



What We Need To Know About Ukraine

By Craig Phillips, CFP, AIF

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For those of us old enough to remember, current events inevitably remind us of the Cold War, as headlines show Russian tanks crossing borders into a neighboring nation that seeks to exercise its freedom. We extend our thoughts and prayers to the people of Ukraine, not only during their internal political crisis, but now during the Russian military intervention.

Instinctually, the engagement of tanks and spurring of unrest in a city comparable in size to that of Chicago, causes people to play it safe and execute low-risk investments during uncertain economic times. However, this may not always be the best strategy. There are commentators who argue that the downturn of the market is actually an opportunity for investment, as stock prices drop due to the unfounded but not uncommon fear of economic aftershocks.

The following 20 facts will inform you about Ukraine, a nation which has previously been a relatively quiet member of the global economic community:

✓ The word "Ukraine" translates to "borderland" in proto-Slavic, a name determined simultaneously by Poland, Russia and Austria, as the territory lies across the border of both Russia and various European nations. In fact, the Polish troops stationed in this area were referred to as Ukrainians – that is, borderlanders. The country is no longer referred to internationally as "*The Ukraine*" after gaining its independence from the Soviet Union in 1991.

✓ Despite the belief that Ukraine is divided equally between ethnic Ukrainians and Russians, 77.8 percent of the population is ethnic Ukrainian and only 17.3 percent is Russian.

✓ Ukraine's population is declining at the sixth fastest rate in the world due to low birth rates, trailing only behind the Cook Islands, the Federated States of Micronesia, the Northern Mariana Islands, Niue (an island nation in the South Pacific) and the Eastern European nation of Moldavia, which borders Ukraine.

✓ Despite a declining population, Ukraine's largest city, Kiev, has a larger population (2.8 million) than Chicago, America's third-largest city. Ukraine's second-largest city Kharkiv's population (1.4 million), is greater than America's seventh, eighth and ninth most populous cities, San Antonio, San Diego and Dallas.

✓ Ukraine is home to one of the world's most active space programs, the National Space Agency of Ukraine, which has launched six self-made satellites and a total of 101 launch vehicles. The country also manufactures the largest aircraft ever built, the An-225.

✓ Ukraine co-hosted one of the major sporting events in Europe, the Euro 2012 football (soccer) tournament (with Poland).

✓ Despite the fact that the Chernobyl nuclear disaster occurred in Kiev, Ukraine operates the largest nuclear power plant in Europe.

✓ After Russia, Ukraine has the largest military presence in Europe. Ukrainian troops have been deployed on international peacekeeping missions in Somalia, Kosovo, Lebanon and Sierra Leone, and have engaged in multinational military exercises with U.S. military forces. The country

has been approved by NATO as a member, pending a national referendum on the matter – which will be delayed until the conflict with Russia has been resolved.

✓ Ukraine's currency, the hryvnia, was adopted in 1996 after the country suffered the greatest one-year bout of hyperinflation in global economic history (Zimbabwe has since broken the record). In today's economy, one U.S. dollar equates to 9.6 hryvnias and one euro is equal to 13.3.

✓ The World Bank has determined that Ukraine's economy is the 51st largest in the world, ranking just behind Peru and the Czech Republic, but just ahead of Romania and New Zealand. Additionally, its \$7,295 (U.S.) per-capita income (a rough measure of a nation's wealth) ranks 106th in the world, behind Namibia and El Salvador, but ahead of Algeria, Micronesia and Iraq.

✓ Approximately 80 percent of the oil and gas exports sold by Russia to the European Union do so through pipelines which pass directly through Ukraine. These conduits account for a total of 25 percent of the oil and gas received by the European Union.

✓ Ukraine is appropriately known as the "breadbasket of Europe," as the country is the world's 4th largest producer of barley, 5th largest producer of rye, the 6th largest producer of oats, the 9th largest producer of soybeans and the 11th largest producer of wheat.

✓ Ukraine also happens to be Russia's second-largest customer of petro-fuels.

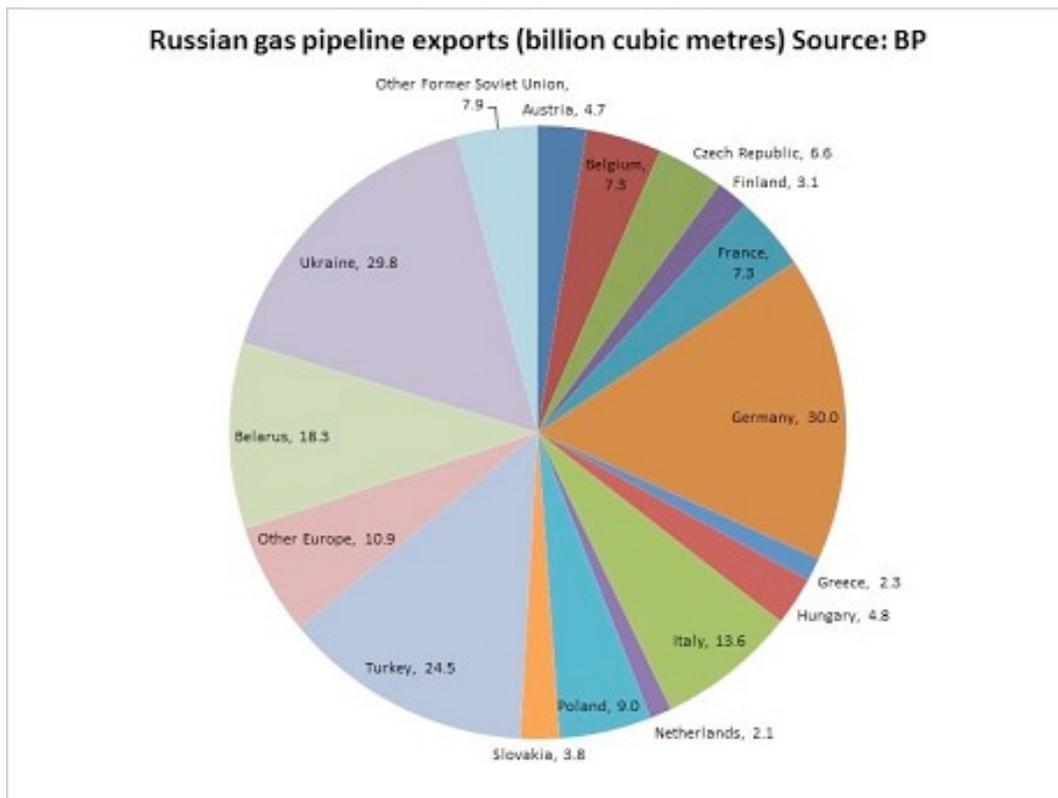
✓ Russia is drilling for oil in the shallow waters of the Black Sea near the Crimean Peninsula, which has the potential for providing significant reserves.

✓ Chevron and Shell Oil are among others drilling in the same area. If the companies begin production under the Ukrainian flag, it would significantly undercut Russia's oil and gas market shares and prices, while simultaneously boosting Ukraine's economy.

✓ The Russian (as the Soviet Union) invasion of Afghanistan in 1979 caused the U.S. and many Western nations to boycott the Russian hosted

1980 Olympic games. Is it a coincidence that Russia chose to move forces into Ukraine immediately AFTER the Sochi Olympics ended?

- ✓ The Russian/Ukrainian crisis has the potential to produce the cancellation of the upcoming G8 summit in Sochi. Another possible consequence might remove Russia from the G8 club altogether, which would embarrass Russian strongman Vladimir Putin at home as well as isolate him (and Russia's economy) abroad.
- ✓ The biggest loser in the aftermath of the Ukrainian crisis would be Russia's economy. The day after mysterious soldiers took over the Crimean peninsula, share prices for companies based in Russia declined by 10 percent. The invasion also triggered an outflow of domestic currency that Russia desperately needs in order to invest in modernizing an economy based largely on selling abroad what is pumped or mined from the ground.
- ✓ The threat of disruption of trade between Western nations and Russia (either due to sanctions or reluctance to interact with a country in which international law is not made a priority) cost the Russian economy \$60 billion in a matter of days – more than the total cost to stage the Sochi Olympics.



✓ Lets assume that we are not headed toward a world war. While several commentators have unhelpfully pinpointed Crimea as being the flashpoint for World War I, the world is somewhat different today. Temporary disruption of the Ukrainian pipelines could impact higher energy prices in Europe, but Russia needs to sell its oil and gas as much as Europe needs to buy it. Unless someone is heavily invested in Russian stocks, the crisis will likely be seen as a portfolio non-event.

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