



BRE
REVIEW

BALTIC RIM ECONOMIES

The Pan-European Institute publishes the Baltic Rim Economies (BRE) review which deals with the development of the Baltic Sea region. In the BRE review, public and corporate decision makers, representatives of Academia, as well as several other experts contribute to the discussion.

Pan-European Institute

ISSN 1459-9759

Editor-in-Chief | Kari Liuhto
(responsible for writer invitations)

Technical Editor | Elias Kallio

University of Turku
Turku School of Economics
Pan-European Institute
Rehtorinpellonkatu 3
FI-20500 TURKU, Finland
Tel. +358 29 450 5000

www.utu.fi/pei

bre@utu.fi

[Data protection description](#)



pan-european institute

EXPERT ARTICLES

DMYTRO KULEBA EU-Ukraine: A two-way street	4	MYKHAYLO KOMARNYTSKYI The future of US-Ukrainian Strategic Partnership	21	PETER DICKINSON Putin's war and Ukraine's nation-building journey	39
ARTIS PABRIKS Latvia's support for Ukraine is unconditional	5	JAN STRZELECKI Kremlin's policy towards Ukraine after Zelenskiy's victory	22	MYKHAILO BECHKALO Ukraine: Sea change in investment opportunities	41
OXSANA SYROYID The words could save the world from the war	6	VIKTOR OGNEVIUK Cooperation in human capital development	23	ADRIAN PROKIP Ukraine's energy: The State and oligarchs in a deadlock	42
ILKKA KANERVA The new dialogue between Russia and Ukraine creates potential momentum	8	MARIYA ZUBRYTSKA Lviv University: Where history meets modernity	24	VALERIYA LOIKO Economic development of Ukraine after 2014	43
ARIANA GIC, HANNA HOPKO & ROMAN SOHN No peace without truth: An honest response to Russian aggression in Ukraine	9	I. FARIAS PELCASTRE, A. ANOKHINA & K. PARKHOMEI Corruption and reform in education in Ukraine	25	JUHANI PIHLAJAMAA & ALEXANDER PAVLOV Konecranes in Ukraine	44
VLADIMIR DUBROVSKIY Ukraine's after-election outlook: Heaven or hell?	10	JARKKO LAMPISELKÄ Learning together: Finland's support to Ukrainian school reform	26	IRYNA SHEIKO & ROKSANA PETROVA Impact of globalization on the Ukrainian economy	45
ARSENIY SVYNARENKO The Ukrainian politics are catching up with changes in a society	11	OLEKSIY SEMENIY Foreign policy of Ukraine: Quo vadis?	27	LILIA UKRAINETS Chinese business in Ukraine	46
ROMAN HORBYK Transmedia storytelling ushers in new populism in Ukraine	12	ANDRZEJ FAŁKOWSKI Defence reform in Ukraine: A new impetus	28	JAANA VUORIO Ukrainian immigrants in Finland	47
ILLYA KVAS Economic cooperation between Ukraine and Finland on an upward trajectory	13	MYKHAILO GONCHAR Sentsov list: What's next?	30	VIKTORIYA HLADII Labour market for international graduates: Perspective of an Ukrainian in Finland	48
WILLIAM TAYLOR Why Ukraine matters	14	OLEKSANDR SUKHODOLIA Critical infrastructure protection as a tool of national resilience of Ukraine	31	NATALIYA TERAMAE Love culture and make diplomacy	49
ANTTI HARTIKAINEN Ukraine should be rich: Why isn't it?	15	STANISLAV MALIAR Critical infrastructure: Safety challenges	33	ARTO LUUKKANEN The archive-revolution in Ukraine	50
PETER M. WAGNER Towards a more resilient Ukraine	16	RIMANTAS ŠIKAS Oil refining challenges in Ukraine	34	KARI LIUHTO Ukraine on My Mind	51
KATERYNA ROZHKOVA Ukraine: A modern, European financial system	17	MARKKO KALLONEN OSCE special monitoring mission in Ukraine: Five years of crisis management	35		
ULANA SUPRUN The New Global Dark Age	19	SERGIY KARASOV Gray zone conflict in the occupation waters and international law: Ukrainian case	37		
OXSANA HOLOVKO-HAVRYSHEVA In support of European choice of Ukraine	20				

VALERIIA LOIKO

Economic development of Ukraine after 2014

Expert article • 2606

The peculiarity of modern economic development of Ukraine is the reforming of the economy and its European integration direction. The development of the Ukrainian economy is directed towards cooperation with the countries of the European Union. 2014 was a difficult year for Ukraine. Territorial losses could not but affect the economy of Ukraine. In the period 2014-2018, the gross domestic product in monetary terms increased 2.24 times. Aggregate income per month per household also increased 2.7 times. However, it should be noted that Ukrainian households spend 93% of their income on their own consumption. That is, as Ukrainian families' incomes rise, consumption increases proportionally, which prevents families from making sufficient savings. In today's Ukrainian realities, having a job does not guarantee protection against poverty. Poverty in the working population in Ukraine is driven by low wages and significant income inequality across different household groups. Thus, the standard of living of the population is growing at a very slow pace.

The development of enterprises and entrepreneurship reflects the economic and social changes that are taking place in society as a whole. The number of economic entities in the territory of Ukraine decreased in the period 2014-2018, by 4.79%. This tendency is explained by the fact that non-competitive businesses are leaving the market. Factors such as rising prices for consumables, high taxes, increased competition and high interest rates on banks are pushing them away. At the same time, the number of natural persons-entrepreneurs is increasing, their share in the number of economic entities is almost 81%. Production volumes of industrial and agricultural products for the period 2014 -2018 increased in value. However, this increase is largely due to the rise in prices for goods and services.

Investing in the development of individual businesses contributes to a faster development of the economy, which is a positive trend. According to studies in Ukraine, only 4.6% of companies have at least 10% of foreign direct investment in seed capital. These businesses are much more productive. Ukrainian companies working with foreign investments account for 20.4% of the able-bodied population of Ukraine and 24% of Ukraine's total capital. These figures make it possible to confirm the importance of investment activity in the economic development of both individual businesses and cities, regions and the country as a whole. The economic downturn in the country is accompanied by a decline in investment in both industry and other sectors of the economy. It should be noted that the rate of decline in investment processes is higher than the rate of decline in industrial output.

The influx of foreign direct investment in the country's economy is uneven. FDI volumes tended to increase before 2014 inclusive. In 2018, FDI decreased by 39.89% compared to 2014. It should be noted that the share of FDI inflows into the economy of Kyiv is significant and ranged from 48.09% in 2014 to 50, 63% in 2018. Thus,

due to the increase in the share of foreign direct investment in the economy of the city of Kiev, the city has not lost investment volumes. By volume of investment it is possible to distinguish the top five top countries - investors in the economy of the city of Kiev. The share of these countries in the total amount of foreign direct investment in the economy of the city of Kyiv in 2018 is as follows: Cyprus - 22%, the Russian Federation - 19%, the Netherlands - 16%, France - 5%, the United Kingdom - 5%, other countries - 33 %. Analysis of the dynamics of foreign direct investment in the economy of Ukraine by type of activity shows that the most attractive type of investment activity is financial and insurance activities.

The following changes were observed in the sphere of foreign economic activity of Ukraine. Export operations decreased by 12.18% in 2018 compared to 2014. Imports increased by 5.07% over the same period of time. The foreign trade balance of Ukraine in 2018 was negative: imports exceeded exports by 17.23%. The situation in 2014 was better: imports exceeded exports by 0.97%. The dynamics of the geographical structure of Ukraine's foreign economic activity in 2018 is as follows. The share of foreign trade operations with European countries is 40.60%, with Asia - 23.81%, Africa - 1.33%, the Americas - 7.19%, other countries - 27.07%. The share of export operations between Finland and Ukraine in 2018 amounted to 0.23%, of import operations - 1.1% of the total number of operations.

The development of the national economy at the expense of innovative factors requires the growth of the share of innovatively active enterprises. It should be noted that the share of innovative enterprises was not high, accounting for only 14.1% of the total number of enterprises in 2018. The share of high-tech exports in total exports of industrial products to Ukraine in 2018 was only 6.9%. Previous attempts to create a state innovation policy in Ukraine through selective assistance in the development of specific industries, sub-sectors and projects have had limited positive impact. ■



VALERIIA LOIKO

Doctor of Economics, Professor
Department of Finance and Economic
Boris Grinchenko University of Kyiv

Chairman
Council of the European Economic
Association
Kyiv, Ukraine