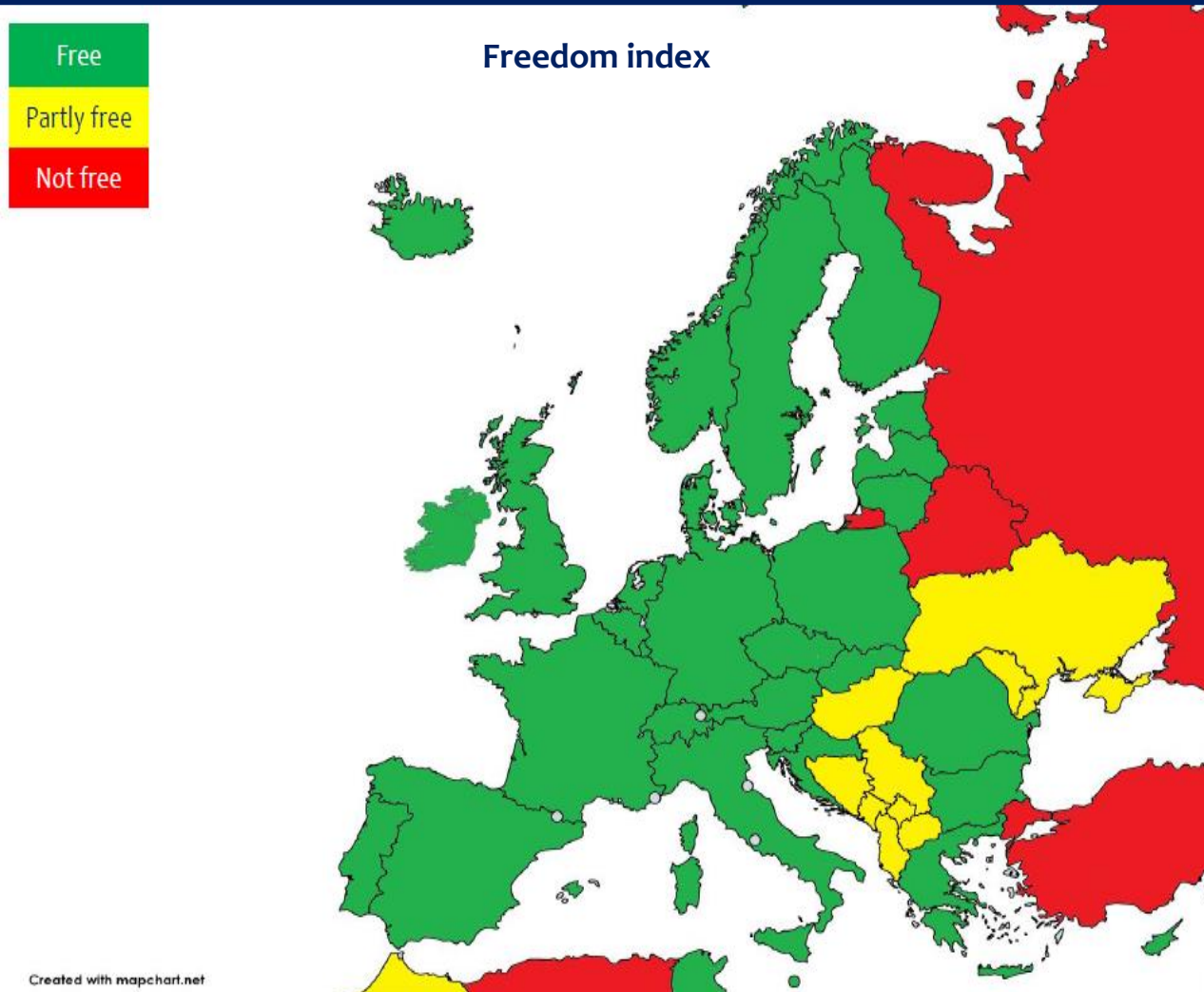


Ukraine and its foreign economic relations in 2022

1)	Background	2-21
1a)	Territory	3
1b)	Population	4-8
1c)	Economy	9-14
1d)	Energy	15-20
1e)	Military expenditure	21
2)	Foreign trade	22-26
2a)	Development	23
2b)	Geography	24-25
2c)	Structure	26
3)	Foreign investment	27-31
3a)	Development	28
3b)	Geography	29
3c)	Regions	30
3d)	Sectors	31
4)	Finnish-Ukrainian economic relations	32-37
4a)	Trade	33-35
4b)	Investment	36-37
5)	Summary	38
6)	Future of Ukraine ?	39
7)	Additional information	40



1) Background



The presidents of Ukraine, Russia and Belarus in the 21st century



Volodymyr Zelenskyy sworn as the 6th president of Ukraine in May 2019. Leonid Kravchuk, not presented in the above photo gallery, served in the early 1990s. Next presidential elections in Ukraine are to be held in 2024.

Sources: Freedom House; President of Ukraine; EIU

1a) Ukraine's territory

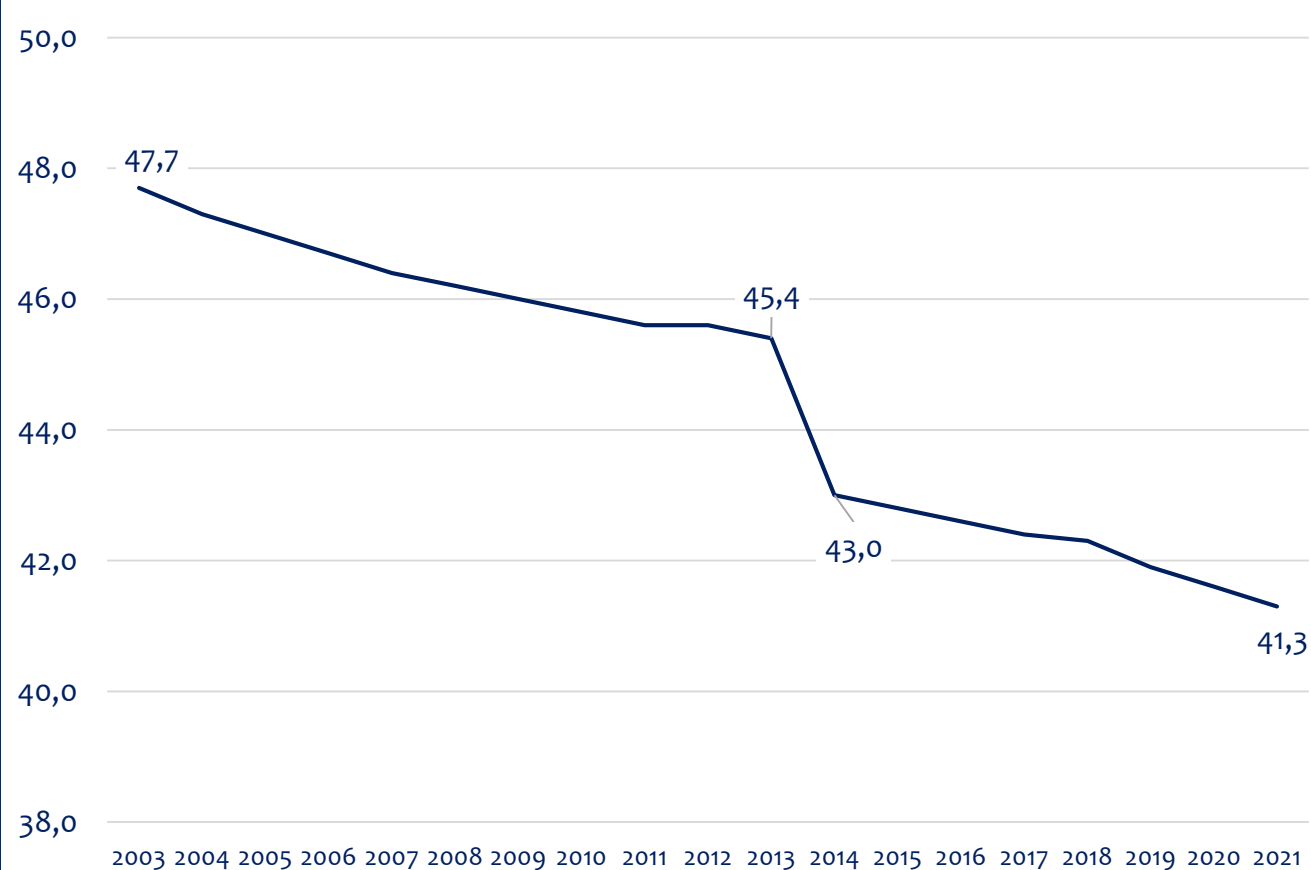


Ukraine is Europe's 3rd largest country in terms of its territory after Russia and France. Ukraine borders Belarus (1111 km), Hungary (128 km), Moldova (1202 km), Poland (498 km), Romania (601 km), Russia (1944 km) and Slovakia (97 km). About 7% of Ukraine's territory is occupied by Russia or "separatists". Only a small number of countries has recognised the annexation of Crimea to the Russian Federation in 2014.

Sources: Nations Online Project; CIA; Ministry of Defence of Ukraine

1b) Ukraine's population

Population development (million)



In this millennium, Ukraine's population has dropped by more than 5 million people. In reality, the dive could be even deeper than the official statistics indicate due to the war related massive migration. Ukraine is Europe's 7th populous country after Russia, Germany, France, the UK, Italy and Spain. Ukraine State Statistics Service has not included the population of Crimea and Sevastopol in its statistics since 2014. In 2013, 2.4 million people lived in Crimea, which is more than the population of Latvia.

Source: Ukraine State Statistics Service; CIA

1b) Ukraine's population

(average population in January – October 2021)

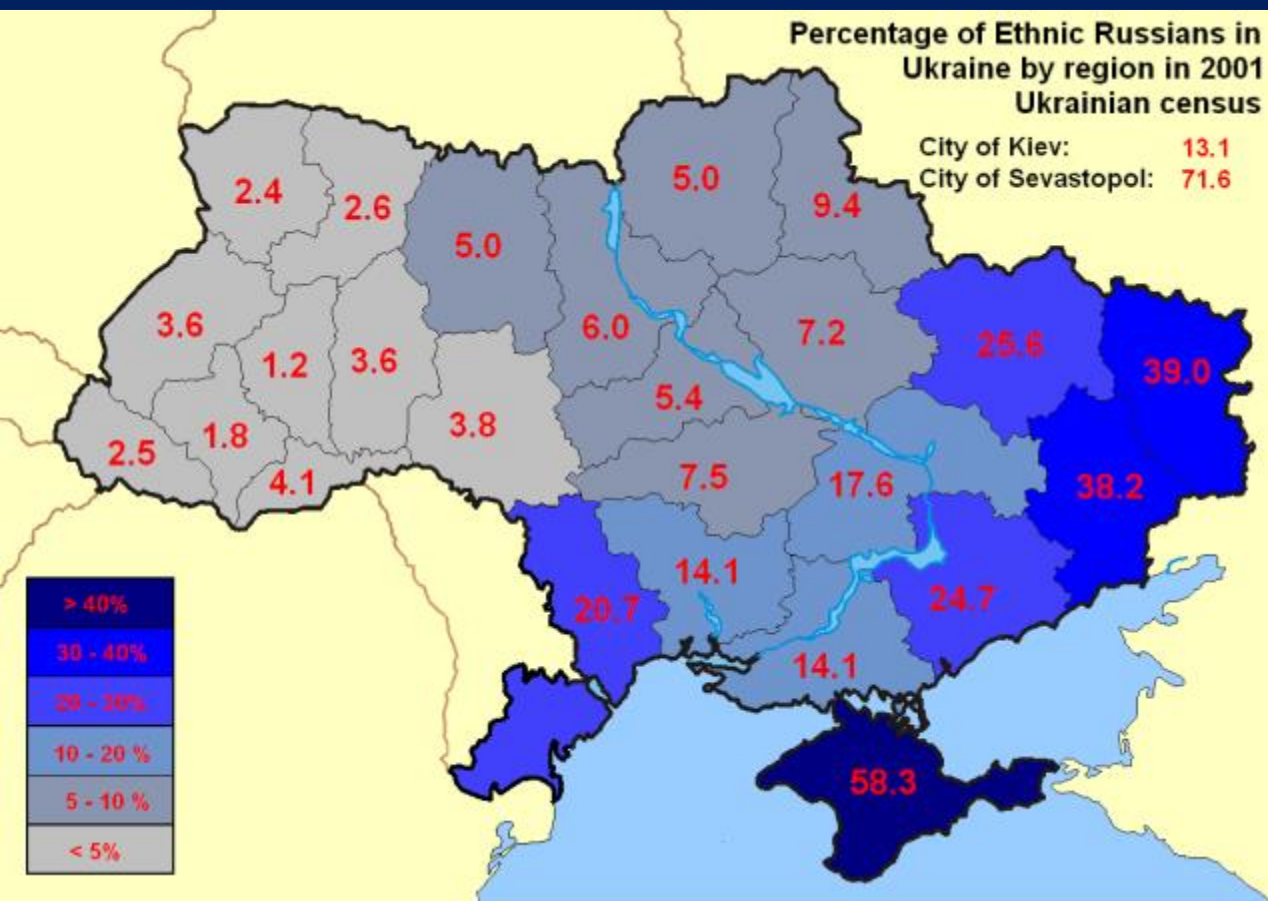


	Million	Share
Total	41.3	100 %
Donetsk	4.1	10 %
Dnipropetrovsk	3.1	8 %
City of Kyiv	2.9	7 %
Kharkiv	2.6	6 %
Lviv	2.5	6 %
Odesa	2.4	6 %
Luhansk	2.1	5 %
Kyiv province	1.8	4 %
Zaporizhzhya	1.7	4 %
Vinnytsya	1.5	4 %
Poltava	1.4	3 %
Ivano-Frankivsk	1.4	3 %
Zakarpattia	1.2	3 %
Khmelnytsky	1.2	3 %
Zhytomyr	1.2	3 %
Cherkasy	1.2	3 %
Rivne	1.1	3 %
Mykolayiv	1.1	3 %
Sumy	1.0	3 %
Ternopil	1.0	2 %
Volyn	1.0	2 %
Kherson	1.0	2 %
Chernihiv	1.0	2 %
Kirovohrad	0.9	2 %
Chernivtsi	0.9	2 %

Ukraine is divided into 24 provinces (oblasts), 1 autonomous republic (Crimea), and 2 municipalities with oblast status (Kiev and Sevastopol). Prior to the war and massive migration of people (1.5 million), Donetsk and Luhansk provinces covered 15% of population. The population of Crimea and the population of Sevastopol have not been included in the table above.

Source:
Ukraine State
Statistics
Service

1b) Ethnic groups of Ukraine



Former Soviet republic (year)	Population (million)	Share of ethnic Russians
Armenia (2011)	3	Below 1.0%
Azerbaijan (2009)	10	1.3 %
Belarus (2009)	9	8.3 %
Estonia (2011)	1	24.8 %
Georgia (2014)	4	Below 2.0 %
Kazakhstan (2019)	19	19.3 %
Kyrgyzstan (2019)	6	5.5 %
Latvia (2018)	2	25.2 %
Lithuania (2011)	3	5.8 %
Moldova (2014)	3	4.1 %
Russia (2010)	142	77.7 %
Tajikistan (2014)	9	Below 2.0 %
Turkmenistan (2003)	6	4.0 %
Ukraine (2001)	44	17.3 %
Uzbekistan (2017)	31	2.3 %

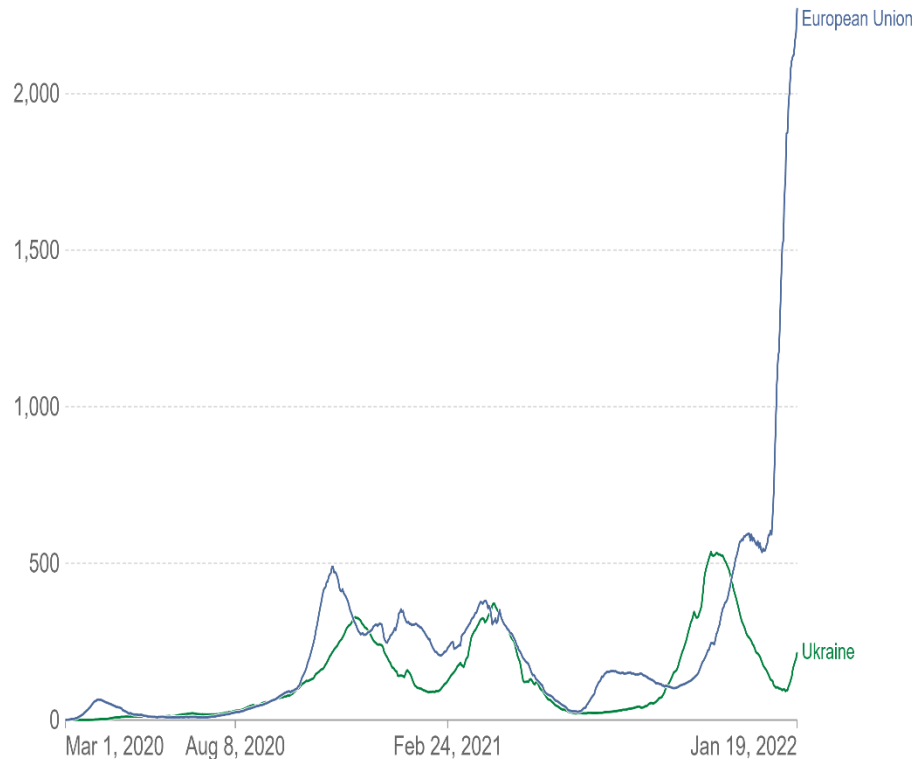
17% of the Ukrainian population was Russian by ethnic background in 2001. In Crimea, excluding Sevastopol, nearly 60% were ethnically Russians in 2001. Sevastopol used to be a leased military base of the Russian Navy in Crimea. Ukraine and Russia renewed the agreement on this military base in 2010. The agreement was to expire in 2042. In the beginning of 2014, nearly 400,000 people lived in Sevastopol, but according to unconfirmed information, its population has increased after Crimea was annexed to Russia. PS. The ethnic Ukrainians formed 1.4% of the Russian population in 2010, i.e. some 2 million ethnically Ukrainians lived in Russia.

Sources: Eurasian Geopolitics; CIA

1b) New corona cases and corona deaths in Ukraine and the EU

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

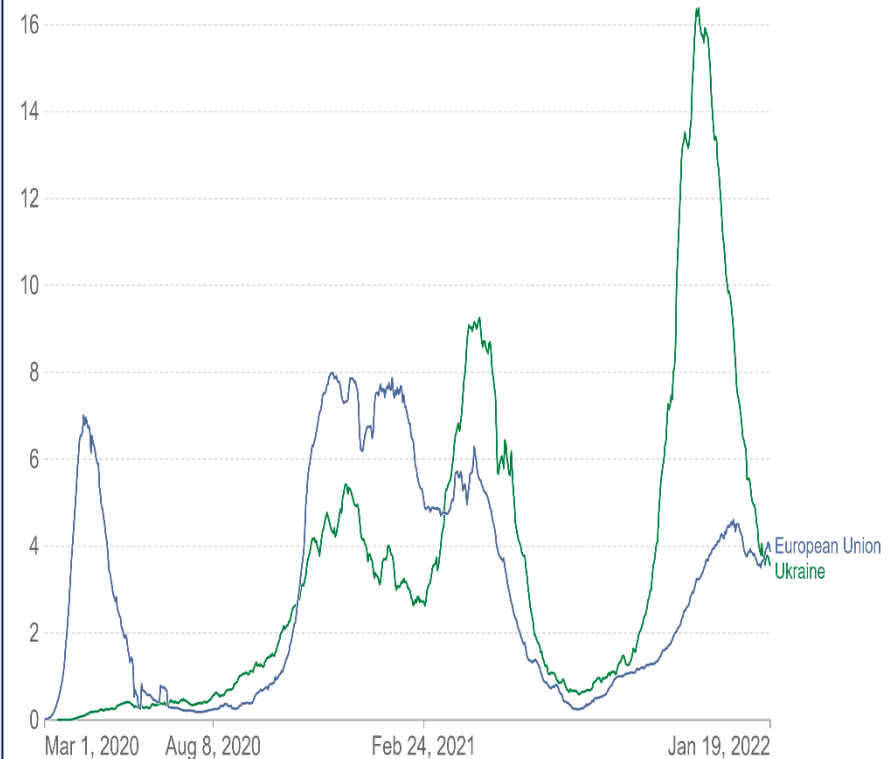


Source: Johns Hopkins University CSSE COVID-19 Data

CC BY

Daily new confirmed COVID-19 deaths per million people

7-day rolling average. For some countries the number of confirmed deaths is much lower than the true number of deaths. This is because of limited testing and challenges in the attribution of the cause of death.



Source: Johns Hopkins University CSSE COVID-19 Data

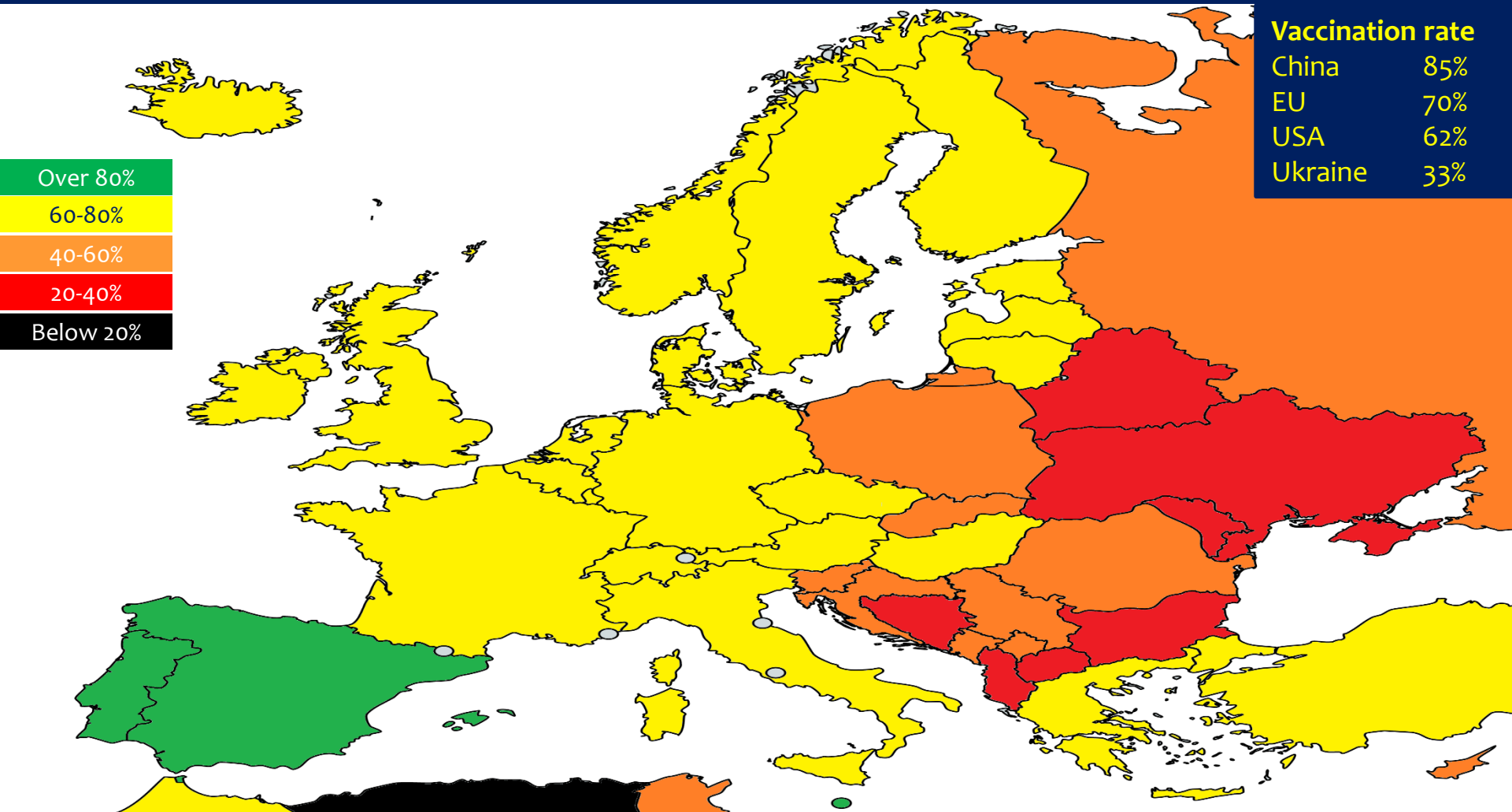
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One should be extremely cautious when interpreting the corona statistics, particularly with new corona cases. Despite these warning words, it seems that the EU has experienced the Omicron wave earlier than Ukraine, but obviously Ukraine will face the Omicron peak later on in this spring. One should also pay attention to a major corona death peak in Ukraine during the last quarter of 2021 (October-December 2021).

Source: Our World in Data

1b) Corona vaccination rate in Europe on the eve of 2022

(share of the total population with two vaccines)

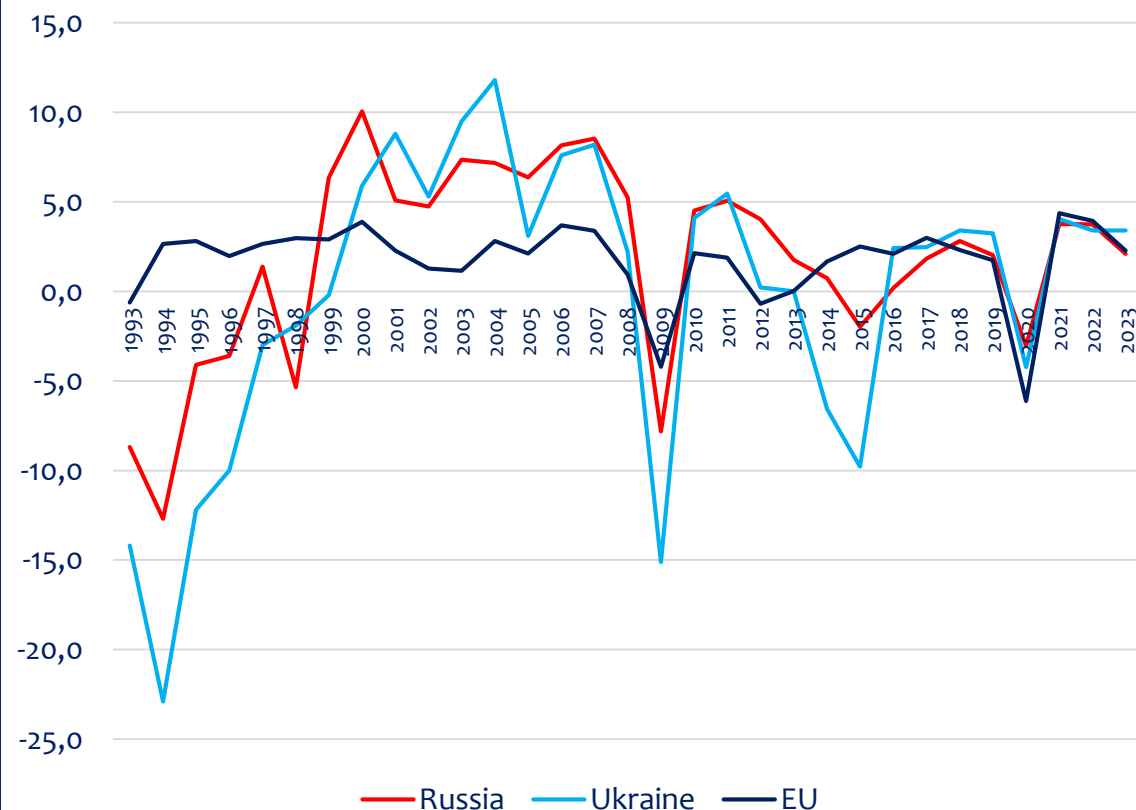


In the European neighbourhood, war-thorn Algeria scores the lowest in terms of the vaccination rate (13%).

Source: Our World in Data

1c) Economic development and size

Annual GDP change (% , constant prices)



2021	GDP (\$ billion, current prices, PPP)	GDP (\$ billion, current prices)
Belarus	201	66
Hungary	360	181
Moldova	37	12
Poland	1,412	655
Romania	654	287
Russia	4,447	1,648
Slovakia	194	117
Ukraine	584	181

Ukraine suffered a lot from the disintegration of the USSR. Its GDP decline lasted the whole 1990s. On the other hand, the Ukrainian economy grew fast in the 2000s until the global financial crisis in 2009. Ukraine experienced another major GDP decline when the Ukraine war broke in 2014. The IMF expects that the Ukrainian economy will grow faster than the EU and Russia in 2023. At the moment, the Russian economy is approximately 8 times the size of Ukraine. (PPP = purchasing power parity, "purchasing power parity is the exchange rate calculated by which the price of the commodity basket of two countries is exactly the same converted into the common currency.")

1c) Economic wellbeing

GDP / capita (constant prices, PPP)	2013	2021	Name	Net wealth 2018	Net wealth 2021	Source
Belarus	18,816	19,644	Rinat Akhmetov	\$ 5.5 billion	\$ 7.6 billion	Steel, coal
Hungary	25,558	33,720	Victor Pinchuk	\$ 1.4 billion	\$ 2.5 billion	Steel pipes, diversified
Moldova	9,774	13,047	Kostyantyn Zhevago	\$ 1.6 billion	\$ 2.3 billion	Mining
Poland	25,826	34,154	Ihor Kolomoyskyy	\$ 1.0 billion	\$ 1.8 billion	Banking, investments
Romania	22,283	30,961	Henadiy Boholyubov	\$ 1.2 billion	\$ 1.7 billion	Banking, investments
Russia	26,384	27,847	Petro Poroshenko	No data revealed during presidency	\$ 1.6 billion	Confectionary
Slovakia	27,445	32,530	Vadim Novisky	\$ 1.0 billion	\$ 1.4 billion	Steel
Ukraine	12,612	12,945				

The Moldovans and the Ukrainian are the least wealthy people in Europe. According to the official figures not taking into account the unofficial economy, GDP per capita in Russia is approximately double the corresponding figure in Ukraine. The GDP per capita in Ukraine was approximately 30% of that of the EU in 2021. In 2021, there were 7 Forbes-listed billionaires in Ukraine. Their combined net wealth was nearly 10% compared to the Ukrainian GDP measured at current prices in 2021.

1c) Some economic indicators

Forecast summary

(% unless otherwise indicated)

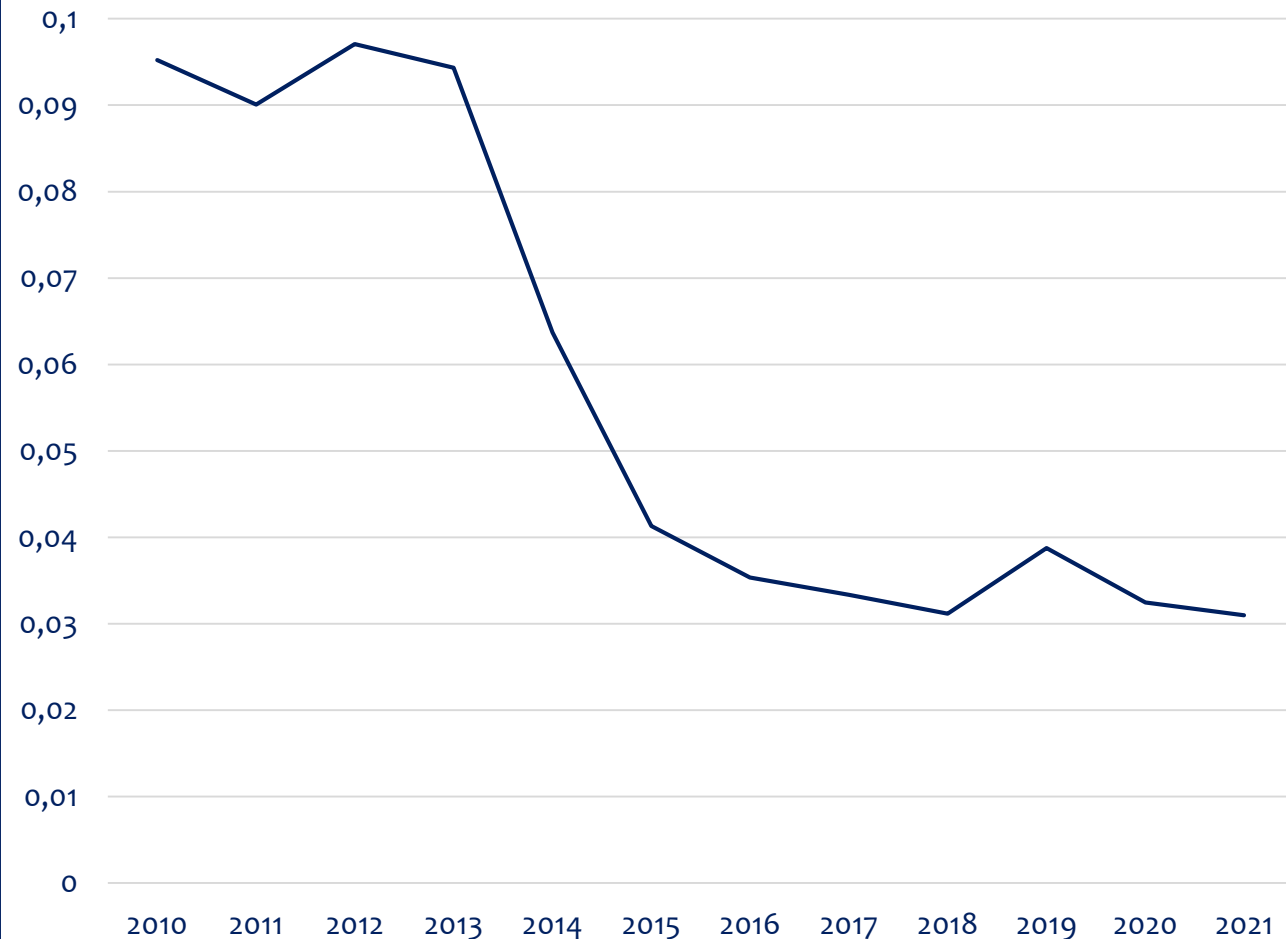
	2021 ^a	2022 ^b	2023 ^b	2024 ^b	2025 ^b	2026 ^b
Real GDP growth	2.1	2.7	3.5	3.4	3.6	3.9
Industrial production growth	2.5	4.0	3.2	2.8	2.8	2.8
Gross fixed investment growth	4.0	10.0	9.0	6.3	6.0	6.0
Unemployment rate (ILO; av; %)	8.8	8.5	8.3	8.1	8.0	7.1
Consumer price inflation (av)	9.4	7.8	5.7	4.8	4.8	4.8
Consumer price inflation (end-period)	10.3	6.6	4.8	5.0	4.8	4.8
Commercial bank lending rate	13.4	14.6	13.4	12.4	11.9	11.7
Consolidated government balance (% of GDP)	-3.1	-4.2	-3.4	-3.4	-3.4	-3.4
Exports of goods fob (US\$ bn)	62.6	65.7	67.9	69.5	72.5	75.9
Imports of goods fob (US\$ bn)	67.5	73.1	78.8	84.9	92.6	100.6
Current-account balance (US\$ bn)	3.5	3.0	-0.5	-3.4	-6.7	-9.5
Current-account balance (% of GDP)	2.0	1.5	-0.2	-1.4	-2.6	-3.3
External debt (end-period; US\$ bn)	134.4	141.1	144.0	148.6	154.5	159.2



If the war does not escalate and the Omicron epidemic remains somewhat in control, the economic forecast suggests rather promising economic development for Ukraine until the year 2026. On the other hand, Ukraine's public finances are worrying, including continuous budget deficit (negative government balance) and high debt servicing costs (\$ 21 billion in 2021).

1c) The exchange rate of the Ukrainian currency

The value of 1 Ukrainian Hryvnia against Euro (€)



The Ukrainian currency, Hryvnia, has lost 2/3 of its external value against Euro since 2013.
On Friday 21.1.2022, one Euro equalled to 32.11 Hryvnias.

Source: National Bank of Ukraine

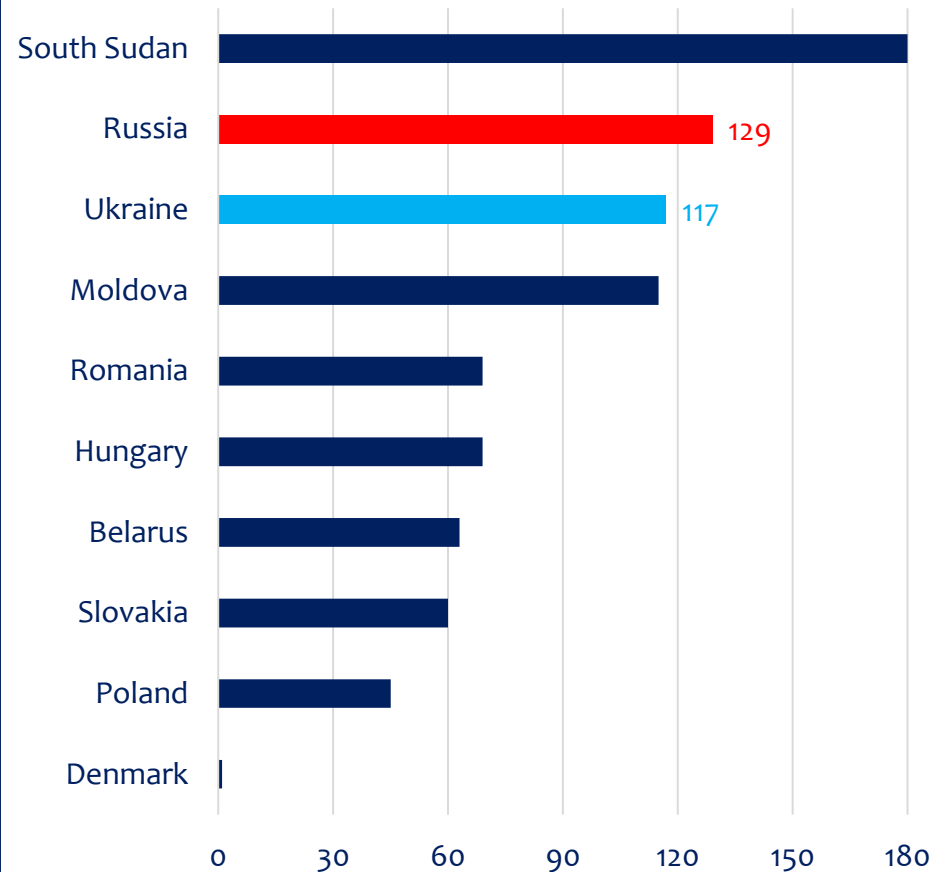
1c) Business environment

2020	Global rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
New Zealand	1	1	7	48	2	1	3	9	63	23	36
Russia	28	40	26	7	12	25	72	58	99	21	57
Poland	40	128	39	60	92	37	51	77	1	55	25
Slovakia	45	118	146	54	8	48	88	55	1	46	46
Moldova	48	13	156	84	22	48	45	33	38	62	67
Belarus	49	30	48	20	14	104	79	99	24	40	74
Hungary	52	87	108	125	29	37	97	56	1	25	66
Romania	55	91	147	157	46	25	61	32	1	19	56
Ukraine	64	61	20	128	61	37	45	65	74	63	146
Somalia	190	188	186	187	153	186	190	190	166	116	168

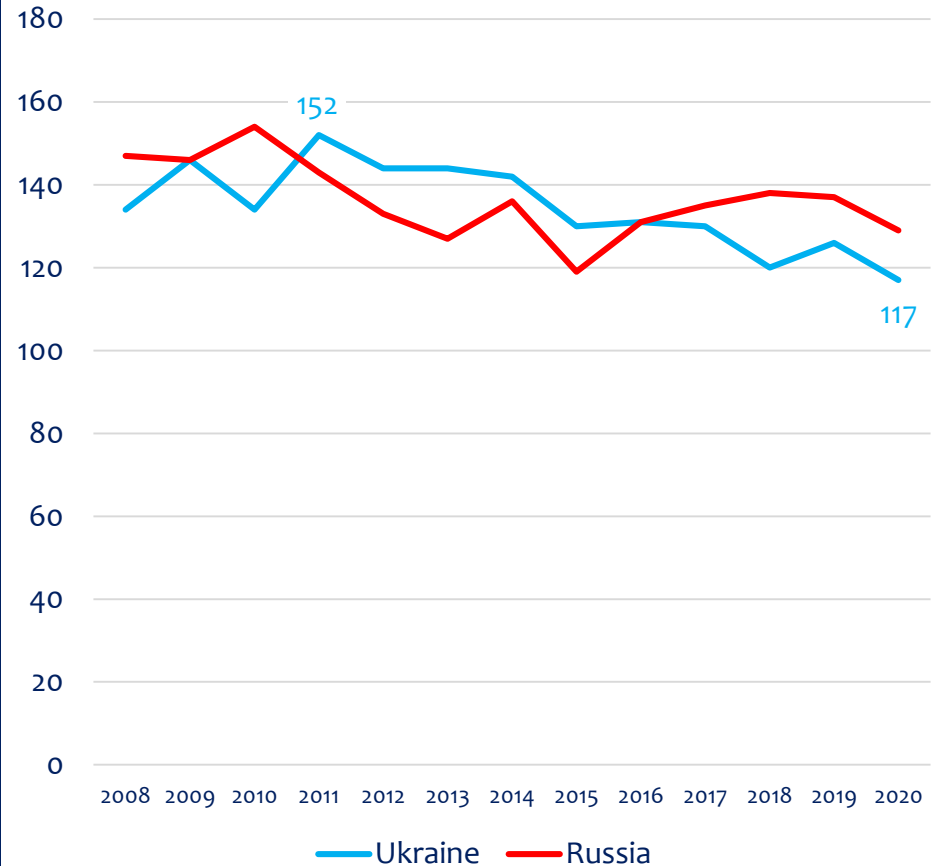
The business environment of Ukraine ranked the 6th weakest in Europe after San Marino, Malta, Albania, Greece and Luxembourg in 2020. Ukraine has major difficulties in resolving insolvency and getting electricity. Despite relatively weak business environment, Ukraine has managed to improve its business environment considerably. In 2010, Ukraine ranked 142th, i.e. Ukraine has managed to climb nearly 80 positions in this global ranking. Though Ukraine's historic development in terms of business is impressive, one should keep in mind that Russia has simultaneously improved its business environment ranking from the 120th position in 2010 to the 28th place in 2020.

1c) Corruption

Corruption perception in 2020
(180 countries ranked)



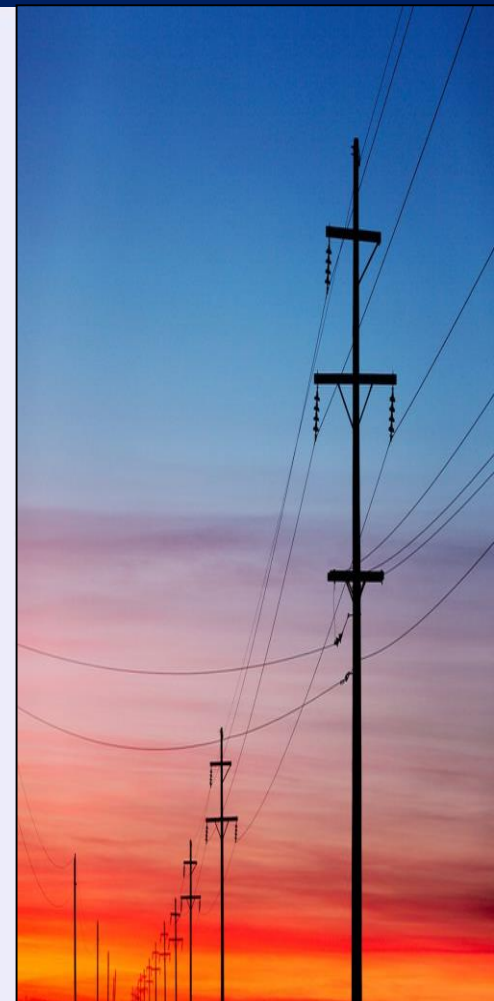
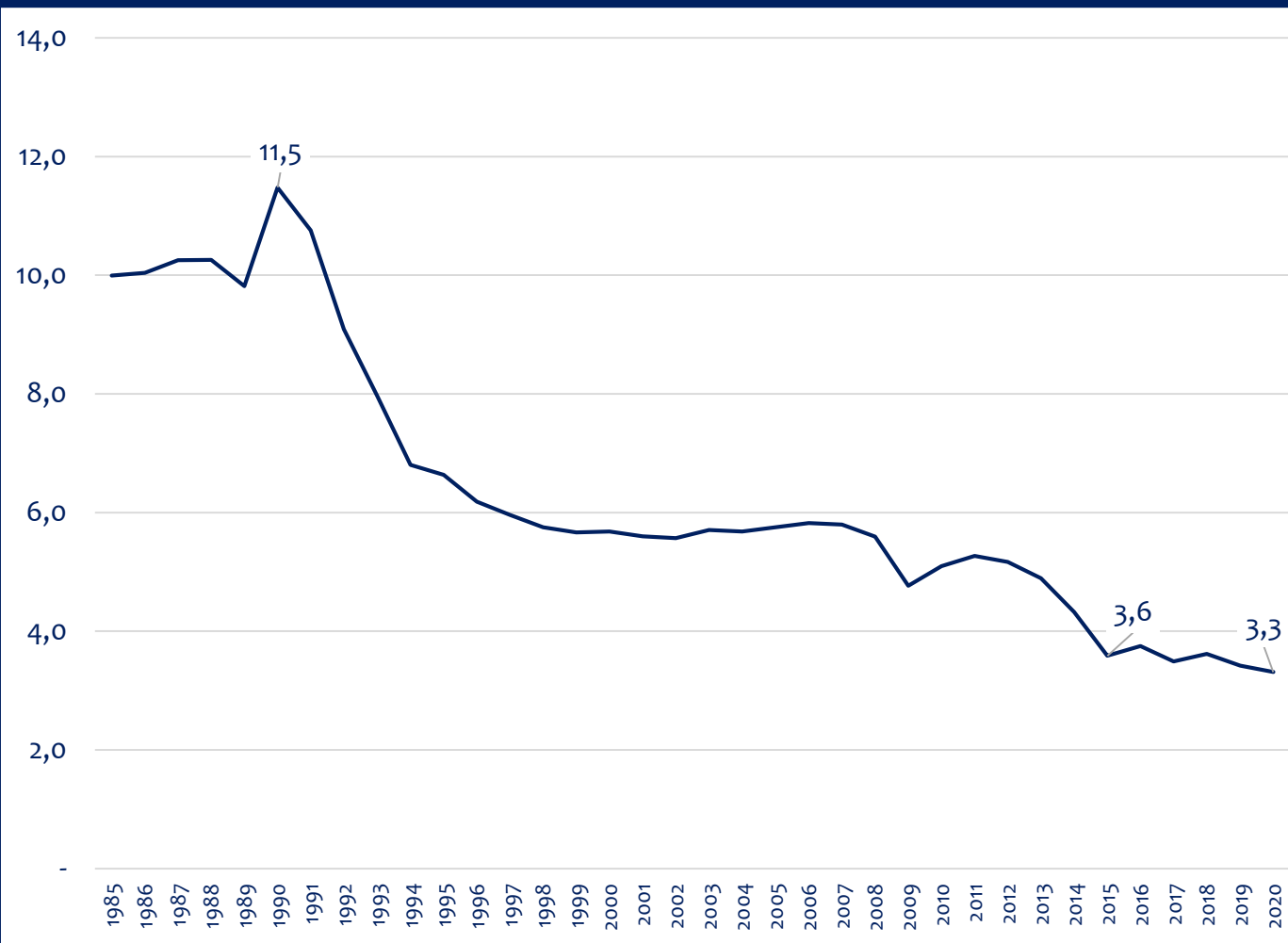
Country's position in global corruption rank
(higher the rank, higher the corruption)



Transparency International ranks Russia and Ukraine as Europe's two most corrupt countries. Even if the corruption situation has improved in Ukraine during the past 10 years, the country should intensify its fight against corruption in order to be able to advance in its integration path towards the EU. Bulgaria ranks worst within the current EU in this corruption rating (69th).

Source:
Transparency
International

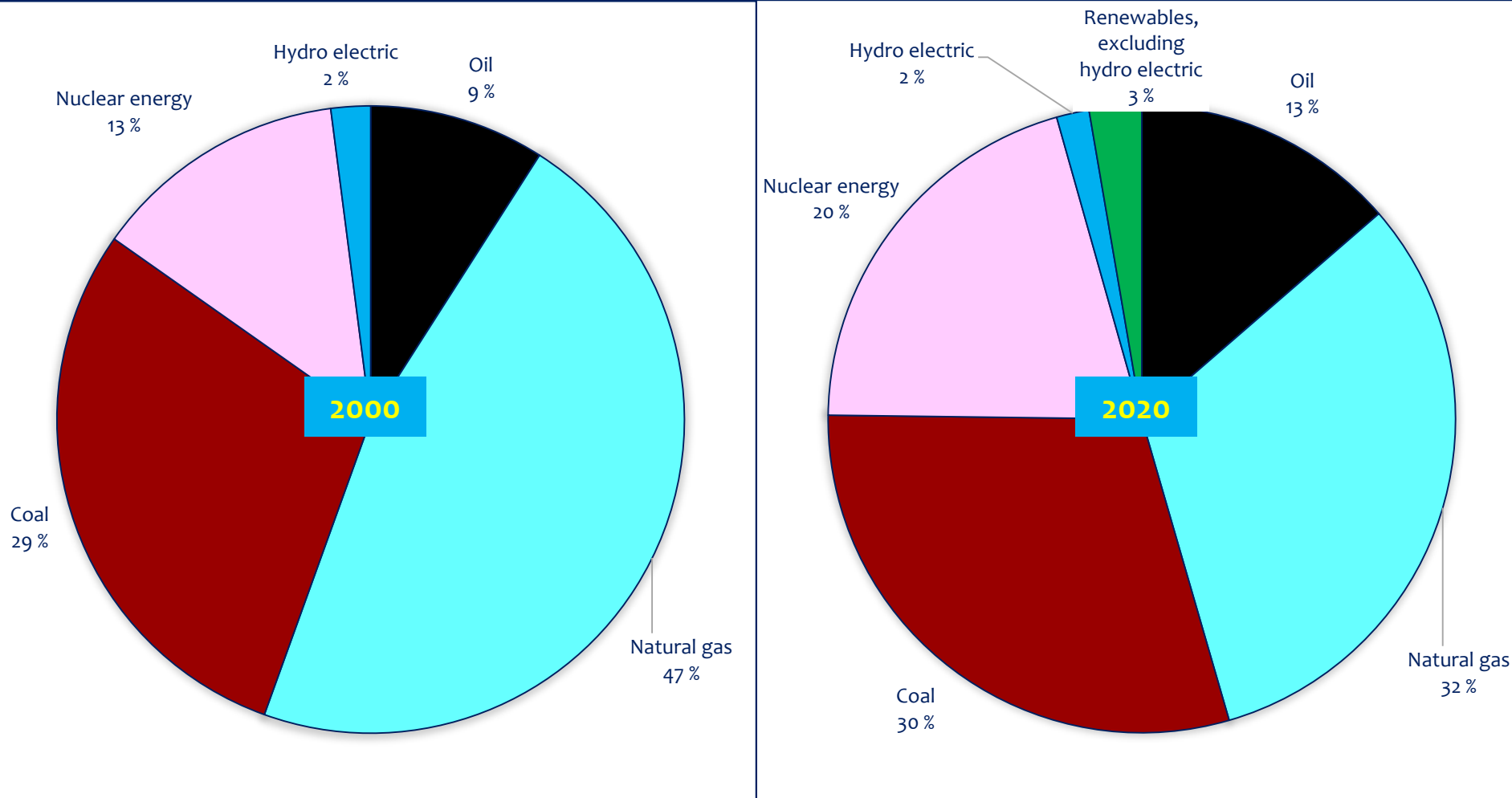
1d) Primary energy consumption (exajoules)



Ukraine's energy consumption collapsed when the USSR disintegrated, which was common among the former Soviet republics as the share of heavy industries has declined and energy savings measures have been executed.

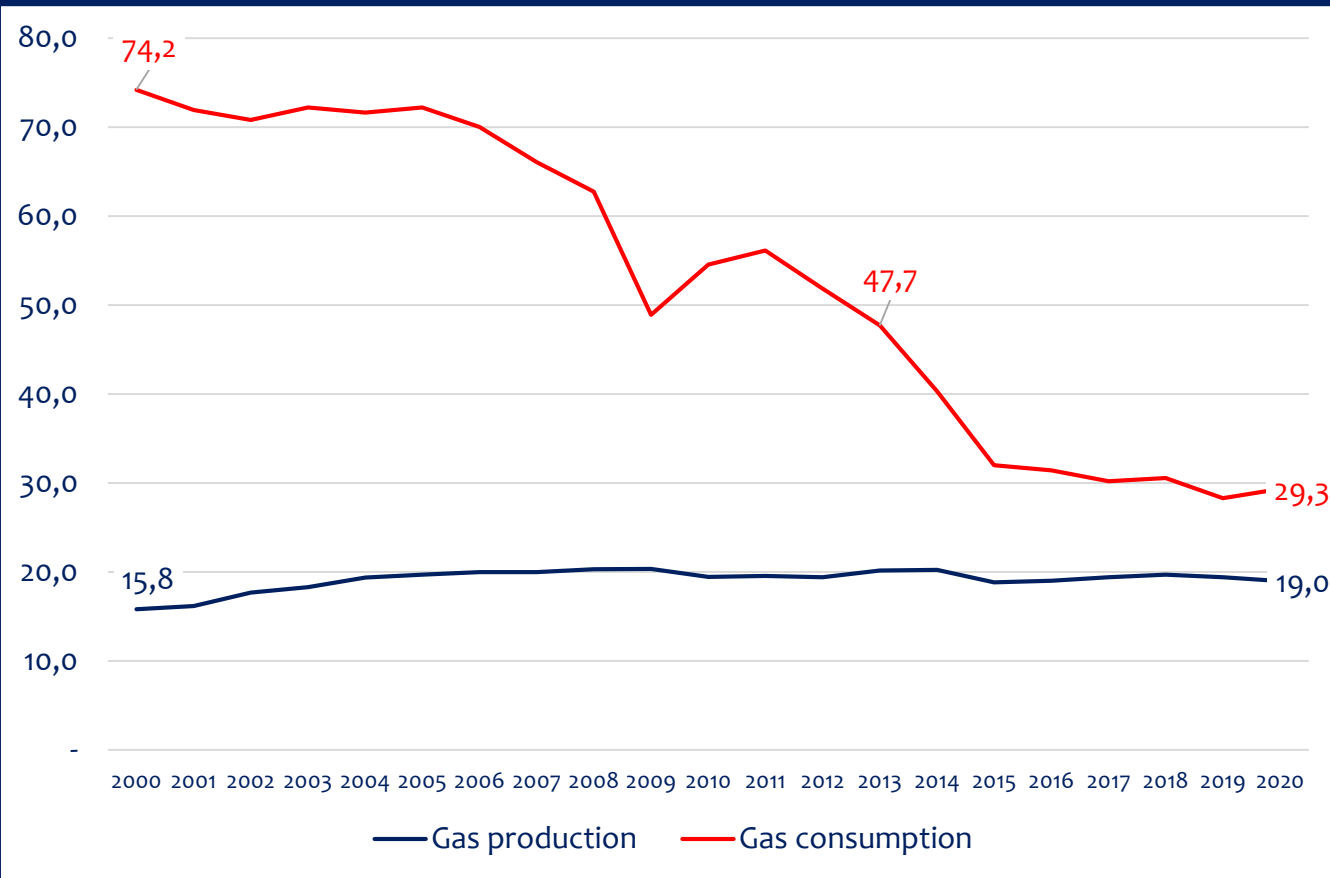
Energy consumption decline in Ukraine has slowed down. Exajoule = one quintillion (10^{18}) joules.

1d) Ukraine's energy consumption by fuel in 2000 and 2020



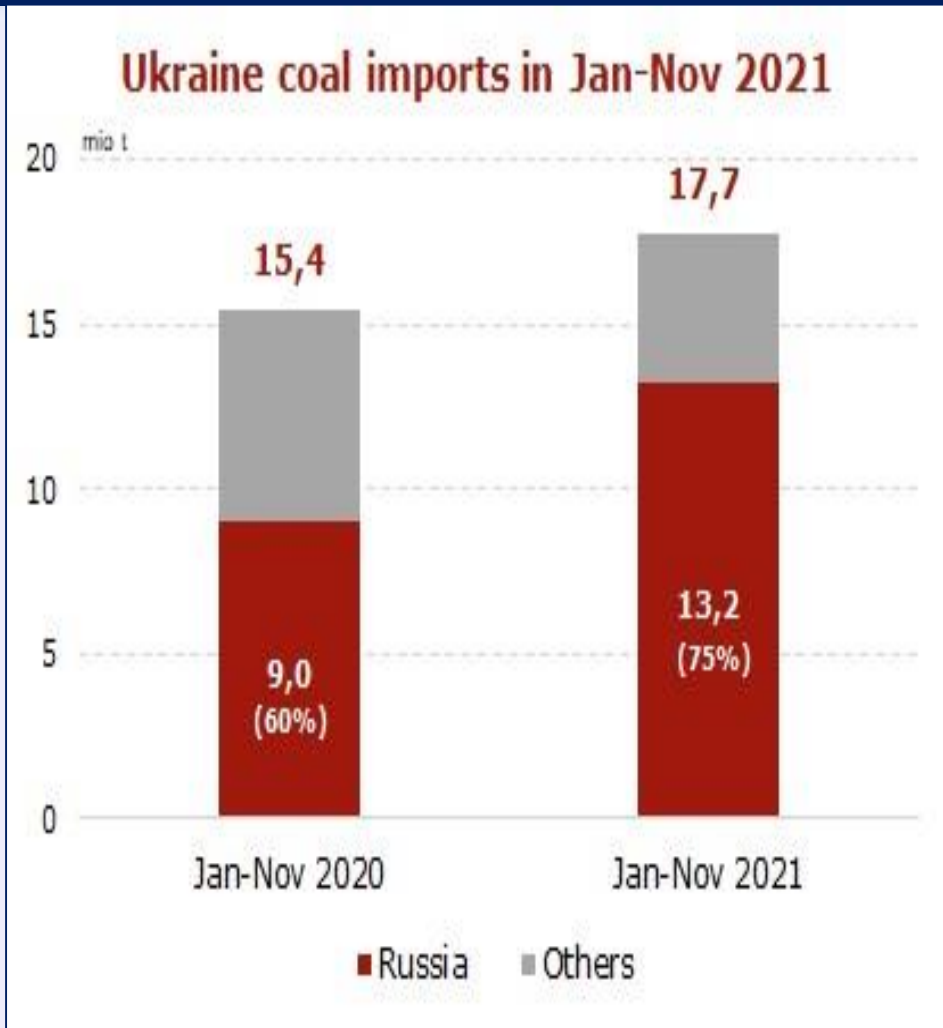
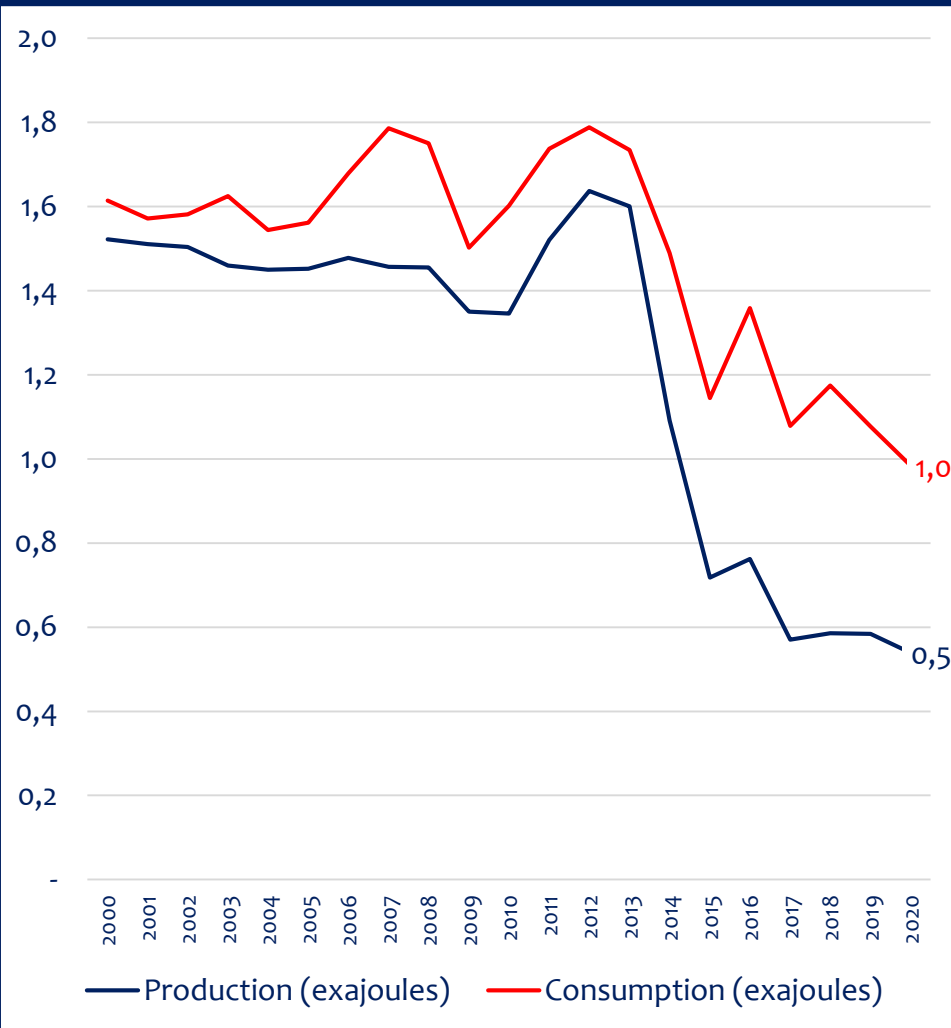
In this millennium, importance of natural gas has decreased considerably (15 percentage points), while the significance of nuclear energy and oil has increased. Moreover, renewables (excluding hydro electric) have appeared in the energy mix of Ukraine, covering 3% of the country's primary energy consumption in 2020. Presently, solar power is the main renewable source of energy in Ukraine, covering more than a half of renewable energy in Ukraine in 2020.

1d) Natural gas production and consumption (billion cubic metres = bcm)



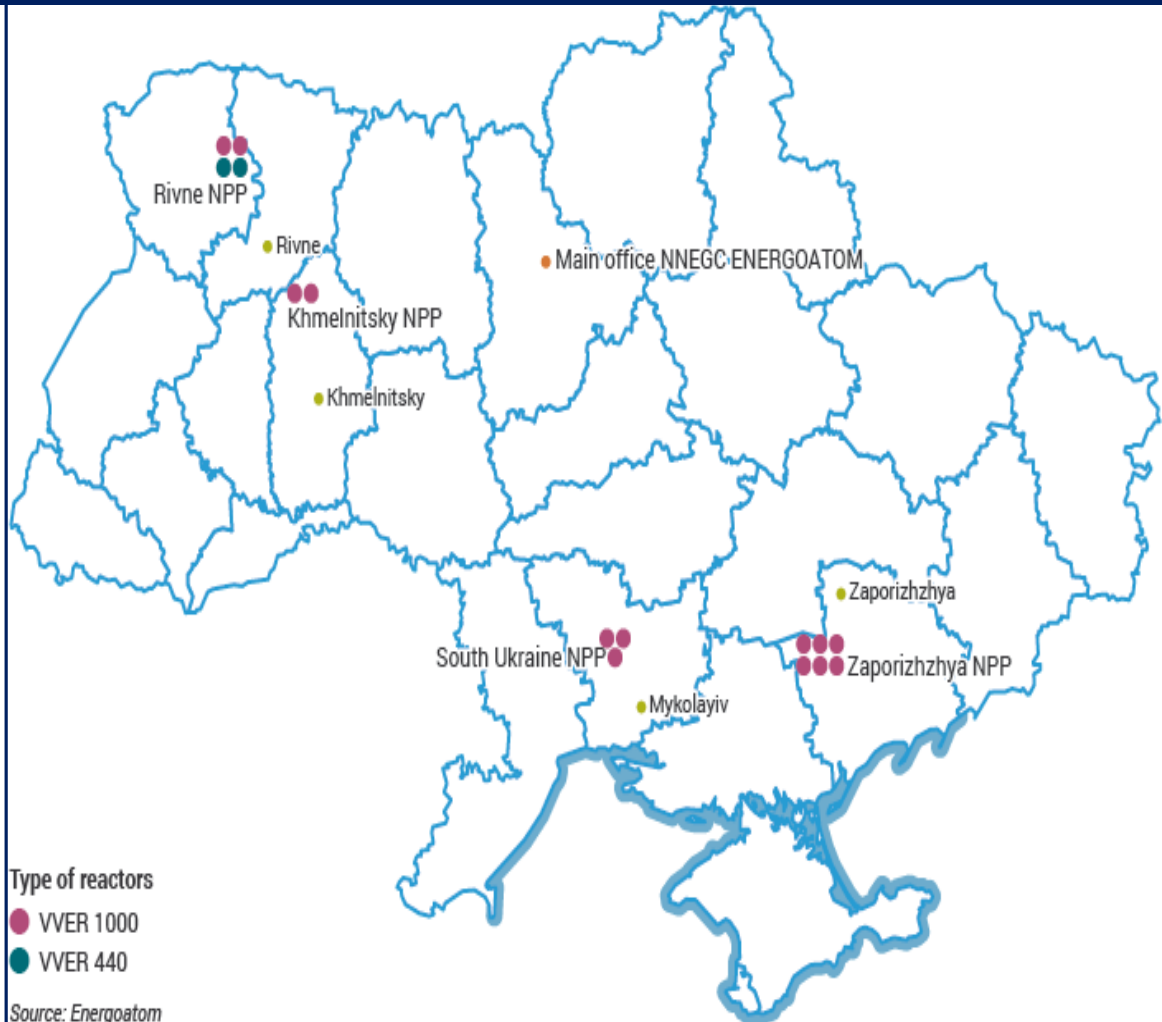
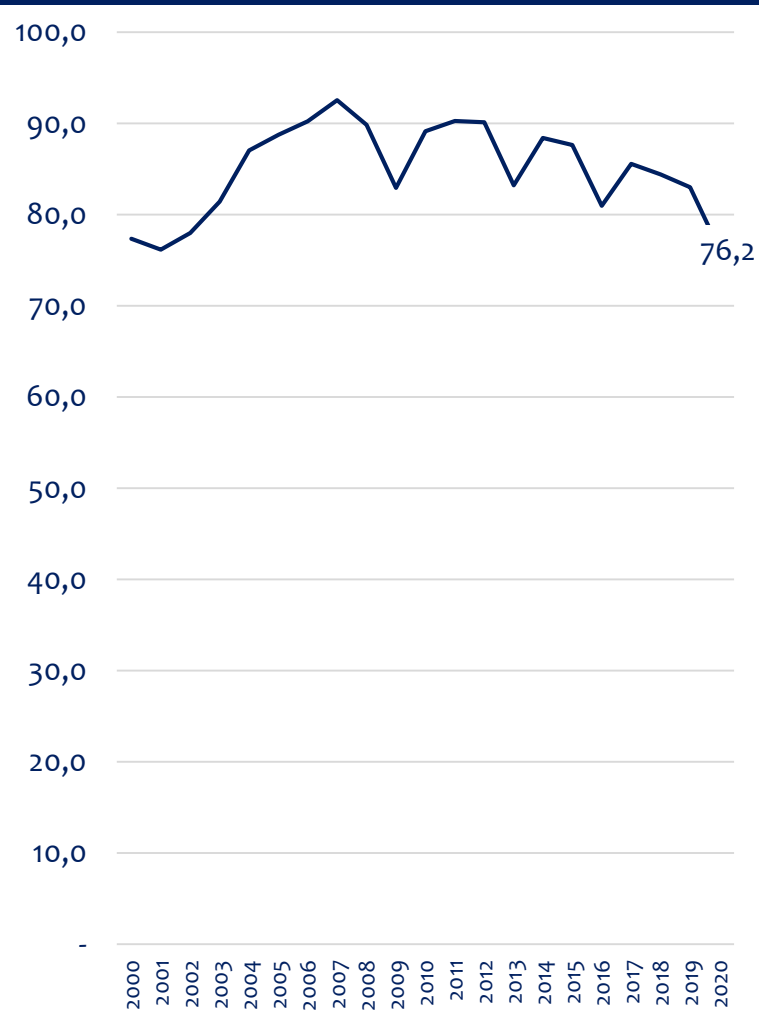
Currently, Ukraine covers 2/3 of its natural gas consumption with own production. In November 2015, Ukraine stopped importing natural gas from Russia, though Ukraine still acts as a gas transit country between Russia and the EU. Since November 2015, Ukraine has imported all its natural gas from the EU. In 2020, Slovakia accounted for 65%, Hungary 26% and Poland 9% of Ukraine's gas imports. As the aforementioned countries receive all or a lion's share of their gas from Russia, Ukraine is *de facto* still dependent on Russian natural gas supplies. Strategic gas reserves are located in eastern Ukraine, near the conflict zone. For more information on Ukraine's role as a gas transit country, see the article of **Mykhailo Gonchar and Igor Stukalenko** (<https://link.springer.com/book/10.1007/978-3-030-80367-4>).

1d) Coal production and consumption (exajoules and million tonnes)



Ukraine possesses 3% of global coal reserves. Despite the country's giant coal reserves, Ukraine meets only a half of its own coal consumption. In 2021, Ukraine imported $\frac{3}{4}$ of its coal from Russia, i.e. Russia covered more than $\frac{1}{3}$ of Ukraine's overall coal consumption.

1d) Nuclear energy production (terawatt-hours)

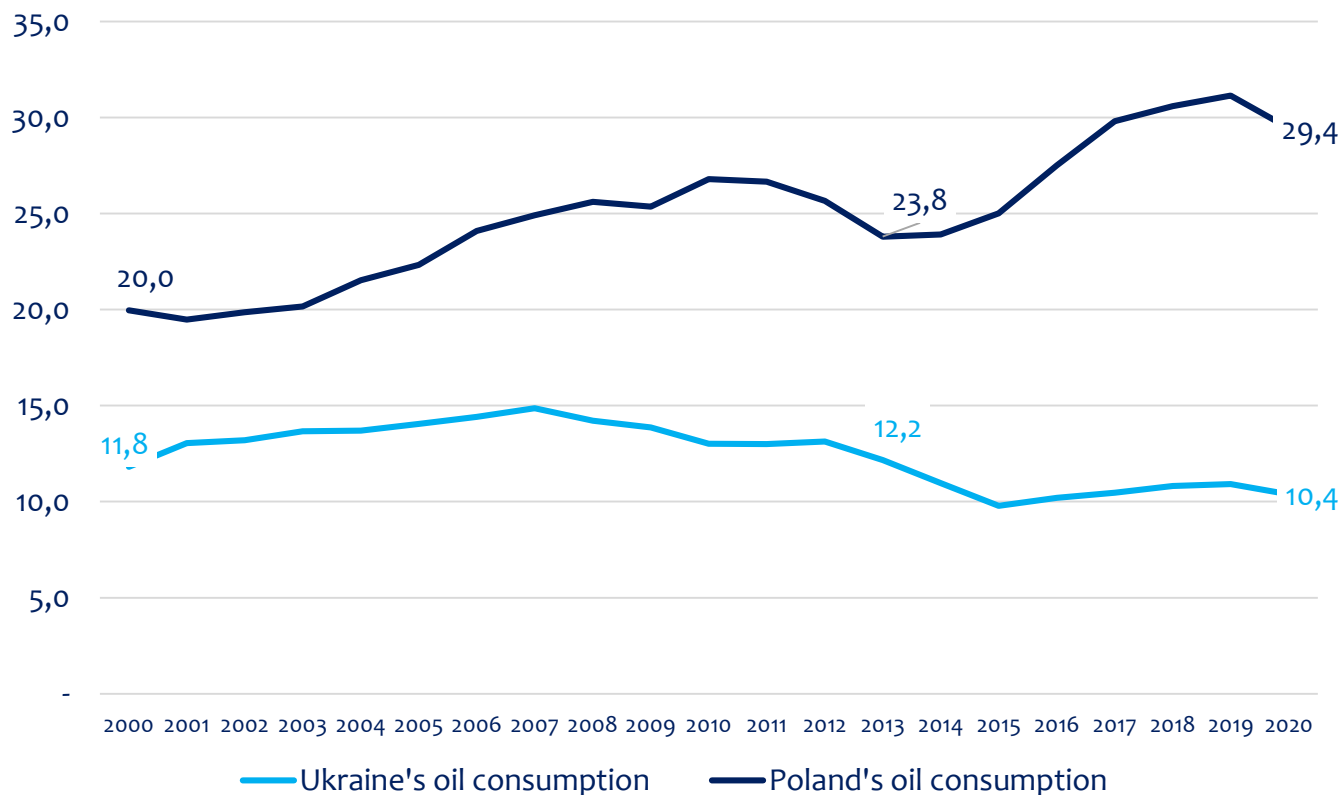


At the moment, Ukraine possesses 15 commercial nuclear power units, which supply a half of the country's electricity. 6 of Ukraine's nuclear power plants are not far away (approximately 200 km) from the front line of the conflict zone. In 2020, 57% of Ukraine's nuclear fuel was supplied by Russia (TVEL).

Sources: BP; World Nuclear Association; TVEL

1d) Oil consumption

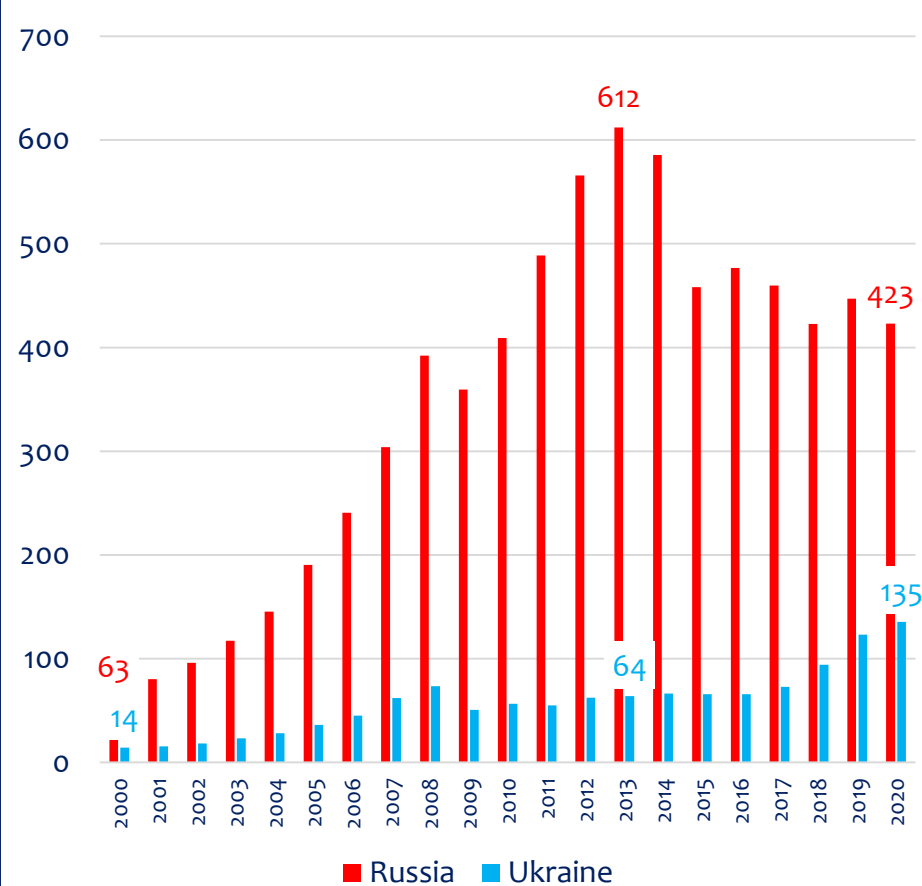
Oil consumption in Ukraine and Poland (million tonnes)



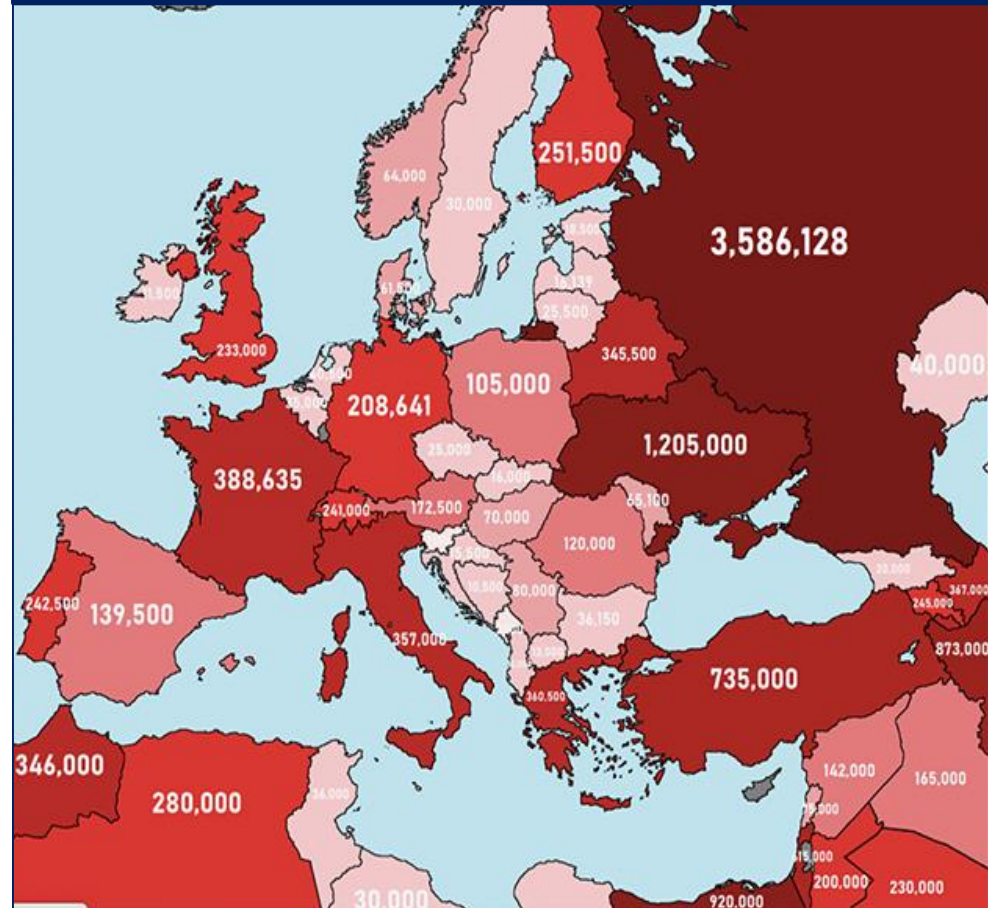
Ukraine does not produce significant quantities of oil, i.e. Ukraine must import most of its oil. Ukraine's oil consumption is small compared to its population size. Ukraine's population size is larger than that of Poland, but despite the aforementioned fact Poland consumes 3 times more oil than Ukraine. Ukraine imports most of its petroleum products from Belarus, Russia, and Germany. In 2018, 39% of oil products were imported from Belarus (Belarus gets its crude oil from Russia), 37% from Russia, 10% from Lithuania and 14% from other countries. In turn, crude oil imports, sourced increasingly from Azerbaijan and Kazakhstan. In 2018, 90% of Ukraine's crude oil originated from Azerbaijan.

1e) Military expenditure

Military expenditure per capita (\$)



A number of active and reserve military personnel



Between 2013 and 2020, Ukraine's military expenditure has doubled when calculated in US dollars. At the same time, when calculated in local currency (Hryvnias), Ukraine's military expenditure has grown 7 fold. Such a major difference between the aforementioned growth rates is due to a significant devaluation of Hryvnia. See the slide "1c) The exchange rate of the Ukrainian currency". In 2020, Ukraine used 4.1% of its GDP to its military. The respective share in Russia was 4.3% and in Finland 1.5%.

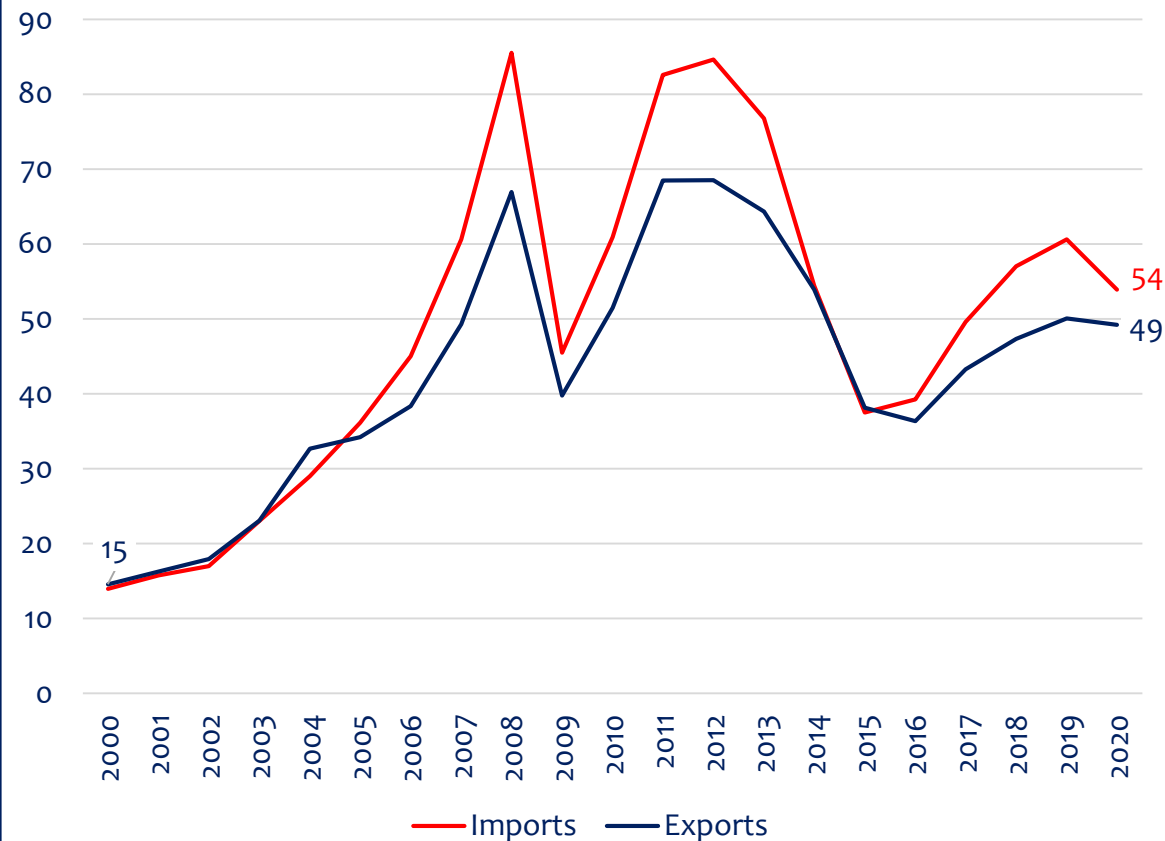
2) Foreign trade



On the 1st September 2017, the EU-Ukraine Association Agreement entered fully into force.

2a) The development of Ukraine's foreign trade

Merchandise foreign trade of Ukraine
(\$ billion)



2020 Foreign trade-GDP ratio

Slovakia	163 %
Hungary	153 %
Belarus	104 %
Poland	89 %
Moldova	68 %
Ukraine	68 %
Romania	66 %
Russia	39 %

Ukraine's foreign trade dropped in 2009 due to the global financial crisis and in 2014 due to beginning of the Ukraine war (due to the major devaluation of the Ukrainian currency, Hryvnia). However, the country's foreign trade started growing in 2017 and declined again in 2020 due to the corona pandemic.

Compared to its neighbours Ukraine is not particularly dependent on its foreign trade.

2b) Importance of Russia, the EU27 and China in the foreign trade of some ex-Soviet republics in 2020

2020	Russia	EU27	China
Armenia	30 %	18 %	14 %
Azerbaijan	11 %	36 %	8 %
Belarus	48 %	19 %	7 %
Georgia	12 %	22 %	10 %
Kazakhstan	22 %	30 %	16 %
Kyrgyzstan	28 %	6 %	14 %
Moldova	10 %	52 %	8 %
Russia	-	34 %	18 %
Tajikistan	26 %	6 %	7 %
Turkmenistan	10 %	9 %	51 %
Ukraine	7 %	39 %	15 %
Uzbekistan	16 %	11 %	17 %

The EU as a bloc is Ukraine's largest trading partner. In fact, the EU is the largest trading partner in the western ex-Soviet republics (excluding Belarus) and Caucasus. Russia is still the largest trade partner in 4 ex-Soviet republics, but China may become the largest trade partner in all Central Asian republics in this decade.

2b) Ukraine's 10 largest foreign trade partners

	Export share 2013	Export share 2020		Import share 2013	Import share 2020
China	4 %	14 %	China	10 %	15 %
Poland	4 %	7 %	Germany	9 %	10 %
Russia	24 %	6 %	Russia	30 %	8 %
Turkey	6 %	5 %	Poland	5 %	8 %
Germany	3 %	4 %	USA	4 %	6 %
India	3 %	4 %	Belarus	5 %	5 %
Italy	4 %	4 %	Turkey	2 %	4 %
Netherlands	2 %	4 %	Italy	3 %	4 %
Egypt	4 %	3 %	France	2 %	3 %
Belarus	3 %	3 %	Hungary	0 %	3 %

Since the beginning of the Ukraine war in 2014, China's share has increased dramatically, whereas Russia's share has dropped logically. Despite Russia's significant share drop, Russia was still surprisingly important trading partner for Ukraine in 2020, but Russia's share may dive further due to Russia's recent aggression. In addition to China, also Poland's share in both Ukraine's exports and imports has grown notably since 2013.

2c) Ukraine's foreign trade structure in 2013 and 2020

	Exports 2013	Exports 2020		Imports 2013	Imports 2020
Live animals and livestock products	1.7 %	2.4 %		2.5 %	2.3 %
Plant products	14.0 %	24.2 %		3.5 %	3.7 %
Animal or plant fats and oils	5.5 %	11.7 %		0.5 %	0.5 %
Finished food industry products	5.6 %	6.8 %		4.2 %	5.5 %
Mineral products	11.8 %	10.8 %		29.1 %	15.5 %
Products of chemical and allied industries	6.8 %	4.1 %		11.0 %	13.6 %
Polymeric materials, plastics and articles of them	1.2 %	1.4 %		6.0 %	6.3 %
Raw leather and curry leather	0.2 %	0.3 %		0.3 %	0.4 %
Wood and articles of wood	1.8 %	2.9 %		0.5 %	0.6 %
Paper bulk from wood or other vegetable fibres	2.0 %	0.8 %		2.5 %	2.0 %
Textiles materials and articles of textiles	1.3 %	1.6 %		3.2 %	4.2 %
Footwear, hats and umbrellas	0.3 %	0.3 %		1.0 %	0.8 %
Products from stone, gyps, cement	0.9 %	0.9 %		1.5 %	1.4 %
Natural or cultured pearls, precious stones, metals and preparations thereof	0.2 %	0.2 %		0.9 %	0.3 %
Base metals and preparations thereof	27.8 %	18.3 %		6.5 %	5.8 %
Machines, equipment and mechanisms, electric and technical equipment	11.0 %	9.1 %		16.2 %	21.3 %
Ground, air and water transport facilities	5.3 %	1.5 %		7.7 %	10.6 %
Optical, cinematographic apparatus	0.5 %	0.3 %		1.4 %	2.4 %
Different industrial products	1.0 %	2.0 %		1.2 %	2.3 %
Art articles	0.0 %	0.0 %		0.0 %	0.0 %

Grain (plant products) is Ukraine's main export item and the grain exports have gained weight in exports between 2013 and 2020, while the share of the second most important export item, metals, has gone down. In turn, machines occupy a large share in imports and their share has increased during 2013-2020, while share oil and gas (mineral products) has decreased.

Source:
Ukraine State
Statistics
Service

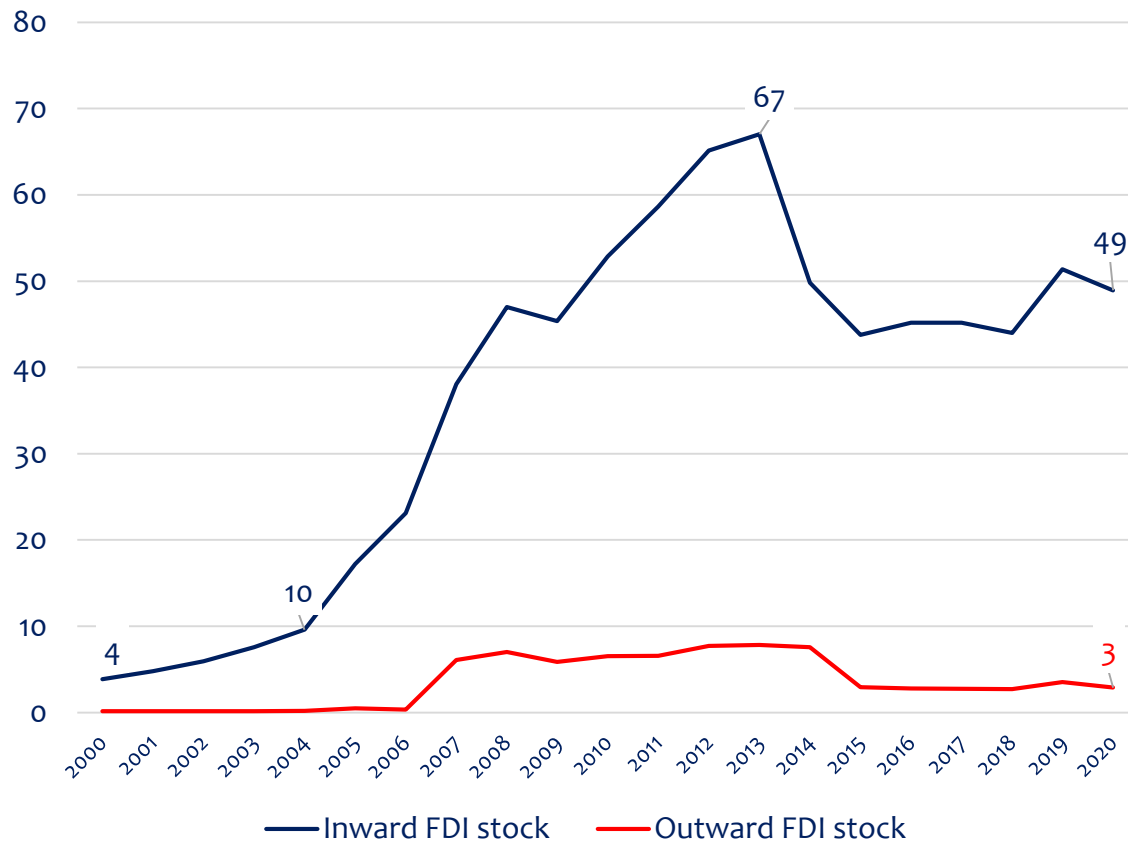
3) Foreign investment



“Foreign direct investment (FDI) is a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy. Ownership of 10 percent or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship.”

3a) Inward and outward FDI stock

Development of Ukraine's inward and outward FDI stocks
(\$ billion)



2020

Inward FDI stock per capita

Slovakia \$ 11,721

Hungary \$ 10,454

Poland \$ 6,572

Romania \$ 5,589

Russia \$ 3,061

Belarus \$ 1,537

Moldova \$ 1,188

Ukraine

\$ 1,119

Ukraine's inward FDI stock, i.e. the accumulated amount of foreign direct investment (FDI) in Ukraine, started growing in 2005. West-oriented Viktor Yushchenko was elected as Ukraine's president in January 2005. Due to the massive devaluation of Hryvnia, the value of both inward and outward FDI stocks decreased in 2014.

Inward FDI stock per capita in Ukraine (\$ 1,119) was the lowest in the region in 2020.

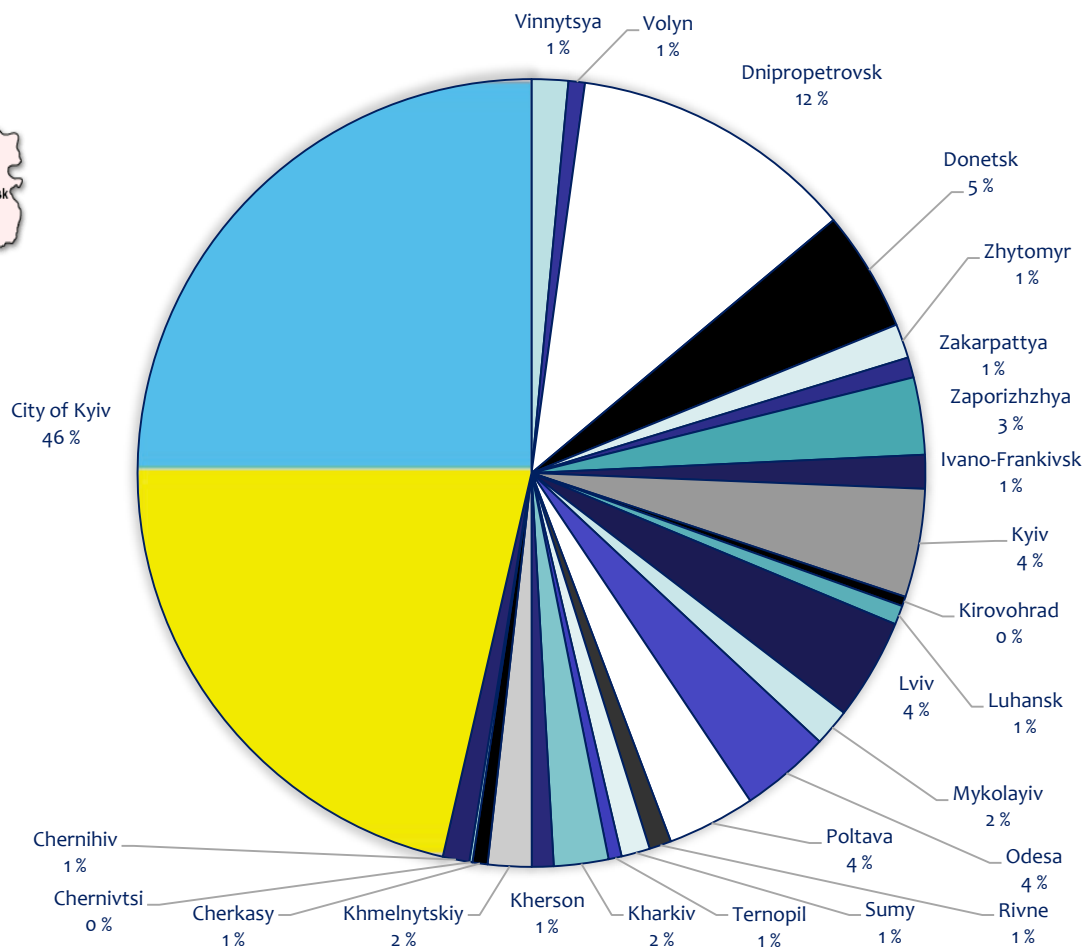
3b) 10 main investing countries in Ukraine

	2015	2016	2017	2018	2019	2020
Cyprus	35 %	33 %	31 %	31 %	33 %	32 %
Netherlands	18 %	17 %	19 %	21 %	22 %	19 %
Switzerland	2 %	4 %	5 %	5 %	6 %	6 %
UK	5 %	5 %	5 %	5 %	5 %	5 %
Germany	4 %	4 %	5 %	5 %	5 %	4 %
Austria	3 %	4 %	3 %	2 %	3 %	3 %
Luxembourg	1 %	1 %	2 %	2 %	2 %	2 %
France	3 %	3 %	2 %	2 %	2 %	2 %
Russia	3 %	3 %	2 %	3 %	2 %	2 %
Poland	2 %	2 %	2 %	2 %	2 %	2 %

1/3 of Ukraine's FDI comes from Cyprus. One may assume that a great part of Cypriot FDI in Ukraine originates ultimately from Russia. Russia's direct / official share was just 2% of Ukraine's inward FDI stock at the end of 2020. There are major differences between the Ukrainian and the Russian statistics. According to the Ukrainian statistics, the Russian companies have invested less than \$ 1 billion in Ukraine by the end of 2020. The Russian Central Bank offers 3 times larger figure. According to the Ukraine State Statistics Services, Russia's official share was 7% before the Ukraine war (in 2013).

Sources: National Bank of Ukraine; Ukraine State Statistics Service; Central Bank of Russia

3c) Inward FDI stock by Ukraine's regions by end of 2020



The City of Kyiv has attracted a half of FDI. The FDI concentration in a capital city is a common phenomenon in transition countries. Despite the fact that the foreign investment has been registered in the capital city, the foreign capital is often transferred to provinces. Most likely, this is the case in Ukraine as well. The regions in the conflict zone, i.e. the share of Donetsk and Luhansk of Ukraine's inward FDI stock was 6% in 2020. Their share was 7% five years earlier.

3d) The division of Ukraine's inward FDI stock by sector

	2015	2016	2017	2018	2019	2020
Agriculture, forestry and fishing	6 %	3 %	3 %	3 %	3 %	3 %
Mining and quarrying	8 %	7 %	6 %	7 %	10 %	8 %
Manufacturing	23 %	23 %	26 %	26 %	24 %	24 %
Electricity, gas and steam supply	4 %	2 %	3 %	4 %	6 %	7 %
Construction	2 %	2 %	2 %	2 %	2 %	2 %
Trade and repair of vehicles	15 %	15 %	15 %	15 %	14 %	16 %
Transportation and storage	3 %	3 %	4 %	4 %	4 %	4 %
Accommodation and food services	1 %	1 %	1 %	1 %	1 %	1 %
Information an communication	6 %	6 %	6 %	6 %	5 %	6 %
Finance and insurance	13 %	13 %	9 %	8 %	10 %	9 %
Real estate	7 %	10 %	9 %	10 %	10 %	9 %
Others	13 %	14 %	15 %	14 %	12 %	11 %

Despite Ukraine's fruitful soil (one of the world's richest black soils), agriculture has not received major investments from abroad. On the other hand, manufacturing has collected a quarter of all FDI.

Within the manufacturing, both food industry and metal industry have gather more than 5% of Ukraine's total inward FDI stock.

Source: Ukraine State Statistics Service

4) Finnish-Ukrainian economic relations

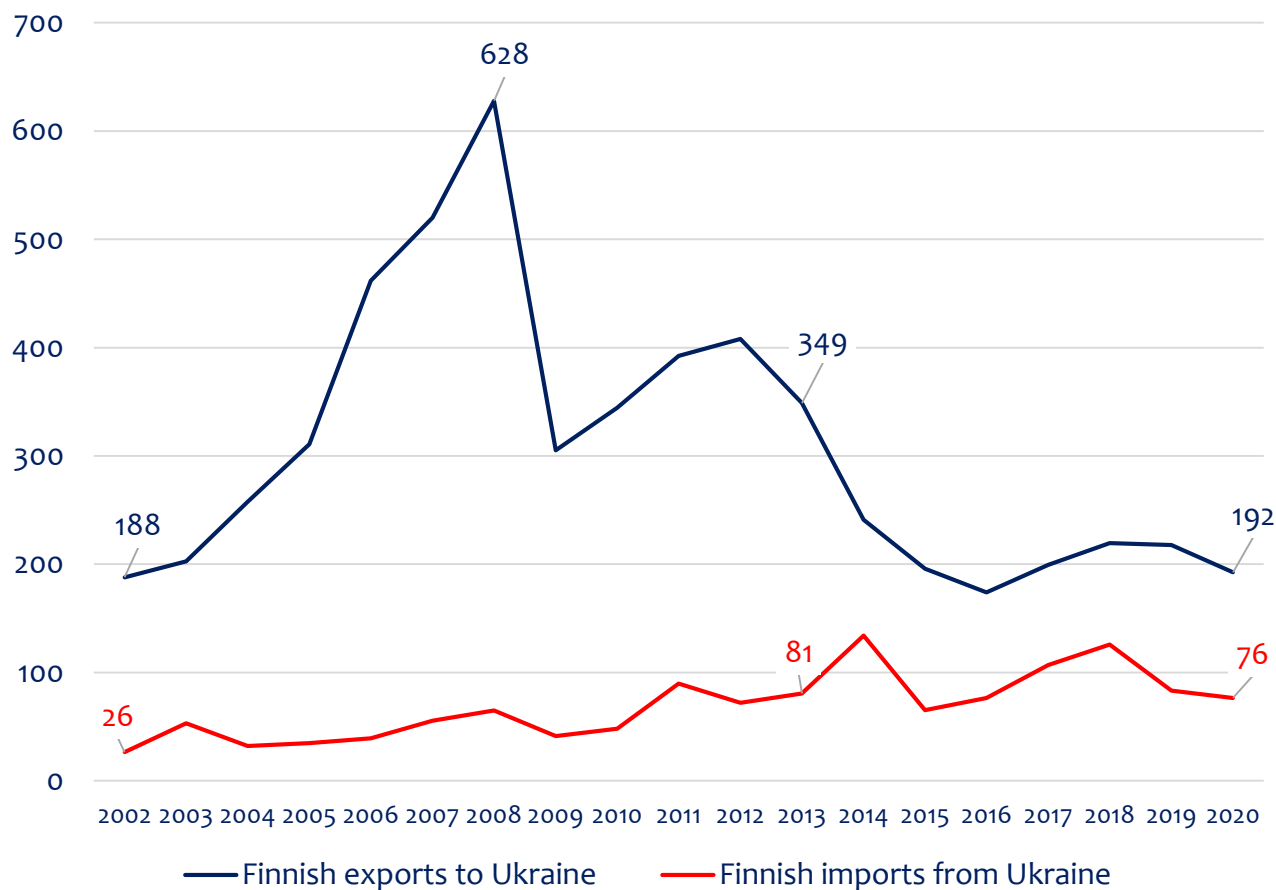


“Finland will continue its support to Ukraine bilaterally as well as through the European Union and other multilateral organisations and channels. Finland’s goals are manifold: to restore and preserve the territorial integrity and sovereignty of Ukraine and thus, guarantee the respect for international law; to support efforts to end the conflict in eastern Ukraine; to strengthen bilateral relations and widen the scope of cooperation; to enhance the resilience of the society and improve the living conditions of the people; and to strengthen the EU–Ukraine relations.”

Source: MFA Finland,
“Finland’s country
strategy for Ukraine
2021–2024”

4a) Finland's trade with Ukraine

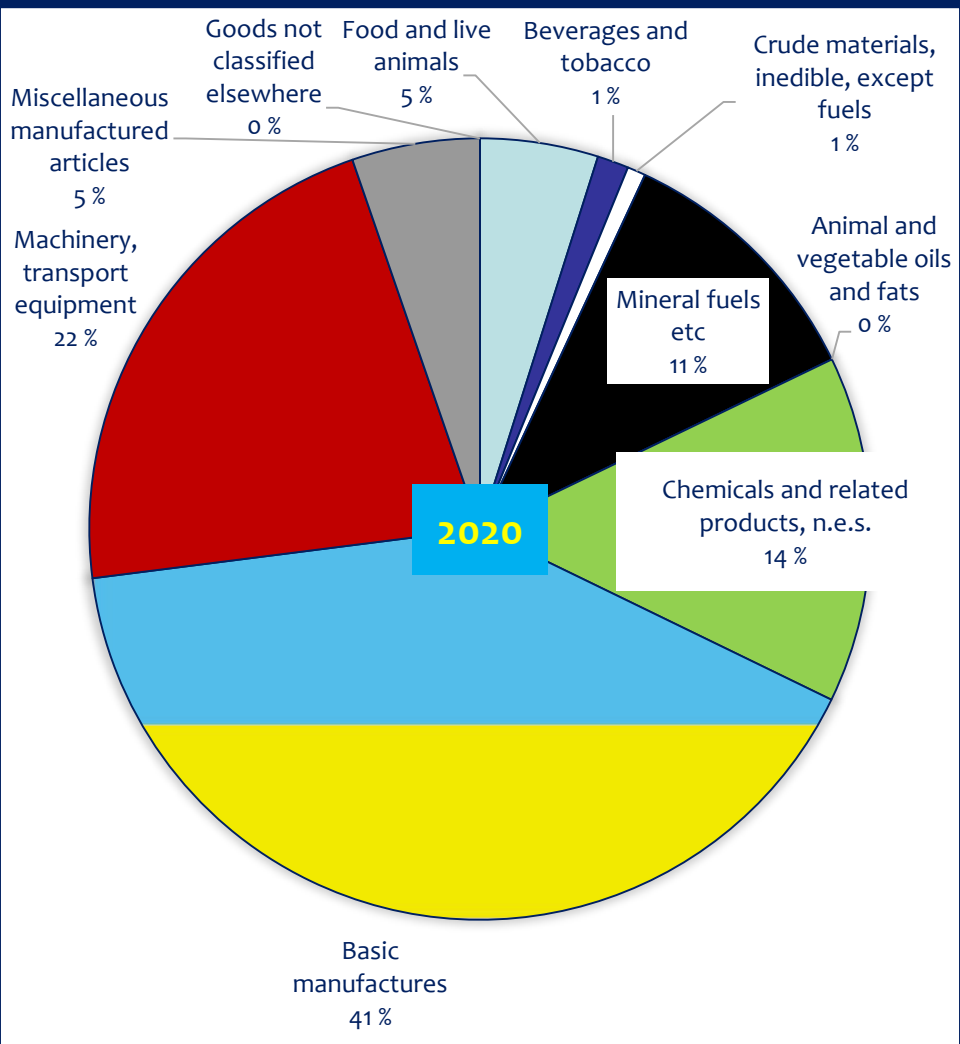
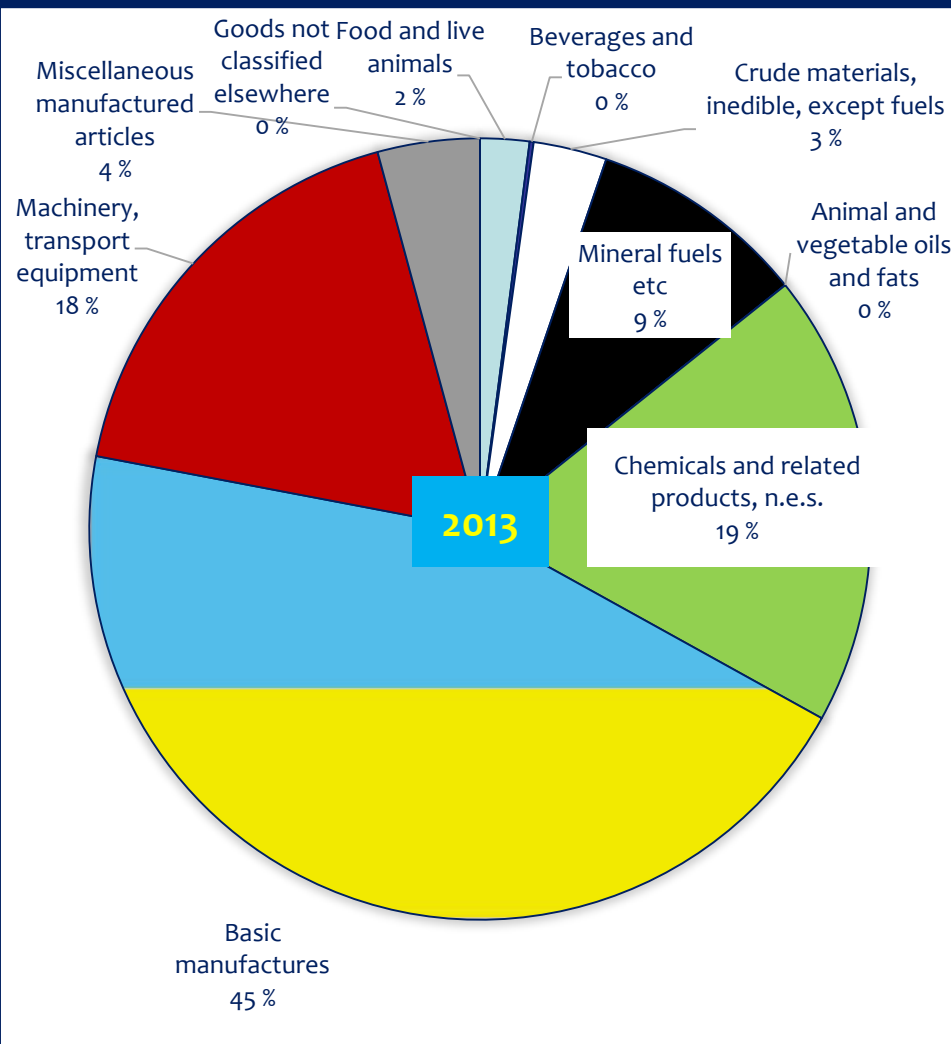
Finland's trade with Ukraine (€ million)



1-10/2021	Finnish exports (€ million)
Baltic States (EE, LT, LV)	3,078
Russia	3,039
Poland	1,645
Ukraine	191
Hungary	180
Romania	137
Slovakia	135
Belarus	70
Moldova	8

In January-October 2021, the Finnish exports to Ukraine increased by over 20% compared to the same period a year earlier. It is interesting to note that the Finnish exports to 3 Baltic States, namely Estonia, Latvia and Lithuania, exceed the Finnish exports to Russia. Ukraine accounted for 0.2% of Finland's foreign trade in 2020. In turn, Finland covered 0.3% of Ukraine's foreign trade.

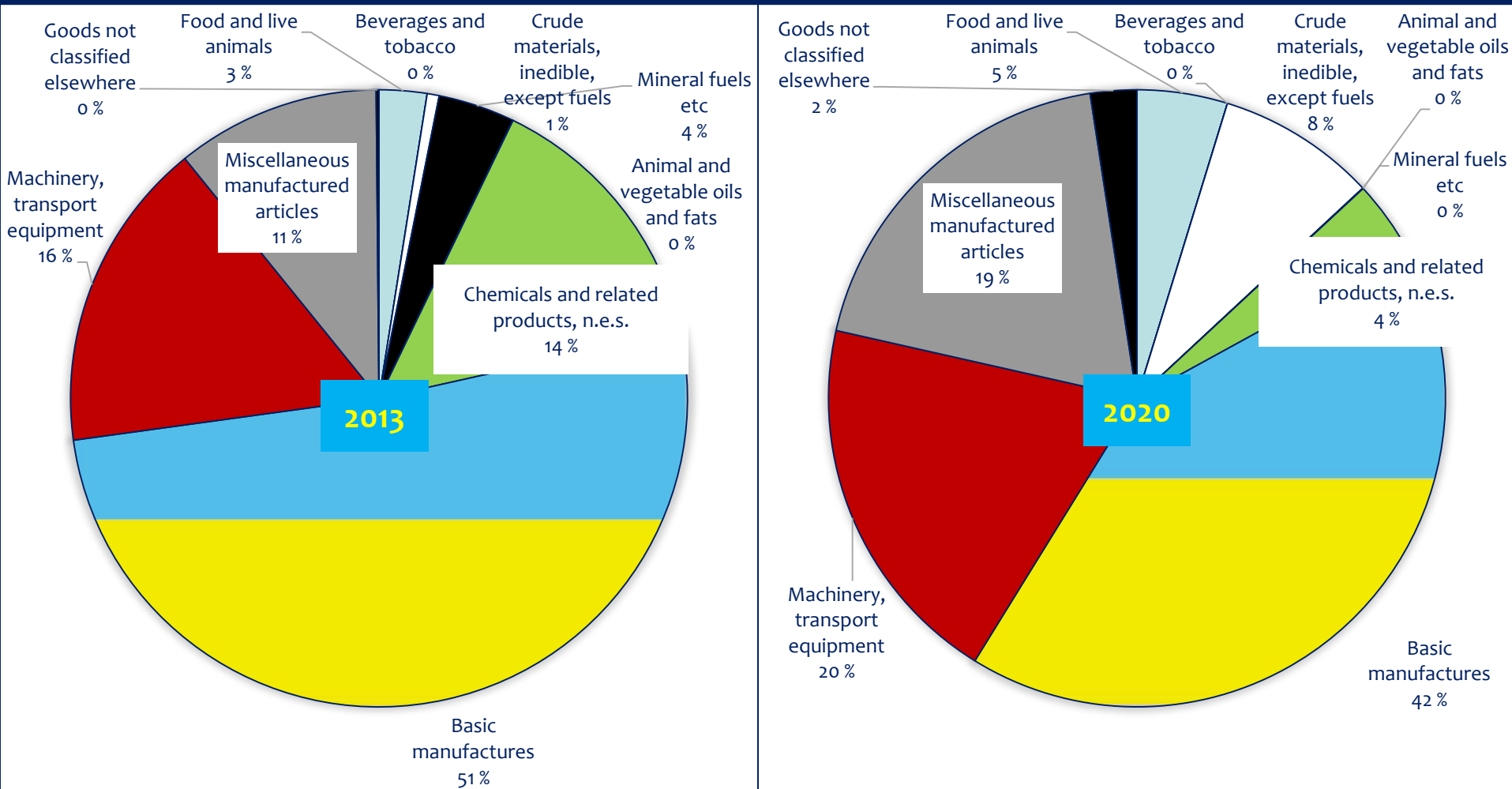
4a) The structure of the Finnish exports to Ukraine in 2013 and 2020



The trade structure of Finland's exports to Ukraine has remained fairly unchanged between 2013 and 2020. Basic manufactures covered over 40% of the Finnish exports to Ukraine in 2020. Paper alone accounts for 1/3 of the Finnish exports to Ukraine.

Source: Customs Finland

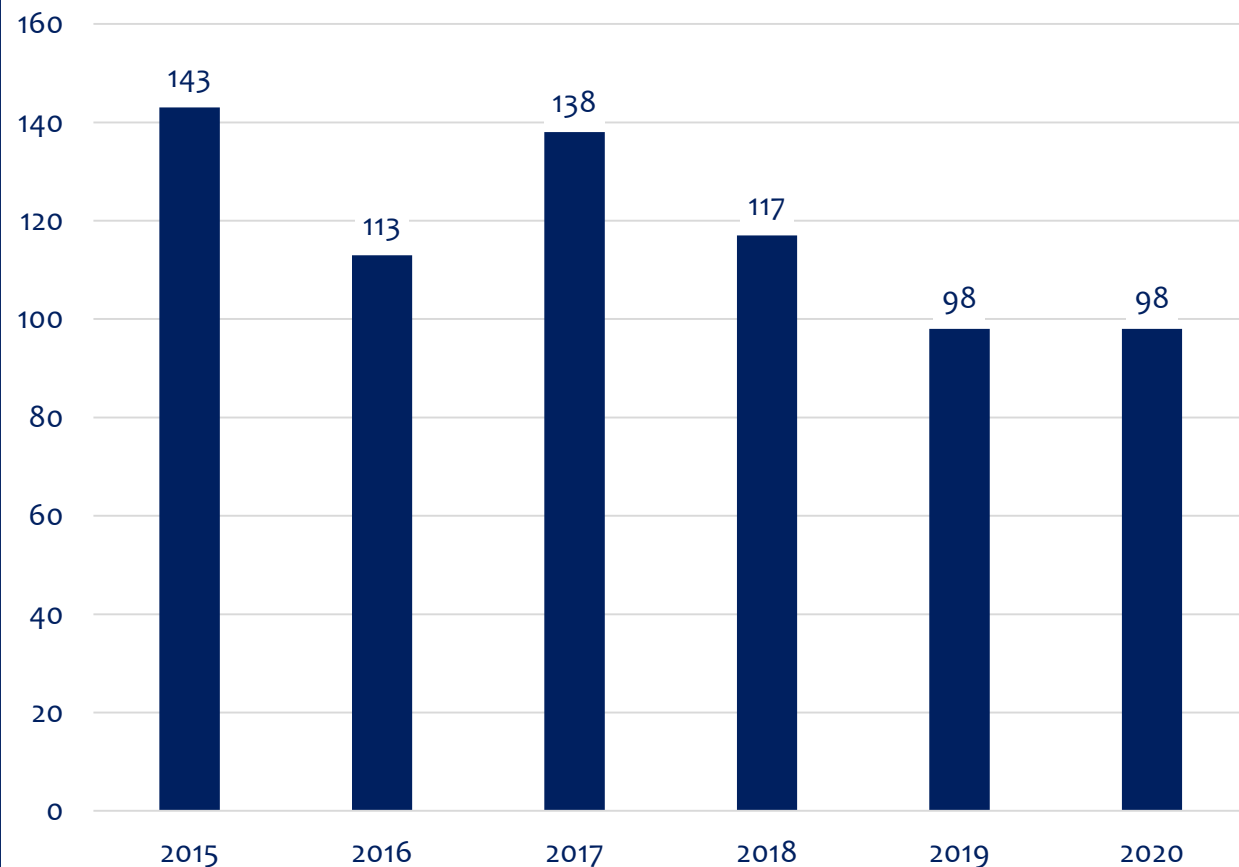
4a) The structure of the Finnish imports from Ukraine in 2013 and 2020



Though the value of the Finnish imports from Ukraine in 2013 and 2020 has not changed much, the import structure has altered quite a bit. The imports of basic manufactures (iron) have decreased by almost 10 percentage points. Moreover, the imports of chemicals and fuels have dropped from nearly 20% in 2013 to less than 5% in 2020. In turn, the oil seed (crude materials) and clothing (miscellaneous manufactured articles) imports have increased.

4b) Direct investments from Finland to Ukraine

Finnish FDI stock in Ukraine (\$ million)

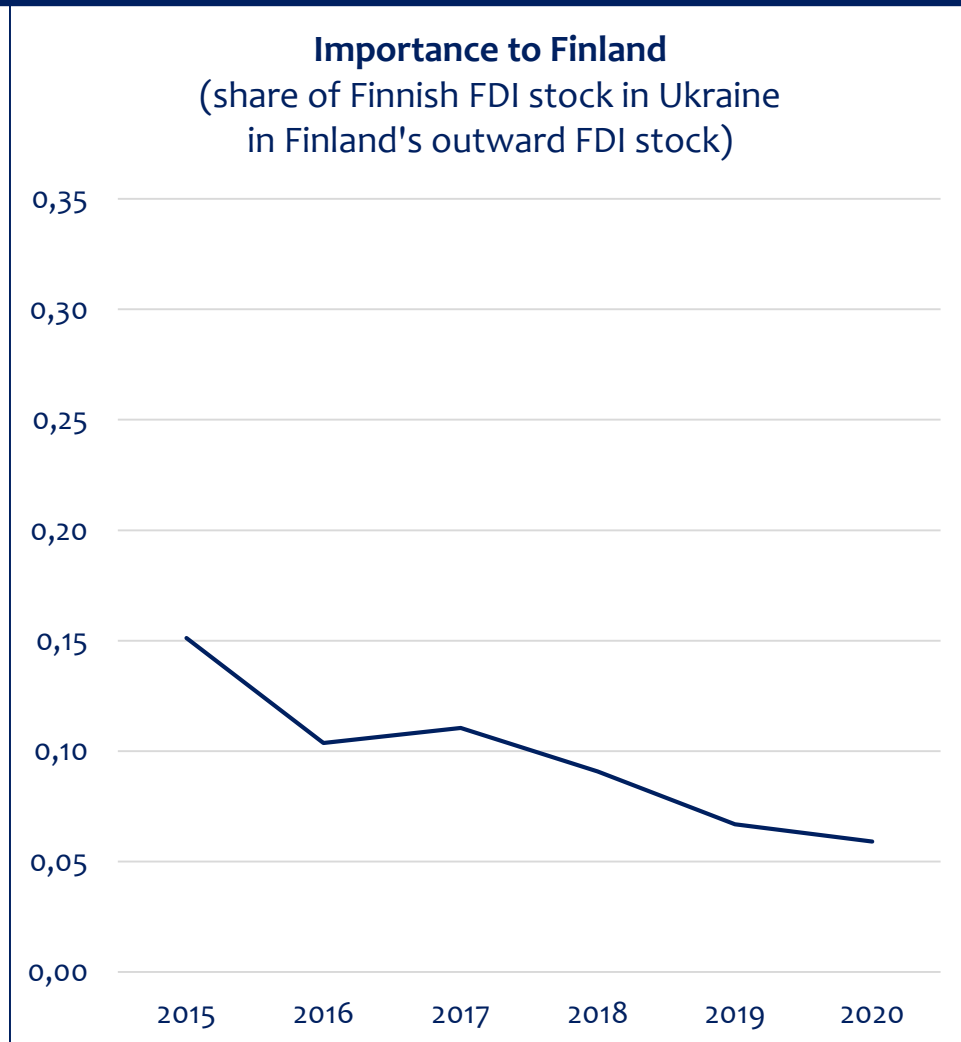
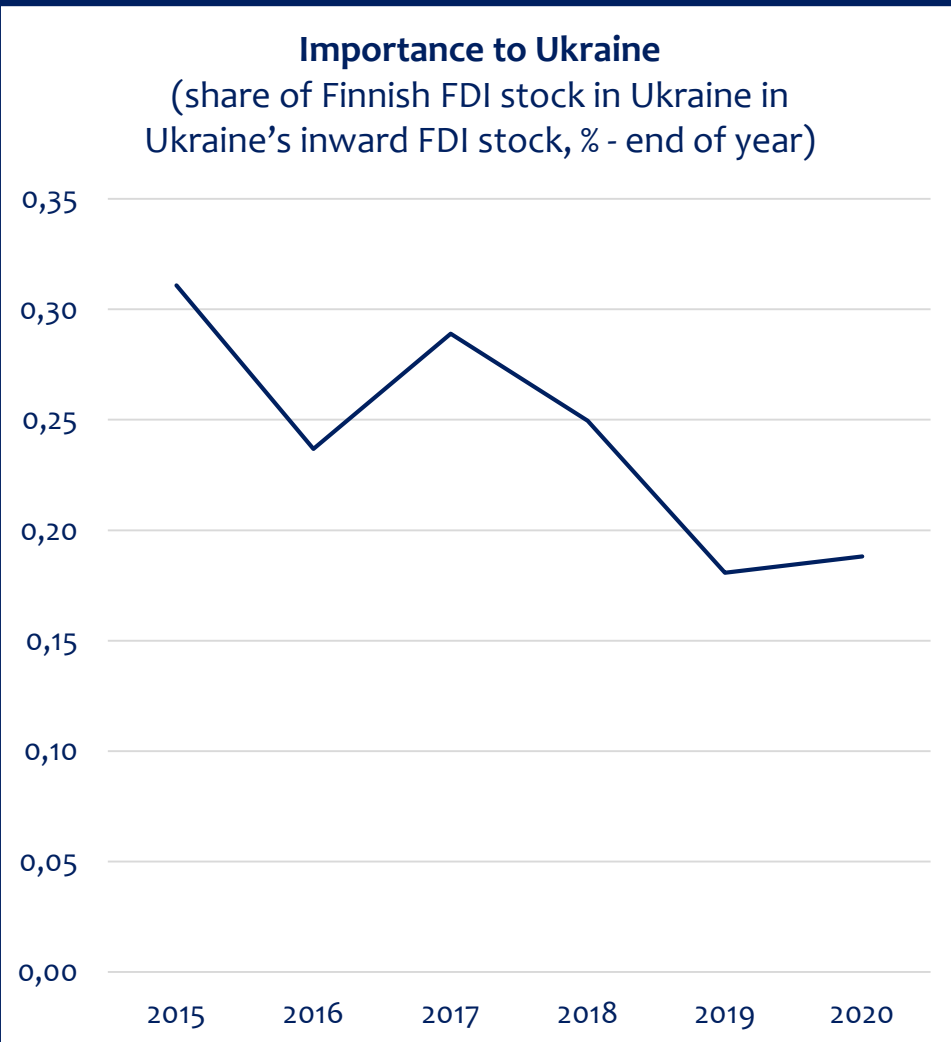


2020	Finnish outward FDI stock (\$ million)
Baltic States (EE, LT, LV)	4,524
Russia	2,416
Poland	1,400
Ukraine	98
Hungary	- 8
Romania	101
Slovakia	227
Belarus	58
Moldova	0

Ukraine is a rather peripheral investment target for Finnish firms. Finnish companies have invested in Ukraine nearly \$ 100 million. Konecranes, Sampo-Rosenlew, Wärtsilä and the Leopolis Hotel in Lviv owned by the Hartwall family are probably the most known Finnish-owned units in Ukraine. According to National Bank of Ukraine, Ukrainian firms have not invested in Finland by end of 2020. Similarly, Statistics Finland does not offer any figure for the Ukrainian FDI in Finland.

Sources: National Bank of Ukraine; Statistics Finland

4b) The importance of the Finnish FDI in Ukraine



The Finnish FDI in Ukraine is not strategically important either to Ukraine or Finland. Moreover, the share of the Finnish FDI in both Ukraine's inward FDI stock and Finland's outward FDI stock has declined recently.

Source: National Bank of Ukraine, UNCTAD

5) Summary

Ten examples of strategic strengths

- During the past 30 years, Ukraine has proved itself as a robust sovereign European nation.
- Incredible resilience of the Ukrainian nation under Russia's continued pressure and aggression.
- Improved military capability and the 2nd largest army in Europe in terms of number of military personnel.
- A political anchor offered by Ukraine's European integration.
- Utmost fertile soil. The EU's future "bread basket".
- A great potential for renewables production.
- Fast developing business environment, excluding development of corruption situation.
- Large population. Skilled and low-cost labour force.
- Business opportunities offered by Ukraine's ICT industry in particular.
- Good economic growth prospects in long run.

Ten examples of major concerns

- An escalation of war. A continuation of Russia's hybrid / cyber operations against Ukraine.
 - Ukraine's / the EU's overdependence on Russian (Belarusian) energy. An increasing energy import bill.
 - A low COVID-19 vaccination rate and the fast spread of the Omicron virus in the 2022 spring.
 - A further division of the leading party causing a government paralysis.
 - A possibility of political disunity among the Ukrainians.
 - Too a strong role of oligarchs in the Ukrainian political life.
 - Weak public finances. Financial burden of military (war). Possibility for balance-of-payment crisis.
 - Rampant corruption. Corrupt judges and prosecutors in particular. Slow judicial and police reform.
 - Relatively weak international competitiveness of Ukrainian companies.
 - Impatience of people to wait for results of various reforms. Living costs grow faster than salaries.
- Permanent emigration of educated labour force and the youth to the West.



6) Future of Ukraine ?



Thank you for your attention !

7) Additional information

A collection of short articles on Ukraine in 2021

https://www.researchgate.net/publication/350580525_Ukraine_2021

The Ukraine-Russia economic relations in 2020

https://www.researchgate.net/publication/341894857_Ukraine's_economic_relations_with_Russia

A collection of short articles on Ukraine in 2019

https://www.researchgate.net/publication/337812137_The_BRE_Special_Issue_on_Ukraine

Ukraine's relations with Finland (in Finnish)

https://www.researchgate.net/publication/328381551_Ukraina_ja_sen_taloussuhteet_Suomen_kanssa

