



BUSINESS OPPORTUNITIES: A VIEW FROM UKRAINE

by Hakim Bakare

To someone unfamiliar with the total situation in Ukraine, a superficial glance in that direction only reveals the negatives - all the reasons not to venture into this largely unknown market. Truly, some of the obstacles do seem formidable: incredible monthly rates of inflation, an unstable legal system, and wars all around the periphery. However, while many skeptical businessmen are waiting on the sidelines, others are already recognizing and taking advantage of the many opportunities Ukraine has to offer.

One of the most promising and profitable businesses in Ukraine today is trade, both wholesale and retail. Despite the fact that official average monthly salaries in Ukraine are below \$30US, demand is so high for consumer products that scores of entrepreneurs travel daily to destinations like Poland and Turkey, returning with products that they are able to unload in matter of a few short weeks. This process is repeated again and again, netting a substantial profit for the enterprising businessman. In an economy where demand often outstrips supply, suppliers set rules which often seem preposterous to western observers. Thus, a distributor of computers in Kharkiv, for example, can demand full payment up to one month prior to delivery of the actual product - whether the order is for a single unit or for one hundred computers - and business continues to boom.

Despite the incredible lack of domestically produced consumer products, many economists agree that Ukraine is in fact over-industrialized. However, the production in Soviet times geared to a military-industrial complex, with a huge proportion of exports targeted to other republics within the Soviet web. This capacity is currently immensely under-utilized as traditional markets have been closed or lost, and the West has not yet recognized Ukraine's potential. Despite a very well educated population, labour costs in Ukraine are low, conforming to the laws of supply and demand rather than reflecting the production ability of the workforce. The call

now is for the re-training of a highly skilled pool of labour to meet the needs of the society's changing needs and focus.

Training and education are sectors which show immense capacity for growth, particularly in those areas which were considered superfluous in the previous system. These include everything from finance, marketing, and management to basic English language skills. There is an acute shortage of competent, trained local business professionals for foreigner investors to work with, and as a result many companies are paying tremendous prices to make their way into the few existing reputable institutions which can provide training in these fields.

Due to the low disposable income of the population, real estate in Ukraine is still relatively under-priced, especially in smaller centres outside the reach of speculators and racketeers. While prices have been rising steadily over the past few years and will continue to do so in the future, investments in **real estate for businesses** as well as in the private sector, for both short and long terms, are still at the infancy stage. Nevertheless, the question of private ownership of land, both locally and by foreigners, is one with

which the entire state is still struggling and which will require a change in the mind-set of the entire population.

The **situation of mass media poses new and challenging dilemmas** both for the government and for businessmen. Each branch of the media has a unique set of circumstances. Television stations are transmitted in from Russia to all parts of Ukraine, and surveys confirm that **these stations dominate audiences throughout the country.** Neither local nor national Ukrainian TV stations can compete with the slick and **experienced programming** beaming in from Russia. This poses the problem for

businessmen trying to reach their local target audiences, and having to do so through unaffordable foreign channels! While Ukrainian radio stations fare relatively better with Ukrainian listeners, the total numbers of listeners are low, once again with complaints of uninteresting programming. The situation with newspapers seems to indicate that local, municipal and regional papers are very popular, but once again on a national level these are closely trailed by publications originating in Russia. Given the immense appetite for information and news by 52 million people, improving the quality of local and national programs and publications would well serve both the population and the state.

Although the risks associated with investing in Ukraine may decrease with time, the cost of investment will rise accordingly. For those who can take advantage of it, the situation for investment in Ukraine is ripe now.

Hakeem Bakare lived for a number of years in Ukraine, where he earned his PhD at Kyiv State University of Economics, worked in Kharkiv at Antaris Television Agency, and published a number of articles on economic topics. ■

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