



Heavy Industry

While the industry accounts for 67% of the Donetsk region's economy, heavy industry accounts for more than 50% of the entire industrial sector. Much of this production capacity is a result of the military industrial complex of the Soviet era, focusing on heavy manufacturing and the metallurgy to support that manufacturing. As a result, heavy industry in Donetsk today centres primarily on the production of ferrous metals and heavy machinery for its mining, chemical, agricultural and infrastructural (railway/energy production) needs.

Donetsk is Ukraine's leader in the production of ferrous metals: cast iron, steel, rolled metal, coke, fireproof materials. In 1996, ferrous metal products accounted for one-third of the oblast's exports to 50 countries. The region also produces such non-ferrous metals as lead, zinc, mercury, as well as rare metals. Its machine-building complex is geared to produce metallurgical and mining equipment (combines, mechanic timberings, trucks), refrigerators and other heavy machinery.

While certain efforts have been made to restructure production lines from old Soviet military industrial complex uses to new, progressive uses, those efforts have not yet been sufficient. The Soviet legacy of narrow-output specialization, often dedicated to the now-obsolete military industrial complex, has unfortunately left much of the huge-scale rust-belt industry of the region largely outdated.

Transport

Donetsk boasts one of the most developed transportation networks in Ukraine, with 8,000 km. of roads, and 3,000 km. of primary rail lines. The distance between Donetsk and Kyiv is



approximately 700 km. by road, and 870 km. by rail; however, as anyone who has ever travelled by train in Ukraine knows, the real indicator is the number of hours it takes to travel between two points, since in Ukraine this has no direct or proportionate relationship to actual distance. The oblast has three airports, including international facilities in the city of Donetsk, and a major seaport in Mariupol. Located on the Sea of Azov and connected to the Black Sea, Mariupol's transport volume exceeds that of all other Ukrainian ports combined, with a cargo capacity of 11 mln. tons per annum.

Construction

Construction accounts for nearly one-fifth of the region's economy, as evidenced by the existence of nearly 400 active construction companies and associations. Because Donetsk is a growing industrial and financial centre, there is a growing demand for new and modern hotels, office buildings, commercial and cultural centres, and of course housing. Due to these projections for growth, this sector again provides attractive opportunities for investment.

Agriculture

The favourable climate and unique soils of Donetsk have endowed the region with significant agricultural potential. Irrigation and the proximity of agricultural land to urban areas are a natural combination for market-gardening, and at the national level the region ranks second and third, respectively, in vegetable and fruit production. Donetsk also boasts Ukraine's second highest production of sunflowers. A strong animal husbandry sector, supported by a number of meat, milk, and poultry processing plants stands as another marker of success for the region.

Donetsk: the Locomotive of Reform

Donetsk currently identifies its most pressing requirements as new technology and equipment to modernize its existing industries. In human needs, medical supplies and diagnostic equipment are urgently needed by the large population. After years of neglect, environmental protection is also high on the oblast's list of priorities. And of course, foreign investments.

Today the oblast of Donetsk is aiming high, looking to become Ukraine's industrial and financial centre. The adoption of a new Constitution, in addition to the implementation of a new currency stand as important structural reforms in the search for foreign investors. Actively competing to attract foreign investments and working to entice both domestic and foreign businesses, Donetsk already has trade relationships with partners from 95 different countries. It has also thus far proved itself as the most capable region of the country at amassing much needed capital. Its boasts access to cheap raw materials, an abundance of skilled labour, and emerging free market conditions as its most valuable attractions. It is the latter that most concerns foreign investors. Given the abundance of industry and economic activity, the concentration of political elites in this oblast of eastern Ukraine has reinvented itself into as a new business class, poised to create a business environment more advantageous to its own new market activities. It must now deal with the fact that foreign investment shuns areas of crime and corruption, for which Donetsk also has an infamous reputation.

