

plastic materials, aluminum products, ceramics, petroleum products, and textiles.

In late 1995, Kharkiv ventured into the realm of issuing municipal bonds, followed a year later with a second loan. Despite initial difficulties, the funds from the bond issues were invested in municipal programs, which meant heating for the city during the winter, and plans to develop the transport network and to create a network of service stations for cars.

Foreign Trade and Investment

Kharkiv oblast currently has trade dealings with over 70 countries. As of the summer of 1996, direct foreign investment totalled US\$16 mln., or 1.5% of the US\$1 bln. that Ukraine received during the same period.

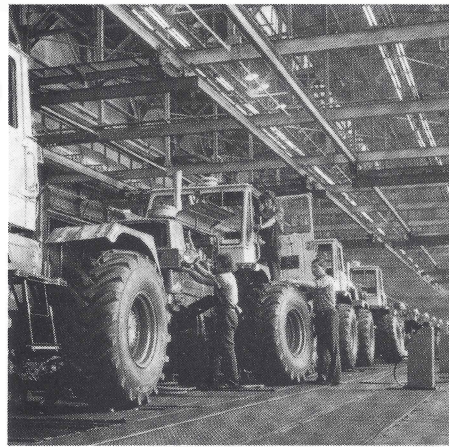
Recently, there was much optimism over a huge military contract with Pakistan. Kharkiv's Malyshev Tank Plant was to supply 350 T-80UD tanks to Pakistan. This deal could be the largest foreign project to date, hopefully bringing Kharkiv a total of US\$650 mln. In a perfect demonstration of the tangled legacy left by the FSU, in February, 1997, the Russian government indicated that it would not provide an export license for tank components produced in Russia, thereby jeopardizing the entire project.

U.S. tobacco giant Philip Morris has been active in the Kharkiv Tobacco Factory since May 1994. The factory, in which Philip Morris holds a controlling stake, started producing two new brands of cigarettes in the second half of 1996. Philip Morris is the oblast's largest foreign investor, to a tune of US\$22 mln. to-date, with expectations of further expansion in the region.

Other Kharkiv oblast sectors that have attracted a proportionately large share of foreign investment are food-processing (US\$4 mln.) and machine-building (US\$2 mln.).

Agriculture

While most of Kharkiv oblast is located in the Dnipro Lowland, its northern part lies within the Central-Russian Upland, and in the southeast it touches the ridges of the Donets mountain range. The oblast straddles a wide expanse of steppe and farmland. The climate is temperate-continental, with average winter tempera-



tures in the vicinity of -8°C , and $+21^{\circ}\text{C}$ in July. However, like other eastern oblasts, Kharkiv's highly developed industrial sector has largely been at the expense of its agricultural sector. The oblast's main industrial crops are sunflowers and sugar beets, while animal husbandry accounts for over half of the agricultural output, specializing largely in cattle farming. To date, the region's farm sector is still predominantly state-owned, with private farms occupying just a tiny share of the agricultural market, as is the case in most of Ukraine.

Potential Remains to be Realized

In the last two years, Kharkiv oblast has experienced a decline in production especially in the sectors of building materials, light industry, and machine-building. However, it is anticipated that once economic reform takes hold in Ukraine, economically-sensitive regions like Kharkiv should be the first to show signs of economic recovery. The road to economic recovery demands creative thinking, sometimes looking back as well as reaching forward. In the past, the territory of Ukraine east of the Dnipro was celebrated for monasteries whose monks brewed beer. Reviving that time-honoured tradition, three years ago the Rohan Brewery of Kharkiv began brewing beer. Now, with one of the best-equipped breweries in the entire CIS, its owners are hoping to turn the enterprise into one of the countries top brewers by 1998. This is the kind of entrepreneurial spirit which is needed throughout Ukraine.

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