeds the one in IT outsourcing should be worked out.
4. It is necessary to provide conditions for the creation of product companies, to cultivate specialists capable of generating products.
5. Educational development should be driven.
6. High tech clusters need to be created.
7. Real intellectual property protection should be achieved.
8. 3G Internet should be made available.
9. A business climate is to be created not only for IT but for all businesses.
10. R&D centers should be set up with involvement of large companies.



Panel Discussion Machine Building: A Burden or Wings?

The machine-building industry has strong starting positions for its own development and considerable export potential, it is knowledge-intensive, it is a catalyst for the creation of high-tech clusters, and it gives a substantial multiplier effect on the GDP, export and creation of high-producing jobs. For this reason the machine building industry, under the meaningful and strategic “umbrella” of the high sector, has to serve as the cluster foundation for its advancement and as the source of specialists’ supply.

The speakers present at the Forum pointed out that Ukraine needs a new industrialization program to enable the third industrial revolution as exemplified by EU countries. An agreement should be drawn up and signed by the government and the sectors regarding mutual liability and application of the public-private partnership aimed at industry development. Machine-building enterprises need to prepare restructuring plans.

It is necessary to engage strategic investors and not the financial ones (above all this concerns the aerospace industry). Priority interests should include heavy and transport machine building.

The state has to make comprehensive contributions to the industrial sector development by providing assistance to Ukrainian producers with the integration into European and international supply chains, through government orders for the purposes of military-industrial and agricultural domains, through offering tax, credit, regulatory, infrastructure, educational and other incentives to Ukrainian machine builders.

Bernard Casey

President of the American Chamber of Commerce in Ukraine (AmCham)

1. It is necessary to modify administration of the Ukrainian economy as it is due to this factor that the GDP decreased more than twofold since the country acquired its independence.
2. The aerospace production holds the greatest potential for Ukraine. An aerospace cluster Kyiv - Dnipropetrovsk - Kharkiv can be created and the sector's sales volumes can be driven to at least \$10 billion annually.
3. Commercialization of inventions in the aerospace industry should be promoted.
4. Deregulation of the aerospace industry is to be encouraged.
5. Attraction of investments in the machine building industry should be made a priority. Large enterprises need to set up joint ventures with foreign strategic partners.
6. Small-scale enterprises should be encouraged to operate in machine building. It is necessary to penetrate the global chains of automotive component manufacturers with the improved competitive ability of products manufactured in Ukraine.
7. An agreement should be reached with major financial institutions of the world for the latter to fund the upgrading of Ukrainian production facilities in the area of machine building.
8. An export credit agency should be launched to support the export.
9. Concession should be employed as the form of organization of joint business between the private sector and state enterprises.
10. Specific world-leading technology companies need to be encouraged to set up their research facilities in Ukraine.

Oleg Boyaryn

Head of the Employers Federation of Automotive Industry of Ukraine

1. There must be a realistic (and not the populist one) plan of economic development shared by the President and the Prime Minister.
2. GDP growth must be driven by machine building and the automotive industry in particular, the latter ranking third globally after space and aviation in terms of employment rate and technology application.
3. The Ukrainian automotive industry does not stand for creation of the own Ukrainian car but for entry into projects with the world brands.
4. The automotive industry can be a growth point for the Ukrainian economy since its share in Ukraine's GDP can be raised from the current indicator of 0.2% to 4% or higher.
5. The automotive industry can provide for a large share of the Ukrainian export.
6. It is necessary to create special conditions for the car industry, not simply on paper but in reality.
7. There is a need to set clear understandable rules of the game for a medium term which shall not change.
8. The automotive industry is willing to sign an agreement with the government, but there should be provisions for the government's and investor's liabilities for non-performance.

1. Aircraft production and space are the driving force of machine building development.
2. It is necessary to deregulate the aerospace industry.
3. A certain quantity of government orders should be secured for Ukrainian companies in order to launch new high technology enterprises.
4. Public-private partnership needs to be used in the industry.
5. Special economic zones should be restored and new ones should be created but exclusively for high technology production and not for the trade (petrol, foodstuffs and other products not pertaining to high tech export).
6. Recommendations for specific enterprises:
 - It is necessary to enter the emerging markets (Africa, Latin America, South-East Asia) but also to work on contracts with European companies;
 - Creation of competitive products not only on the level of countries which have recently started their technological development but also manufacture products surpassing the products of developed European countries;
 - Enterprise accounting should be made transparent to enable receipt of lower cost financing from the Western financial institutions;
 - Enterprise staff should be “rejuvenated” (average age up to 30 years) through cooperation with local higher educational institutions;
 - A structure needs to be formed around the enterprise capable of engaging other companies, e.g. a cluster encompassing a scientific park and a technology park in different sectors (space, electronics, aircraft industry, academic research, banks). This would demonstrate the opportunities to strategic partners and enhance the achievements;
 - Abroad clusters located in export territories should be created to enable collaboration with foreign product consumers and component suppliers;
 - The full cycle from idea to production should pass special IT management systems.

Miroslav Kroupa

Director of ŠKODA AUTO in Russia and the CIS

1. In order to attract strategic partners in the machine building sphere to Ukraine one needs to provide constant business conditions.
2. There is an urgent need to handle the problems which pertain to the conditions of business operations in Ukraine and can be settled in a short-term perspective. After that work on the general improvement is to be planned.
3. A niche for Ukrainian car producers: the greatest logistics costs incurred by automotive companies are associated with components supply. Therefore special zones should be created in Ukraine where production of components and easy supply to car manufacturers in the EU can be arranged.
4. Efficient operations in the free trade zone require execution of specific and clear agreements with the investor. Mutual liability of the business and government is necessary.
5. Ukraine needs an investment agency dedicated to investment raising.
6. Implementation of the Association Agreement with the EU is a chance to improve economic conditions; compliance with EU standards is more essential than accession to the EU itself.
7. Prompt and strong diplomatic actions are to be taken today in order to promote the Ukrainian product export and to engage strategic investors.



Oleksandr Kryvokon

Production Re-engineering Director at Corum Group

1. Machine building is a driving force and not a burden, as it has always served as foundation for other industries.
2. Establishment of new combined structures in the industrial sector (by the example of the Ukrainian Ministry of Defense Industry) without sector reorganization holds no prospects.
3. Enterprises remaining in state ownership should be sold at the lowest price (even for 1 hryvnia) but subject to the condition that the requirements regarding subsequent investments, number of jobs etc. are set out. Failing to comply with these requirements the investor must face sanctions.
4. The country has to decide on its priorities and focus on their upholding.
5. Internal factors need to be used above all for the development of private enterprises:
 - restructuring should be carried out before investments are expected;
 - new markets should be identified;
 - production management stereotypes are to be destroyed;
 - there is a need for production concentration - focus on specific types of products, technologies, sites;
 - intra-group cooperation should be arranged (for large holdings);
 - transition to outsourcing - narrowing of the range of independently produced components - is required;
 - being simply an equipment manufacturer is not enough, one should offer "complete solutions in the corresponding domain."

Valeriy Geyets

Member of the National Academy of Sciences of Ukraine, Director of the Institute for Economics and Forecasting at National Academy of Sciences of Ukraine

1. To make a true impact on industrialization it is necessary to establish a dedicated ministry as was done in France and Great Britain.
2. There will be no development of the 4-5 modes without re-industrialization.
3. Globalization does not necessarily involve an increase in employment and advancement of technologies.
4. Total privatization of machine building enterprises is not acceptable: before privatization 80% of Ukrainian enterprises were profit-making but became unprofitable after privatization. A detailed preliminary analysis is required.
5. True advancement of the machine building industry relies on the identification of markets for Ukrainian enterprises and on planned development in that direction.
6. Political stability is a basis for mass investments in machine building (an example: inflow of global automotive leaders to Russia in 2000s).
7. Ukraine can have an evolved ship building industry as the international demand for sea transportations exceeds the supply. There is no need to follow the lead of Poland in this case, since all ship building enterprises have vanished.



Panel Discussion Financing of Development Projects

The state can adapt the monetary and credit system to service the national economy development by minimizing non-productive overseas loans in the government sector. Financing the high tech infrastructure (which should include education and machine building) must become a priority.

The state must provide funding (including long-term investments) to enterprises operating in priority areas, in national currency at minimum interest through its own national development bank. This can be achieved by creating the inflation pressure and pressure on the national currency exchange rate.

The state can provide for large-scale stimulation of export, including by way of issuing loans and guarantees through an export credit agency.

The current conditions of the financial system can be described as critical. Short-term tasks associated with the financial system recovery must include structural changes which shall launch the funding of goods and services production, and not mechanical preservation of banking institutions.

Grzegorz Kołodko

Vice Prime Minister and Finance Minister of Poland (1994-1997, 2002-2003), Director of the Center for Transformation, Integration and Globalization of Economic Research at Kozminski University, Professor of Economics

1. The capital market, the financial market must be strictly controlled by the state with the use of regulatory acts, irrespective of the continuously changing governments.
2. The financial market should contribute to the creation of substantial national savings and conversion of savings to investments. Foreign capital is to be attracted only after that.
3. Eurobond issue should be used.
4. The government must act in the interests of depositors, not the bankers.
5. The banking system is the blood circulatory system of a country's economy, hence it must be controlled by the national investor. Close attention should be paid as to which share is provided for privatization by foreign banks.
6. There is a need for a state bank whose operations will be focused on supporting small and medium-sized enterprises.

Volodymyr Lavrenchuk

Chairman of the Board of Raiffeisen Bank Aval

1. There is an urgent need to improve the investment climate not only for international financial institutions but also for people with entrepreneurial initiative capable of assuming risks.
2. Motivation regarding investments into private business should be changed (it cannot raise over 10-15% p.a.).
3. An important trend: the number of secured loans will decrease in case of non-transparent reporting and absence of quality business, while the number of loans granted to enterprises which offer an attractive high-quality project and transparent reports will increase.

Igor Nikonov

First Deputy Head of Kyiv City State Administration

1. The politically motivated economic policy associated with the continuous election cycle should be abolished.
2. There must be an upper limit for interest on deposits.
3. One needs targeted state programs that envisage funding at a soft lending rate.



Panel Discussion

Educational Revolution for the Country and its Business

Ukraine needs the government to change its attitude towards education. Education does not stand for forced social expenditures, it stands for the strategic and most profitable investments in the development of society and own economy. It can generate a new stratum of specialists for the high tech sector.

The state must provide for comprehensive reformation of the higher, secondary and primary education systems, and also of the scientific sector, in order to enhance their quality, integrate them in the contemporary world context and focus on the development needs of the country's own economy and society. An infrastructure of innovations commercialization should be provided for.

For a comprehensive advancement of education the state must implement the "triple spiral" model by ensuring efficient cooperation in the triad: 1) education and science; 2) business; 3) state.

Alongside advancement of education and science, the authorities have to introduce powerful investment incentives for the Ukrainian economy development – attraction of foreign investments and generation of jobs in Ukraine – in order to create the demand for innovative specialists, without turning into a "global university" and without losing talents and growth opportunities due to "brain drain".

Sergiy Kvit

Minister of Education and Science of Ukraine

1. One of the greatest challenges in education is lack of budget funds for project implementation. Therefore, new laws and amended rules need to be in place allowing generation of funding not on account of the budget (regarding autonomy; the framework law on higher education, science and R&D activities).
2. The state must identify the development priorities – information technologies, military-industrial complex and agricultural-industrial complex.
3. People should always remain the focus of all reforms and policies.

Liliya Grynevych

Chairman of the Committee for Science and Education at the Supreme Council of Ukraine

1. There is a need to improve interaction between business and employment market by introducing this aspect into legislation in order to ensure a graduate's preparedness for the employment market and to eliminate the business's claims.
2. The degree of business's involvement in education should be increased, as envisaged by the new revolutionary law on education.

Tetyana Nanayeva

Intel Director for Corporate Affairs and Relations with Government Institutions in Ukraine and the CIS

1. There should be a single educational policy aimed at the development of information and communication technologies (ICT), a systemic approach in accordance with the best practices of developed countries.
2. There is a need for a strategic education advancement plan with clear indicators which must exist on the national idea level.
3. It is necessary to accumulate funds for education in keeping with ICT development demands, through creation of a special "universal services" fund.

Christodoulos Papaphotis

Education Director at Microsoft in Central & Eastern Europe

1. There must be a separate educational sector – re-training, for continuous provision of skills required by the market.
2. The educational system needs to be changed with consideration for the opportunities offered by XXI century.

Oleksandr Savruk

Dean of Kyiv-Mohyla Business School (KMBS)

1. Business and education should work as partners in order to enable people to acquire entrepreneurial skills.

Panel Discussion

Public Private Partnerships. Reloaded

An efficient government should work out development strategies jointly with the business in order to create general macroeconomic conditions, additional tools and incentives for development. The state should not manage the business or put pressure on it but neither can it withdraw from systemic economic growth and act only as a “night watchman”.

Overcoming corruption is the main task for the authorities which is essential for efficient vertical reforms. Parties, industry associations and their alliances must be the interface of cooperation between business and society on the one hand and the government on the other. Civilized interaction rules are required – lobbyism without corruption.

Strategic refocusing on collaboration with the countries of Europe, Africa and Latin America are the political conditions of economic growth.

The state can conduct “therapy” without shocks and must aspire to this. The third industrial revolution in Ukraine must be the result of active actions taken by the state.

Grzegorz Kołodko

Vice Prime Minister and Finance Minister of Poland (1994-1997, 2002-2003), Director of the Center for Transformation, Integration and Globalization of Economic Research at Kozminski University, Professor of Economics

1. If Ukraine wants to follow Poland’s steps, it is not recommended to adopt the shock therapy conducted by Polish neoliberals and populists, because it was them who caused deindustrialization.
2. The business-government partnership is a risky game. Such partnership is possible in the areas of R&D, construction, infrastructure, entrepreneurship, culture and education. This kind of partnership can be associated with corruption and bureaucracy.
3. First and foremost, there is a need for reform-oriented government, business-oriented leaders and clear rules of the game.
4. Economy should be regulated but in a way that allows support of fair business and honest investments.
5. Membership in the EU deprives of flexibility; in most cases it helps but sometimes it harms. As for Ukraine’s intention to join the EU: the main thing awaiting it on this path is obligations which must be performed.
6. Corruption can also be fought by changing morals.

Juhan Parts

Prime Minister of Estonia (2003-2005)

1. It is necessary to provide for basic fundamental aspects: democracy, fair competition, supremacy of the law, protection of property rights.
2. Part of the economy needs to be drawn out from the shadow – an immediate positive effect will be witnessed.
3. One hundred untainted and honest people should be found, charged with key positions (ministers, judges of the Supreme Court, prosecutors etc.) and pay well for their work.
4. To avoid political reliance on financial structures and to ensure that parties are organic elements of democracy, predominant funding of the parties at the cost of the state budget may be efficient.

Anna Derevianko

Executive Director of the European Business Association (EBA)

1. It is necessary to create conditions under which tax payment will be feasible.

Bernard Casey

President of the American Chamber of Commerce in Ukraine (AmCham)

1. There must be an ombudsman for business.

Oleg Makarov

Managing Partner of Vasyl Kisil and Partners Law Firm

1. A successful interaction of the state and business requires a win-win agreement to be made in keeping with business rules. It is necessary to formulate the goals in a clear and understandable way:
 - the business contributes its own investments and time;
 - the state ensures business protection and provision of government services, promotes business abroad and applies protectionist practices to national business.
2. It is necessary to identify clear measurable indicators of the state's performance of its function.

Oxana Prodan

Ukrainian politician and entrepreneur

1. One cannot separate business, society and authorities, there should be an alliance based on trust.
2. It is necessary to build up trust towards Ukraine on the part of the European community and IMF.





Panel Discussion

Growth points: A Winning Strategy in the Global Competition

Ukraine should benefit from the best international experience of focused growth by creating "investment greenhouses" - industrial and technology parks, special economic zones where business conditions will be attractive for overseas and national investors. This can be used efficiently by the high tech and machine building sectors.

In order to secure real and the most expedient development results the state has to concentrate its limited resources in specific sectors and territories.

The state needs to employ a special toolkit to support investors which can belong to separate territorial and sectorial formations even in terms of war owing to the introduction of tax, credit, regulatory, infrastructure, educational and other incentives.

Chuah Teong Ban

Ambassador Extraordinary and Plenipotentiary of Malaysia to Ukraine

1. There is a need for a long-term 30-year strategy; medium-term 5-year strategy; medium-term plan.
2. Ukraine should make a clear decision - not to be an agrarian country and set its course for industrialization.
3. After a successful stage of re-industrialization transition to a service economy should be made. Tourism may also be chosen as a priority at that moment.
4. One should keep in mind the risk of "hanging" within the average income level (GDP subject to purchasing power parity - \$7 thousand per person). Actions should be envisaged to "break through the ceiling" of the average income.
5. The success of state's impact on the economy consists not only in designing the pattern but also in the government's direct interference (all-encompassing assistance) intended to provide enterprises with development opportunities.
6. Conditions protecting investors are to be created.
7. International professionals should be engaged to build the new economy.
8. Transformation, not reformation - i.e. the economy needs deep changes.
9. A special agency should be set up to help enterprises.
10. A special agency should be established which will attract investments, work not only on investors' initiatives but on the ideas that can be implemented.

Viktor Kryvenko

Adviser to the Minister of Finance of Ukraine

1. Ukraine is moving from a super-high to a low development level, it is necessary to stop the degradation and carry out re-industrialization.
2. It is necessary to adjust the "Millennium goals" for Ukraine since they are insufficient to preserve the population and stop depopulation.
3. There is a need to get rid of the illusion that everything can be improved all at once, as this results in deindustrialization.
4. Growth points similar to other countries (e.g. industrial parks) need to be set up to fight for the talents. These structures should offer positively "contorted" conditions which have to be better than the standard ones in the country. This approach is justified by international experience.
5. The Marshall plan (industrialization) is to be used in Ukraine instead of the Morgenthau plan (ruralization).
6. The "changes customers" need to be replaced in the country and so do the key experts and counsellors for the government (the raw materials business dictated the agrarian and raw materials model, the high tech business can offer re-industrialization).

Gerhard Pfeifer

President of Bosch Group in the CIS

1. One should use the elements of a successful company management to achieve the successful management of the country.
2. A detailed conditions analysis is required, following which a strategy should be outlined.
3. Future is to be planned not based on today's situation but on the demands of tomorrow.
4. Being independent from external factors provides opportunities for a long-term strategy and is an ingredient of success (for example, Bosch Group is a private company and not a public one, so it does not depend on stock price fluctuations).
5. Scientific research and innovations are in need of substantial investments (Bosch Group invests 10% of its income).
6. It is necessary to focus on the narrow range of tasks in order to handle them.
7. One must be a technology leader in a narrow sector.
8. There is a constant need for new products (40% of Bosch Group products have a 60 month life).
9. Success replication (Bosch has been selling spark plugs for 60 years – 12 billion plugs).
10. Innovations do not happen accidentally, continuous work and planning are required for the innovations.
11. Clusters should be built in the country's territory.
12. Uncompetitive companies should not be funded.
13. For the technology leaders to come to Ukraine with their production the following is needed: an adequate sales market, good logistics, an adequate level of technologies in the country, investment security, qualified specialists and a system of local universities training professionals. The country's choice should not be guided by emotion but should be made pursuant to logic conclusions.



Lidiya Shynkaruk

PhD in Economics, Corresponding Member of the Academy of Sciences of Ukraine

1. It is necessary to give the right signals to business and households, this being even more important than designing and publishing the country's development plan.
2. A development pattern is to be created which would consider the peculiarities of the crisis, specifically the country's deindustrialization.
3. The country should not adapt for entry to the global economy by analogy with the Visegrád Four countries, since positive structural reforms will not take place. One needs an industrial policy as exemplified by old European countries which started to bring their industrial production back to their territories, thus creating economic chains.
4. Ruralization should stop, and an investment climate should be created to develop projects which will integrate Ukraine in the global production chains.
5. The processing industry should be launched.
6. Export specialization which is already relevant for Ukraine in its early stage can be the growth point. Only gradual changes can be made, so the realistic opportunity is focus on the existing export – space and aircraft engineering, production of rocket and airplane engines.
7. Ukraine has limited potential in agricultural machine building and railway car building if compared with other sub-sectors. For this reason investments and efforts required for their development might be too substantial – higher than the ones in aircraft building.
8. Growth priorities should be changed using the experience of the Visegrád Four countries (e.g. agriculture and infrastructure are Ukraine's priorities, while Poland has car building, aviation and biotechnologies).
9. The agricultural sector should be developed using high technologies only.

Valeriy Geyets

Member of the National Academy of Sciences of Ukraine, Director of the Institute for Economics and Forecasting at National Academy of Sciences of Ukraine

1. It is necessary to terminate the political cycle in the economic policy initiated at the time of presidential elections in 2004 (free trade zone activities stopped exactly due to the political component in the economic policy).
2. Unconditional protection of the property right should be ensured.
3. There should be opportunities for free advancement of the sectors that commenced their development owing to the market situation which was not influenced by the government, there should be no interference through benefits or regulation (e.g. the IT sector).



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