



"Doing Business in Ukraine"

# Promoting Trade and Commercial Relations

## Canada's Promotion Efforts

by Roman Hruby, Trade Commissioner in Canada's Department of Foreign Affairs and International Trade. Excerpts from a presentation to the Toronto Conference "Doing Business in Ukraine", May 2, 1996.

Reflecting the importance that we attach to the Canada-Ukraine relationship, the Government of Canada, has strongly supported Ukraine's transition to an independent, democratic and market-oriented state.

Canada has complemented its efforts in the political area through an active technical assistance program, that is providing assistance both bilaterally and through multilateral institutions. This year, our technical assistance program for Ukraine has a budget of about \$20 million. To date, we have funded over 100 projects for Ukraine, valued at over \$95 million. Although some of these projects were in the area of good governance, including the \$12 million for the nuclear safety account, and \$14 million for balance of payments support, other projects focused on private sector development and assistance in the transition to a market based economy, particularly in the areas of health, energy and environment, agriculture and private sector development.

In all truth, part of the reason for the past reluctance of Canadian business potentially interested in commercial opportunities in Ukraine has been the state of the economic reform process. In the first few years after independence, the economic reform process was slow, with frequent and confusing changes of regulations, resulting in economic instability, including hyperinflation. The bureaucratic red tape was excessive and there were numerous negative reports on crime and corruption. This contributed to the overall perception that doing business in Ukraine was too risky for all but the most adventurous.

Although numerous problems remain, Ukraine has reached an agreement with the International Monetary Fund and embarked

on a bold and comprehensive program of economic reforms. Beginning in September 1994, the government deficit was slashed from about 21 percent to about 6 percent of GDP today. Prices have been liberalized, export restrictions and quotas on most goods have been eliminated, and the privatization process has been launched. However, the privatization process in 1995 was slower than expected, and according to the IMF, Ukraine's provision of cheap industrial credits caused the reform program to veer off track in late 1995. Nevertheless, Ukraine has reconfirmed its intention to abide by an IMF program and negotiations for a new agreement with the IMF have been held. It is hoped that the next phase of IMF stand-by payments may be released in the coming months. Simply put, in spite of remaining difficulties, overall conditions for doing business in Ukraine have improved and are expected to continue to improve. This view is confirmed by the substantial growth of foreign investment in Ukraine, which in 1995 surpassed US\$500 million.



Trade Commissioner Roman Hruby

There exists considerable interest within Canada, particularly in Ontario and the three prairie provinces, in the opportunity to do business in Ukraine. Presently, our commercial links with Ukraine are modest, but are showing a healthy development. Our exports to Ukraine have increased from about \$8 million in 1994 to \$43 million in 1995. Our exports now encompass a reasonably broad range of goods, chief of which are: machinery, selenium, woven textiles fabrics, telephone

parts and equipment, windows and doors, vehicles and their parts, bovine semen, infant foods and prefabricated buildings. Our annual imports from Ukraine have remained steady at more than \$17 million. Main Canadian imports from Ukraine are clothing, magnesium, iron and steel products, sports equipment, electrical parts, footwear and vehicle parts. As well, during 1995, there was a significant growth of total Canadian investment in Ukraine, which is estimated to be in the range of \$30-40 million.

Some sectors of common interest to both Canada and Ukraine which offer substantial growth potential include oil and gas, agri-food, telecommunications, environment and health products.

Canada has world class capabilities in these areas that would support the economic development and reform process in Ukraine.

A number of Canadian companies are already pursuing promising leads in the Ukrainian market. Perhaps the most prominent is Northern Telecom which signed in March 1995 a \$14 million contract, financed by the European Bank of Reconstruction and Development, to construct the Kyiv to Odesa fibre-optic link (as part of the international project linking Italy, Turkey, Ukraine and Russia). In addition, Northern Telecom is pursuing other telecommunications opportunities in Ukraine. Another Canadian company, Landford International of Toronto is building Canadian style homes in a Kyiv suburb. Cheemo/Heritage Foods Ltd. of Edmonton has set up perogy making facilities in Sumy. Mymcor Development Corporation of Winnipeg has set up a pizza fast food operation. Uk-Ran Oil of Calgary has pursued impressive opportunities in drilling old tired oil wells. Still other Canadian companies have set up a cultured marble operation, another a coffin making enterprise; while others are exploring opportunities in oil and gas, window manufacturing, sawmills, etc.

