

OWWF-Wirtschaftsforum Ukraine

The location Ukraine three years after the entry into force of the EU - Association Agreement
- new opportunities for the Bavarian economy?

This question was addressed by the OstWestWirtschaftsForum Bayern (OWWF) within the framework of the Business Forum Ukraine on 15.11.2019 in the Bavarian Parliament.

OWWF President Eberhard Sinner, Parliament Vice President Wolfgang Heubisch (FDP) and Consul General Yuriy Yarmilko introduced the event - all three confirmed the importance of Ukraine for Europe. Despite all the tensions, Ukraine is an important future market with high potential.

Government Director Dr. Christoph Stöckle, Bavarian State Chancellery, confirmed this statement. Under the heading "Ukraine on the way to Europe" he outlined the increasing convergence between the EU and Ukraine, which has unfolded a new dynamic not least due to the conflict with Russia. An important step was the entry into force of the Association Agreement between the European Union and Ukraine on 1 January 2016.

The direct and indirect effects of this agreement on the political, social and economic development of Ukraine were thus the focal points of the Forum.

Karl Walter, OWWF Country Representative for Ukraine and Chairman of the "Bavarian House of Odessa", first described the political and economic development since Ukraine's independence in 1991 and summed it up as follows: "The Ukrainian economy collapsed in the 1990s, the upswing slowed down in 2001, slowed down by reform blockades, corruption, legal uncertainty and self-enrichment. In addition to a lack of legal certainty, corruption at all levels deterred newcomers to the Ukrainian market. 25 years after independence, many Ukrainians concluded that national reform efforts would not succeed without external support. When on 23.11.2013 President Yanukovich declared the signing of the Association Agreement as "now not affordable", a "revolution of dignity" took place with new elections and an intensification of efforts to conclude the agreement.

The aim of the agreement was above all the gradual integration of Ukraine into the EU internal market, combined with the dismantling of central trade barriers and adaptation to the EU legal system.

Peter Wagner, Head of the Support Group Ukraina of the EU Commission, presented the direct effects of the agreement for Ukraine as a business location. A large number of measures now make it easier for Ukraine to exchange goods internationally. Trade relations have been boosted in particular by aligning standards and approval regulations with EU standards. Financial transactions with Ukrainian banks and companies were also facilitated. The agreement also had an indirect impact on Ukrainian policy: It put them under pressure to make the necessary reforms, to fight corruption, the judiciary, decentralization, health and many other areas of action.

Mykhailo Bechkalo of Invest in Ukraina went into these reforms in detail. The Ukrainian judiciary in particular was and is at the center of reform efforts. An independent and incorruptible judiciary is indispensable for the international success of a location. The existing deficits in this area have been reduced, so that foreign companies in particular can now count on legal certainty and fair treatment, for example in the context of tenders - something that was quite different until a few years ago. Today, investments in the Ukrainian market are secured by a stable and neutral legal system comparable to that of EU countries.

Following on from this, Michael Kraus (Managing Director East Region, FIXIT Holding), Klaus Kessler (Managing Partner Ukraine, Rödl & Partner), Matthias Klaholt (Euler Hermes AG), EU representative Peter Wagner and OWWF country advisor Karl Walter discussed the entrepreneurial practice in

Ukraine in 2019 under the moderation of Julian Hahn (Süddeutsche Zeitung). Kessler and Klaholt confirmed the meanwhile significantly improved legal and investment security on the basis of their experiences. Kraus also sees the Ukraine as a location that has become considerably more attractive - which is why the FIXIT Group is now building a second plant there. Wagner and Walter saw both as clear indications of a positive trend generated by the association agreement.

After a detailed analysis of the current situation and the presentation of the International Rating for Corruption for Ukraine (152 in 2011 from 175 and 120 in 2019 from 175) and "Ease of Doing Business" (152 in 2011 from 190 and 71 in 2019), Walter concluded: the business climate has become more friendly, the risks have decreased; the export of German products to the rapidly growing Ukrainian domestic market, but also the production in Ukraine for the Ukrainian market has become more attractive.

He sees good opportunities for the continuation of the upward trend. In his view, this will also depend on whether the newly elected President Selenskij can keep his central promise of further curtailing the influence of the elite, who had long been ruling for their own benefit, and of opening up and liberalizing the country through further convergence with the EU.

"The OWWF's Ukraine Economic Forum was a great success. We have brought politics and business together at one table, and in a conference with a strong content we have highlighted the current situation", OWWF President Eberhard Sinner, former Minister for Europe and Head of the Bavarian State Chancellery, sums up. He also sees Ukraine as a country with great potential. The reform process in Ukraine is supported by good relations in politics, business, science and culture.