

## **Business leaders talk: What will happen in 2010?**

EBA General Digest, February 1, 2010

Alexei Kredisov, Country Managing Partner

### **What will happen in 2010? In our third interview, EBA Vice President Alexei Kredisov discusses his outlook for the year ahead.**

Name: Alexei Kredisov

Nationality: Ukrainian

Vocation: Country Managing Partner of Ernst & Young Ukraine

EBA Connection: EBA Vice President

Background: Alexei has more than 14 years of professional experience serving major Ukrainian state companies and industrial groups, as well as leading international corporations.

He obtained a master's degree in International Economics from the Kyiv Institute of International Relations (1994); a master's degree in Economics from Virginia Polytechnic Institute (USA) (1995); and a Ph.D in Economics from Kyiv National University (1998). He is also a member of the Ukrainian Federation of Professional Accountants and Auditors and a certified accountant in Ukraine and the USA (CPA).

#### 1. What is the most alarming trend facing the Ukrainian economy today?

Unfortunately, it's not just one trend. We face a general contraction of our economy and the economies of our neighbours, a significant devaluation of our currency and high inflation. Also, the investment climate is going from bad to worse.

#### 2. What will be the biggest Ukrainian success in 2010?

Hopefully, the reversal of the "alarming trends" named above. If your investment climate is next to nothing, it shouldn't be that difficult to improve it. It is so bad right now that all you need is some small minor changes and hopefully we will see some improvement. If I was dreaming, I would like to see Ukraine initiate a good reform agenda and take the position it should have globally given its size, importance, history and people. Right now, Ukraine doesn't occupy the place where it belongs.

#### 3. In what direction will the Ukrainian stock market move and what kind of returns (if any) do you predict?

Most analysts predict a small increase in GDP and some stabilization of government finances and the local currency, and given that Ukrainian companies experienced significant devaluation, most people expect returns. I've seen evidence that the stock market is doing very well, but the question is what's behind that. Speculation? The economy? The underlying business of the companies in question? I can't tell you right now, but I understand there are some "bullish" expectations for the Ukrainian stock market.

#### 4. What should be the first priority for the new Ukrainian President?

There are many important and very much needed priorities for the President. However, many of them will be limited by the ability of the state to fund them. So, given the limitations they have (such as a limited budget and a difficult business environment), my recommendation is to focus on those areas that do not require significant funding. I would recommend that the new President of Ukraine focus on reducing bureaucracy and red tape. This would actually save the state money by reducing the number of bureaucrats. Secondly, fighting corruption wouldn't cost much, but would improve the business climate in Ukraine. These are the two most realistic priorities.

#### 5. Which emerging world economy is the best bet for investors?

I don't really follow other markets closely, so I could only repeat the good advice of more qualified analysts. Meanwhile, Ukraine has the possibility to be a high return market, but with high returns come high risks.

#### 6. What will be the "must have" item in Ukraine in 2010?

EBA Membership. I would like the EBA to be more prominent and stronger.

7. What is the best Ukrainian asset to own in 2010?

Well, this one is difficult to own, but I would say that it's people. There are very good and smart people here. They are a good "asset" to "own" as you put it. We also have good soil, a good geographical location and a good industrial base (although it's underdeveloped). All of these are good Ukrainian assets.

8. Global warming: fact or fiction? How much money and effort should the Ukrainian government invest in emissions cuts?

It's a fact. It is quantifiable and it clearly is a "big deal" fact. It will affect us and generations to come, so we must behave responsibly. When it comes to Ukraine, I believe that the state is not acting responsibly regarding this matter. Unfortunately, it [global warming] remains a low priority. There's huge room for improving the potential benefit from carbon trading/reduction, as I believe that Ukraine's emissions were measured in 1991, when levels of production were significantly higher than they are now. Ukraine has benefited from a reduction in carbon output as industrial output has fallen, but I don't think it was effective in capitalizing on this reduction. Even more disappointing, it did not channel the money from the sale of carbon credits into environmental protection and technology improvement.

9. Will Ukraine be ready for the 2012 Football Championships?

I think Ukraine will be ready, but of course the level of readiness will vary. I like to give the example of the Eurovision song contest a few years ago. Ukraine was ready to produce a TV show, but visitors slept in military tents! So I hope that we're ready in a different way for the Euro-2012 championship.

10. What will be the biggest surprise of 2010 in Ukraine?

The biggest positive surprise for me would be a new team driving this country aggressively and genuinely for the benefit of its people. This would be a positive surprise for me, and there is a chance that it will happen.