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Investing and Doing Business in Ukraine 2021

A guide covering over 25 sectors and industries

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Introduction

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The country is vastly different today as compared to when CMS first opened in Ukraine. During the last decade, Ukrainians have been steadily turning their gaze from East to West, as evidenced by the Association Agreement that Ukraine entered into with the European Union in 2014, setting the path for gradual harmonisation with Western ways of doing business.

Reforms are already underway at fast pace, and the country is attracting attention from foreign investors. It is hoped that further funding from the International Monetary Fund is also just around the corner. The IMF loan is of course important for the financial health of the country as a whole. What is potentially even more powerful however is the message that this sends to the global investor community. The IMF loan serves as a stamp of approval. It says that Ukraine is reforming, and that it is on track to doing what is necessary to attract foreign investment into the country.

The journey is not yet complete of course. But the future upside is potentially enormous. With a population of 44 million, Ukraine is one of the largest countries in Europe, but yet a country that has received some of the lowest amounts of foreign investment to-date. Some of the highest returns have historically been made in countries which are opening up for the first time. Could this now be Ukraine's turn?

On top of this, the global supply disruption arising out of the COVID-19 pandemic demonstrates some of the dangers associated with relying too heavily on China for supplies. Why obtain a bulk of the World's supplies from the other side of the World, when we have countries like Ukraine, right on Europe's doorstep, able to manufacture and supply at similar costs?

And it's not just about manufacturing. The EU's battery industry will reportedly need 18 times more supply of lithium by 2030, and 60 times more by 2050. Europe imports close to 70% of cobalt from Congo and other far-away places. Europe imports 98%-99% of rare earths from China. Just a few examples of minerals which can be extracted and supplied from Ukraine.

The country is very well placed to capitalise on all of this. President Zelenskiy is actively seeking to attract investors. The red-carpet treatment is being rolled-out for foreign investors — with the Government offering 'investment nannies' for investments above a certain size.

All of this suggests that Ukraine might be poised to potentially undergo its most important revolution yet – an economic one.

CMS is a top-five global law firm. With the support of over 1,100 partners and 5,000 lawyers in 73 offices across 44 countries, our clients have a worldwide network at their service. In Kyiv, we have a full-service offering in our own right, with our lawyers advising on all aspects required by businesses, and all aspects of transactions – from beginning to end — from on the ground.

We have used the benefit of our experience to compile this guide, which we hope you will find useful.



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Ten reasons to do business in Ukraine

Attractive growth

The country is reforming, and the future growth potential is significant.

Europe's last untapped country

With a population of 44 million, Ukraine is one of the largest untapped economies in the whole of Europe.

Unique opportunity in agriculture

With 41.5 million hectares of agricultural land covering 70% of the country, agriculture is Ukraine's largest export industry. The sector is operating at a fraction of the efficiency of other countries in the world, and hence the potential for growth is compelling.

Vast opportunity in infrastructure

Roads, airports, ports, hospitals, railways, rolling stock, you name it – the country is crying out for investment. With a new concessions law just having been passed, legislation is now in place to ensure that investment across all classes of infrastructure is a reality.

At the forefront of IT

From artificial intelligence, blockchain, FinTech to software development and more, Ukraine has over 90,000 IT specialists, and is at the forefront of developments in the industry, with IT outsourcing Ukraine's third-largest export.

An expanding middle-class

As the country prospers, disposable incomes will likely rise, driving a nascent consumer products market.

Greenfield opportunities

Ukraine has a skilled workforce at a fraction of the cost of elsewhere, and local governments are keen to offer incentives to attract investors. Strategically close to the European Union, Ukraine allows companies to manufacture at a lower cost and sell into the European market.

Security and rule of law

Kyiv is as safe as any other major capital city. The government is taking real steps to clamp down on corruption and uphold the rule of law, and Ukraine has bi-lateral investment treaties with most major countries, ensuring investors adequate recourse (against the country itself) through an independent arbitration process in a neutral third-party country.

It's a beautiful country!

From skiing in the Carpathian Mountains and the historical wonders of Lviv, to the beaches and restaurants of Odesa and beyond, Ukraine has something for everyone. It is only a matter of time until foreign tourists discover this hidden gem of a country.

An investment boom

Ukraine has received just a fraction of the foreign direct investment of its former communist neighbours. With the government implementing investor-friendly reforms at a faster pace than ever before, the shackles are finally off, and Ukraine's investment boom is already starting.