The role of mechanical engineering in the recovery of the economy of Ukraine

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The development of mechanical engineering, especially heavy power engineering, is one of the components of the post-war industrial policy, aimed at preserving and developing high-tech types of industrial activity with a high degree of added value, as well as to ensure the energy security of the country, which includes expanding the localization of relevant industries in energy, mechanical engineering and related activities with increased multiplier effect for the entire economy.

Problems in mechanical engineering:

-prolonged stagnation of the mechanical engineering and processing industry as a whole;

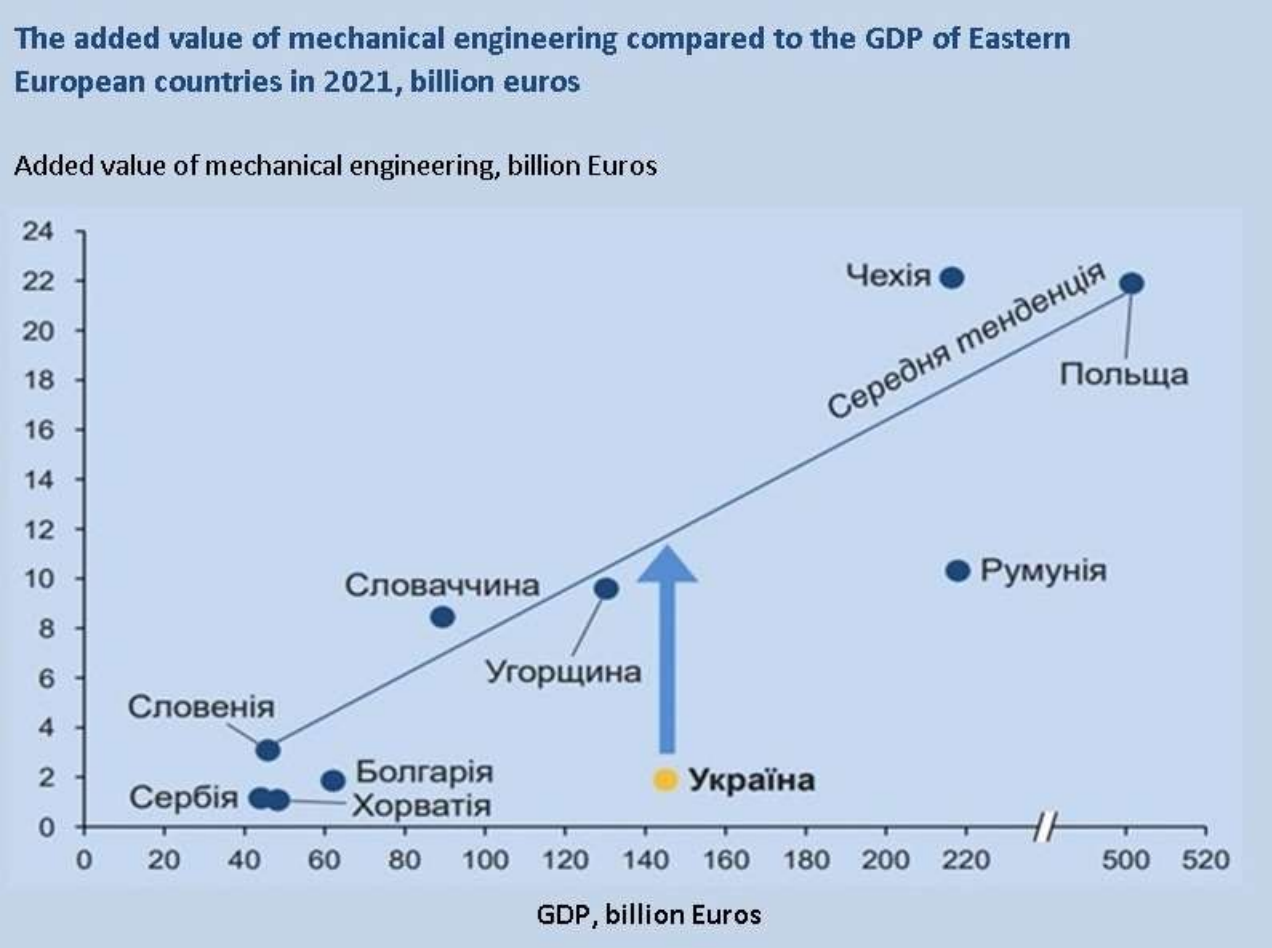
- import dependence: trade balance of mechanical engineering -9% of GDP;
- lack of a niche in the EU market;
- state strategy and systematic industrial policy;
- the need to prepare the industry for EU integration.

Reasons for the urgency of solving problems in mechanical engineering:

- aggravation of the industry crisis due to the war: - 30%;
- the need for significant investments in equipment within the framework of reconstruction and modernization - hundreds of billions of dollars;
- the opportunity to receive financing for reforming the industry through the Ukraine Facility Plan;
- attention of world manufacturers to Ukraine - the possibility of partnerships and investments;
- the risk of losing the chance of accelerated recovery and growth.

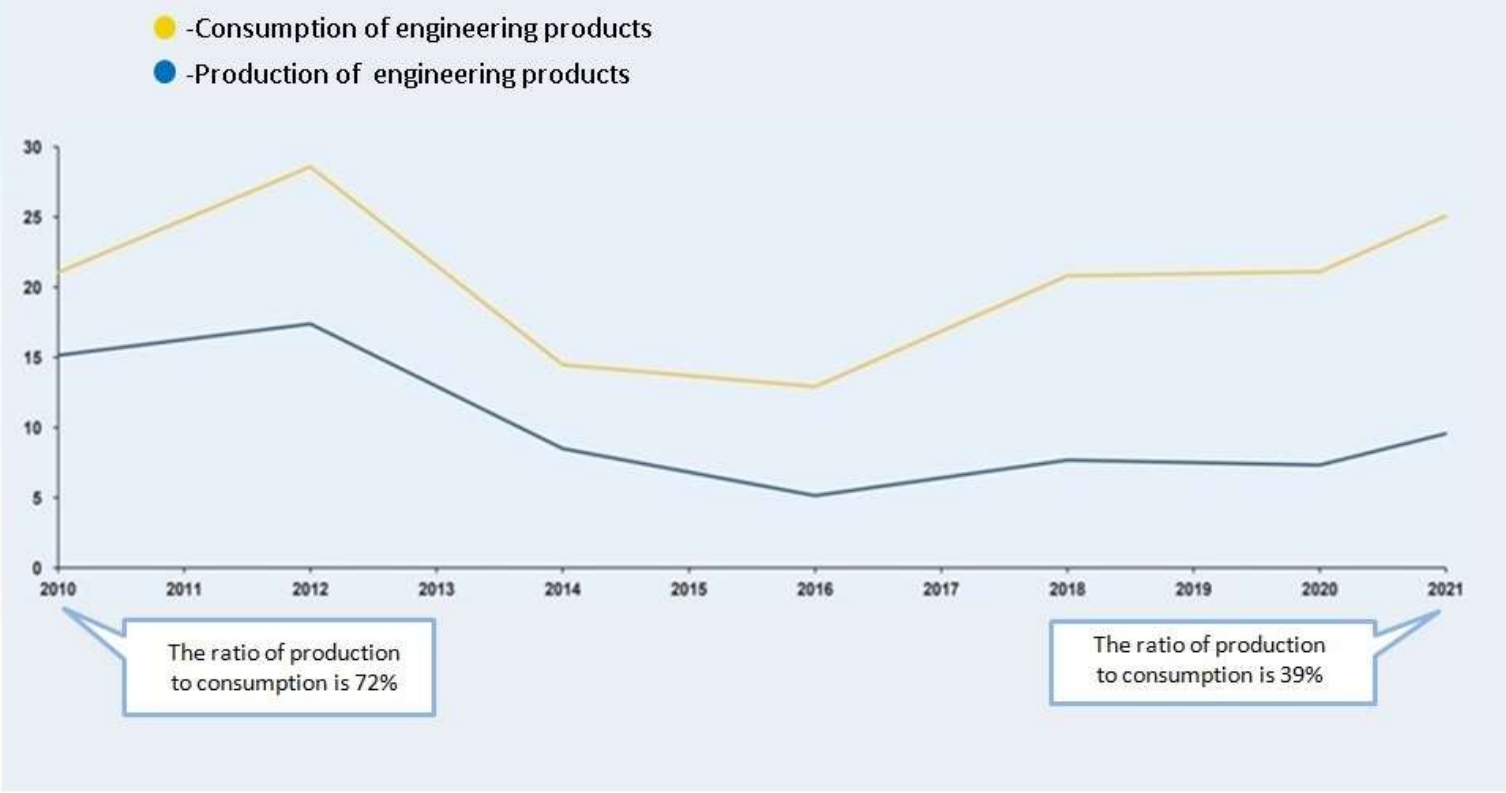
Mechanical engineering is a key, but underestimated, element in the sectoral structure of Ukraine's economy.

The role of mechanical engineering in the GDP of Ukraine is inferior to the countries of Eastern Europe and should be 3-5 times higher for this size of the economy.



Since the 2010s, the production of mechanical engineering products has lagged significantly behind consumption volumes, import dependence is increasing

Dynamics of consumption and production of mechanical engineering products in Ukraine 2010-2021, billion dollars



Source: State Statistics Service, UN Comtrade, Working Group

The war created an even greater challenge for the revival of mechanical engineering, both in terms of demand and sales, and in terms of production capabilities.

Key challenges:

- a drop in consumption;
- loss of sales markets;
- loss of production capacity;
- loss of labor force;
- disruption of production and logistics routes.

On the basis of world practice, the principles of the modern policy of stimulating the mechanical engineering industry have been developed:

- Maximization of added value due to the priority of productions with a higher degree of processing;

- Market mechanisms that would promote the growth of the industry in specific conditions, avoiding point restrictions or preferences, equalizing competitive conditions between regions;

- The practicality of implementation on the basis of economic justification, based on the available opportunities, the cost of implementation, the ratio of costs and benefits;

- Transparency and consistency of state priorities, which is reflected in government strategies that determine the long-term behavior of the state in the relevant sectors.

The content of the general sectoral policy of mechanical engineering to accelerate the recovery of the economy

1. Investment climate	2. Access to sales markets	3. Access to finance	4. Human capital	5. Support for modernization and innovation	6. Product standards
1.1. War risk insurance	2.1. Harmonization of sanctions policy with the EU	3.1. Currency liberalization	4.1. Reintegration of veterans, reintegration of persons from de-occupied territories, integration of migrants	5.1. Duty-free import of machine-building equipment that is not manufactured in Ukraine	6.1. Harmonization of product standards with the EU, in particular in aspects of ecology and circularity
1.2. Simplification of obtaining permits for construction, procedures for connecting to the power grid	2.2. Integration into the European procurement system	3.2. Tender guarantees to manufacturers	4.2. Stimulation of professional education and professional development and professional development	5.2. Compensation % of loans/leasing for expansion/modernization of production	6.2. Introduction of digital passports
1.3. Simplification of property registration, strengthening of protection of interests	2.3./3.3. Expanding the activities of the export-import agency		4.3. Update of professional technical education	5.3. Production infrastructure development program	6.3. Regulation of disposal of industry products
1.4. Reduction of inspections, digitization of public services, simplification of customs procedures	2.4. Setting the duty for components at a level no higher than for finished products	3.4. Change in the regulation of real estate mortgage lending		5.4. Stimulating R&D in mechanical engineering: tax incentives and financial instruments	
1.5. Effectiveness of the work of courts, AMCU, anti-corruption institutes	2.5. Trade barriers in relation to countries outside the WTO or without state financing restrictions	3.5. Tax benefits for de-occupied regions		5.5. Grants to accelerators and business incubators	
	2.6. Taking into account the cost of the life cycle in purchases				
	2.7. Plan of diplomatic work to minimize barriers and promote Ukrainian products				

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