



FEDERATION
OF EMPLOYERS
OF UKRAINE



CONGRESS
FEDERATION
OF EMPLOYERS
OF UKRAINE

UKRAINE: from CRISIS to ECONOMIC GROWTH

Plan of Ukraine's Modernization

Kyiv, 2015



Why this Plan was developed
and what makes it different
from all other policy documents,
that were developed before it,
over 24 years of Ukraine's independence?

1

24 years ago Ukraine had got independence but did not become really independent because it failed to implement much needed reforms.

2

Until now Ukraine has no uniform economic strategy or ideology of economic development

3

All the previous programs did not base on any reasonable development strategy.

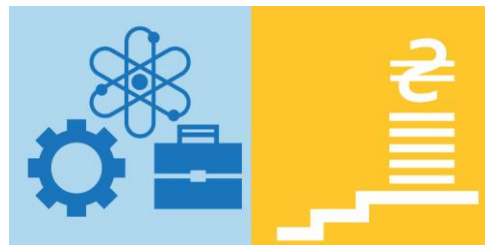
For the first time in Ukraine a **strategic document** has been drafted which combines expertise of Ukrainian employers, trade-unions, leading European politicians, Ukrainian experts and scholars. It is a long awaited signal both for Ukraine and for Europe as well.



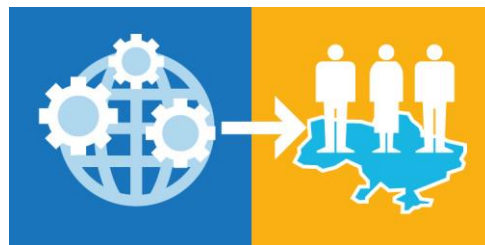
THE PROGRAM AND PLAN OF UKRAINE'S MODERNIZATION ARE UNIQUE



It is the first plan drafted with participation of the top European experts who know how to attract European investment to Ukraine' economy.

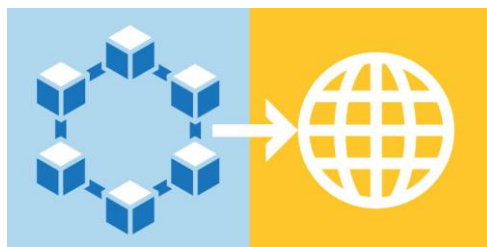


For the first time in the history of this country Ukrainian employers, trade-unions, the best experts and scholars ready to work on the implementation of the Plan in order to overcome poverty and stop emigration joined their efforts.



It is the first Plan with a clear vision of the role and place of Ukraine in the international division of labor. Ukraine should become the World's production facility based on its competitive advantages: beneficial geographic location, natural resources, highly professional labor force and research capacity.

WHY THE PLAN AND PROGRAM OF UKRAINE'S MODERNIZATION ARE UNIQUE



The first ever research was made on kinds of promising goods which Ukraine can produce and supply to the World market.

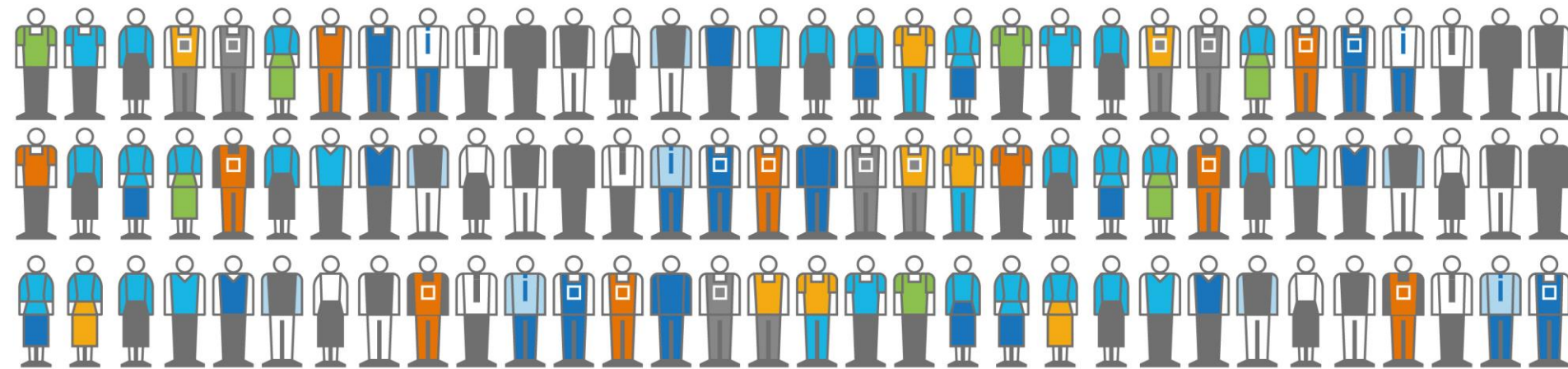
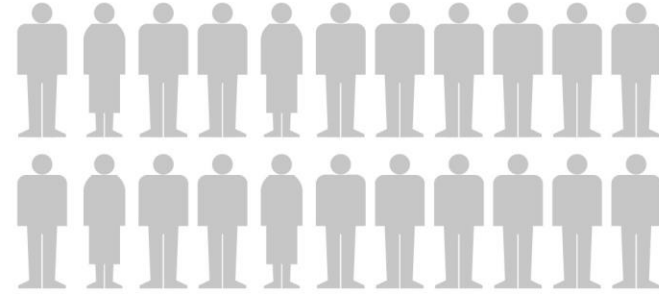


The drafters of the Plan based on the experience of “economic wonders” of Germany, Republic of Korea, Poland and other Asian and East European nations which rapidly develop and have passed their own ways from crisis to economic growth.



For the first time the Plan contains clear, not populist, measurable goals and areas of responsibility of authorities and business, which makes possible reporting to public and society on the progress of the Plan implementation.

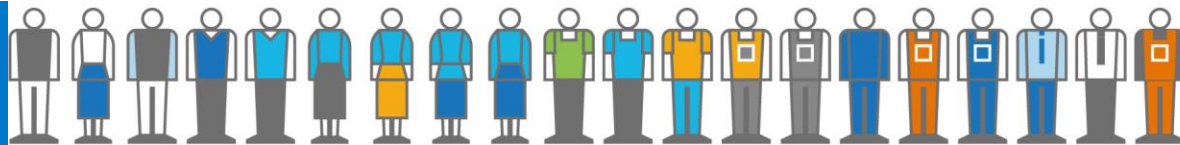
The territory of Ukraine may be inhabited by
50 million, half of which might need jobs.
The Plan of Ukraine's Modernization
answers the question



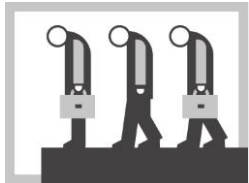
Where to employ

20 mln.

labor force?



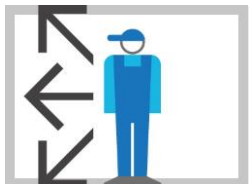
IF COMPREHENSIVE POLICY OF RAPID ECONOMIC GROWTH IS NOT IMPLEMENTED, UKRAINE WILL FACE :



GROWTH OF ALREADY BIG ARMY OF UNEMPLOYED.

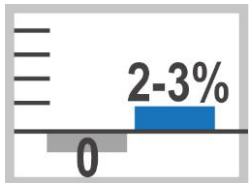
Ukraine already has

2 million unemployed. It is almost **10%** of the country's labor force.



HUGE WAVE OF EMIGRATION, FIRST OF ALL SKILLED PROFESSIONALS.

Today already **8 million** Ukrainians want to leave the country.



ECONOMIC GROWTH WITHIN THE NEAREST 5-10 YEARS

EITHER WON'T TAKE PLACE (pessimistic scenario),

OR WILL BE AT A LEVEL OF 2-3% (optimistic scenario),

Which in any case will make Ukrainian economy lagging behind the Global average even more.



UKRAINE WILL REMAIN NET EXPORTER OF THE LABOR
AND IMPORTER OF LOANS IN ORDER TO FILL THE GAPS IN BALANCES.

FRAMEWORK CONDITIONS FOR THE PROGRAM IMPLEMENTATION



**EFFECTIVE
COMBATING
CORRUPTION**



**MACROECONOMIC
STABILIZATION**



**JUDICIARY
REFORM**



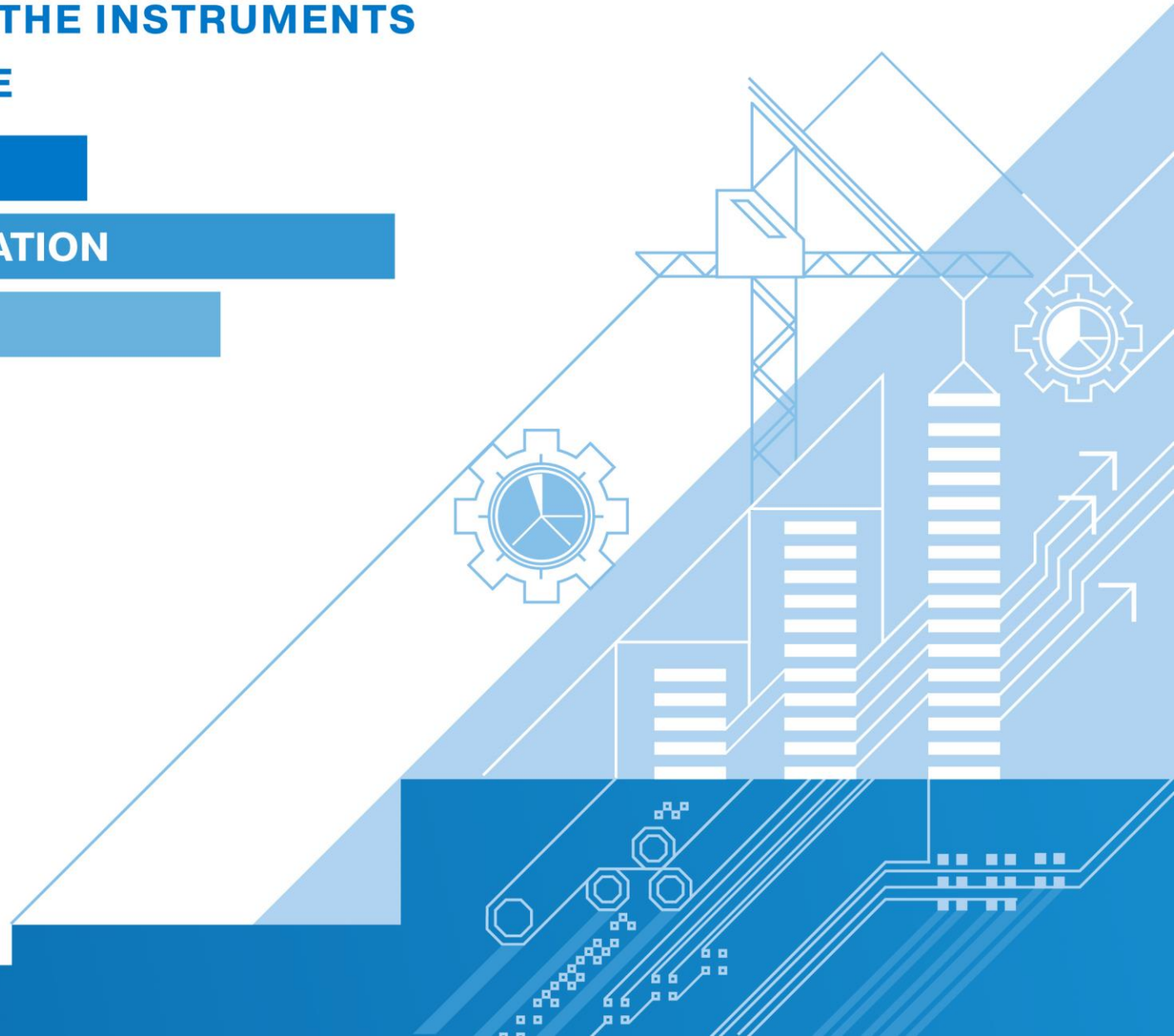
**RELIABLE
PROTECTION OF
PROPERTY RIGHTS**

WHAT ARE THE INSTRUMENTS TO REALIZE

UKRAINE'S

MODERNIZATION

PLAN

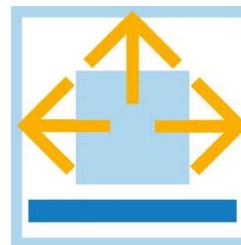




1 THE BEST TAX REFORM MEANS
RESTORATION OF TRUST



2 STRUGGLE FOR
INVESTMENTS



3 EXPORT
SUPPORT



4 UKRAINE –
PRODUCTION
FACILITY OF
EUROPE



5 RAISING
LIVING STANDARDS
OF UKRAINIANS

1 THE BEST TAX REFORM MEANS RESTORATION OF TRUST

Reducing tax load on businesses

Experience shows that only rich nations can allow themselves to have high taxes. It is proposed to come back to the tax rates which were stipulated in the Tax Code at the time of its adoption.

Thus, since 2016 the following tax rates should apply:

VAT – 17%

Corporate tax – 16%

Personal Income Tax – 15%

Single social security contribution – 20%

Moratorium on changes to tax legislation

From 2011 through 2015 changes to the Tax Code were made almost 100 times. Investor will not take an investment decision if he does not understand how many taxes he will have to pay. Tax legislation should be amended only once every three years, not more frequently.

2 STRUGGLE FOR INVESTMENT

1 Special regime for investments and innovations on the territory of Ukraine:

All investors without exceptions who want to invest in Ukraine

More than **500 thousand EUR** and create **25 jobs** with high level salaries, are offered to have:

- Norms of rapid depreciation;
- Reduction of social taxes rates for newly created jobs;
- Tax incentives for bringing in Ukraine equipment and machinery.



2 STRUGGLE FOR INVESTMENT

2 Setting up export processing zones

Export oriented production zones with special economic regime. Many countries use them in order to attract investments, first of all from the global TNC.

3 Creation of industrial parks

As instruments for creation of a production facility with infrastructure.

4 Creation of technological parks

As an instrument for development of sector research and production clusters. Techno parks are set up nearby R&D institutions and they combine capabilities of research and design institutions with production enterprises. They ensure transfer of new technologies and designs into production.



3 EXPORT SUPPORT

Foreign policy priority for Ukraine is to promote processed goods with high value added. Instead of 'importing' loans and 'exporting' labor force supporting export of processed goods, increase of which will help to increase a number of high income jobs and raise domestic demand.



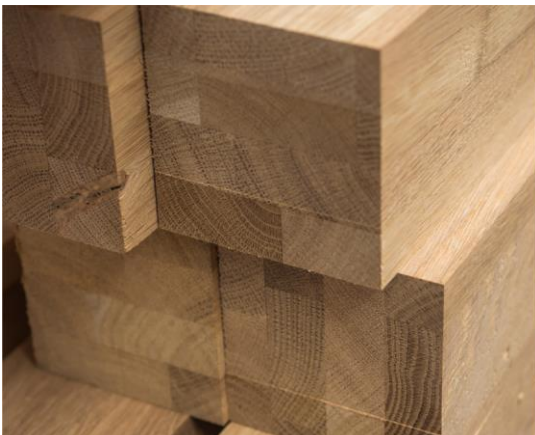
4 UKRAINE – PRODUCTION FACILITY OF EUROPE

Ukraine is able to challenge China and India in competition for industrial facilities for European producers.

The Ukraine's Modernization Plan contains

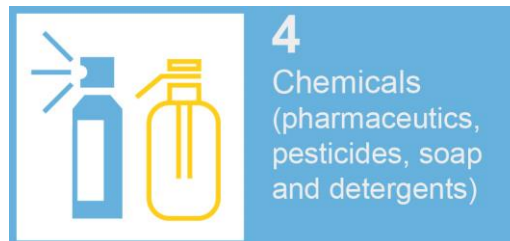
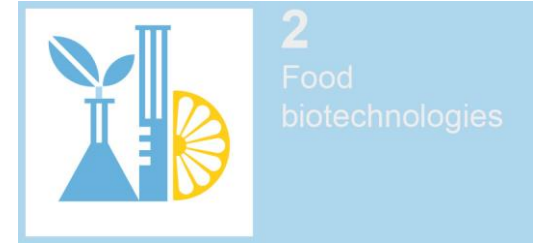
A rating list of 200 prospective goods,

In which global trade is increasing and in which Ukraine can be competitive in the world markets.



4 UKRAINE – PRODUCTION FACILITY OF EUROPE

According to the character and technology the list can be divided into 8 major groups :



4 UKRAINE – PRODUCTION FACILITY OF EUROPE

Ukraine has a great capacity to produce for growing international markets of goods :



Location **in the center of Europe with the access to the sea** provides Ukraine with serious logistical advantage for exporting to the EU compared to Asian countries;



Ukrainian labor force is competitive in terms of **education and qualification**;



Ukrainian natural reserves form almost **5% of the mineral potential of the world**. **Substantial natural recourses** allow for new types of activities with high level of value added.

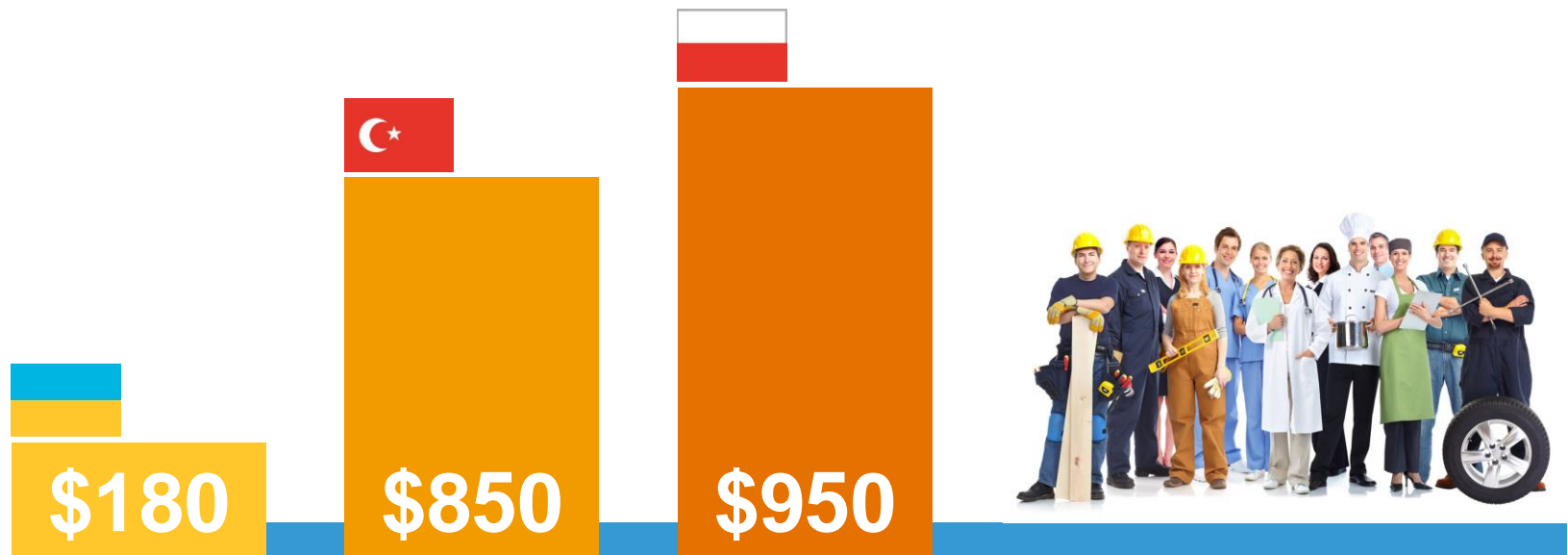
Ukrainian produce may be from **20 to 30%** more competitive in terms of price and quality than that of Asian countries!

5 RAISING LIVING STANDARDS OF UKRAINIANS

Average salary in Ukraine

Currently – \$180.

In neighboring Poland, which in 1990 started from the same position as Ukraine, currently the average salary is \$950. In another Ukraine's neighbor – Turkey – average salary is \$850, though as recently as in 2001 Turks suffered a deep financial crisis.



Well fed and socially protected worker will never emigrate

5 RAISING LIVING STANDARDS OF UKRAINIANS



Health care spending per person per year

Currently – \$315.

In the EU a person in average spends only on medicines about \$1100 per year which means good quality of medical treatment and influences life expectancy. In Ukraine a person can spend on medicines not more than \$80 per year.



Infant mortality in Ukraine

Currently - 9 per 1000

One of the indicators of living standard in European countries is the level of infant mortality because the best investment of any nation is an investment in children's lives.



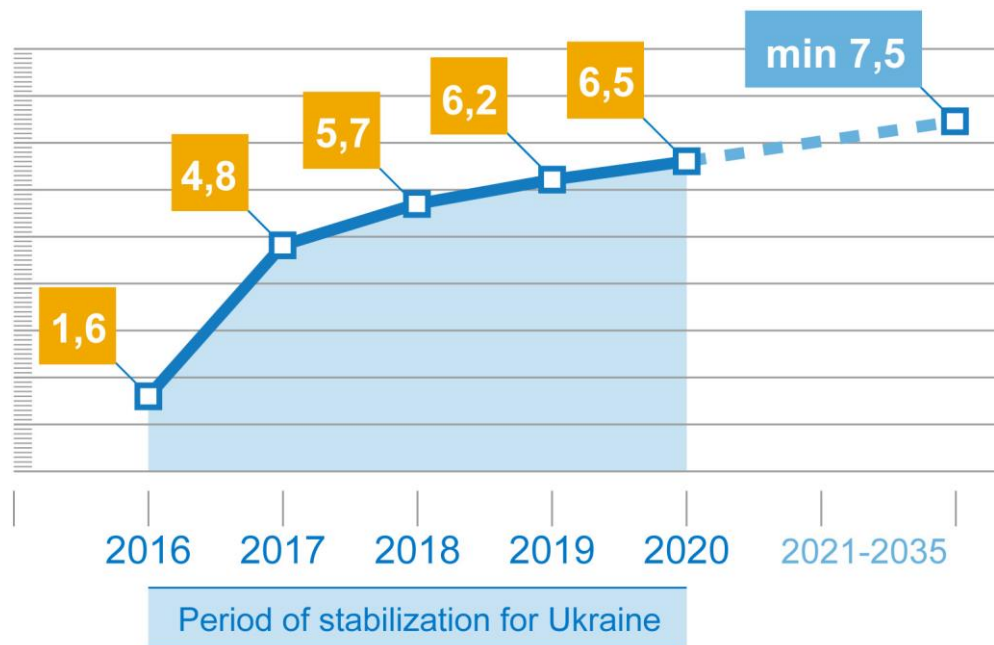
Average life expectancy

Currently – 71 year

Average life expectancy in the EU today is 80 years.

Well fed and socially protected worker will never emigrate

GDP GROWTH FORECAST, IN CASE OF UKRAINE'S MODERNIZATION PLAN REALIZATION



Lessons learned by the countries which have modernized their economies show that their rates of economic growth were higher than 5% for 5-10 years in a row.

For Ukraine such growth is quite realistic. In 2004 Ukraine's GDP was growing at a rate of 12%. That time Ukraine was called the 'new economic wonder'.

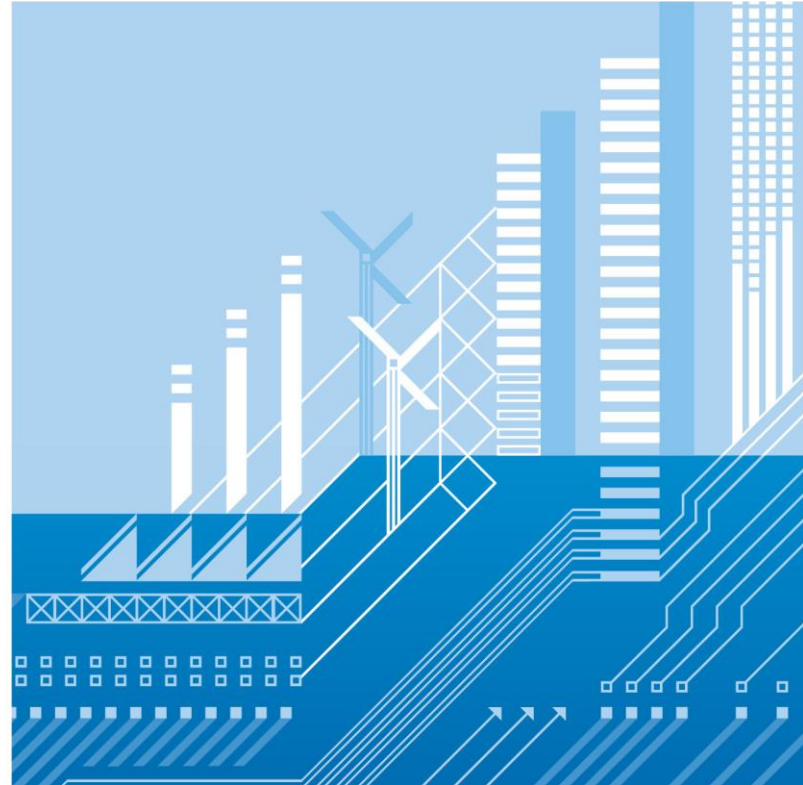
TOGETHER WE WILL REVIVE UKRAINE!

Ukrainian trade-unions have already supported the Plan of Ukraine's Modernization. We are looking forward to discussion and support by the Government and Parliamentary coalition.

We open a forum for discussing the Plan and further joint work on its implementation.

Implementation of the Plan requires a common strategy from all parties of the social dialogue and consensus.

In the framework of signing the Memorandum with the largest European business-association "BUSINESSEUROPE", the presentation of the ranking list of 200 promising commodity items, which can be produced in Ukraine, is planned to take place in Brussels in the first quarter of 2016.



More details on the Ukraine's Modernization Plan you can find at
modernization.fru.org.ua