

Reviewing Bilateral Relations

Canada-Ukraine Intergovernmental Economic Commission Meets in Kyiv

New sessions of the Canada-Ukraine Intergovernmental Economic Commission (IEC) were held in Kyiv Dec. 16-17, 1997 to discuss the future development of bilateral trade and economic cooperation, and investment projects.

More than 40 Ukrainian and 20 Canadian government and business representatives participated in the series of presentations and high-level roundtables at Ukraine's Minister of Foreign Economic Relations and Trade (FERT) Ministry and were welcomed by Minister Serhiy Osyka.

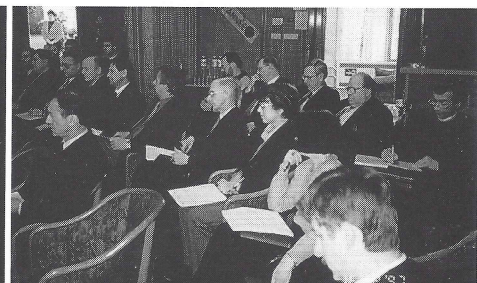
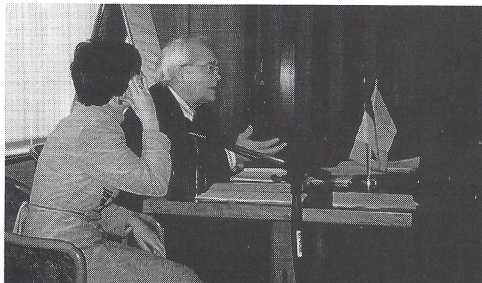
The sessions, a followup to last June's meetings of the IEC in Calgary, were co-chaired by James Wright, Director General of the Europe Branch at the Department of Foreign Affairs, and his counterpart, Andriy Honcharuk of FERT.

Among the Canadian companies making the trip were Nadra Resources and Epic Energy from the Alberta oil patch, while enterprises like UkrAgroBusiness, UkrNafta, and the State Construction Committee represented Ukraine.

Consensus - Trade Needs Work

Participants generally agreed that, while political and security relations between Canada and Ukraine continue to blossom, economic and trade ties still need some work. In 1996, Ukraine ranked 70th among Canada's trading partners. In the first nine months of 1997, total trade between Ukraine and Canada was only US\$38.1 mln. with Ukraine exporting US\$10.8 mln. and importing US\$27.3 mln. In the area of foreign investments, at the beginning of 1997, Ukraine received a total US\$1.42 bln., of which only US\$23.5 mln. came from Canada. Despite the fact that a number of new Canadian investments were going into Ukraine, these are still few and limited; Deputy Co-chair Wright expressed "disappointment that achievements in trade, economics and investment are not progressing."

In an atmosphere of friendship and congeniality, Canadian business representatives patiently pointed out to their Ukrainian counterparts the issues involved and the ways in which the situation could be improved — particularly in the priority sectors



B. MYNDIUK, CUCC

The Canadian Embassy and Ukraine's Foreign Economic Relations and Trade ministry served as venues for the IEC meetings. Officials provided briefings and facilitated strategy/sectoral roundtables. Sessions were held by the two major players, Canada-Ukraine Business Initiative (CUBI) and the Canada-Ukraine Chamber of Commerce (CUCC). At left, Larry Duffield, Canada's Senior Trade Commissioner in Kyiv addresses the IEC.

established by the IEC: agriculture, energy and construction.

IEC Working Groups - New Initiatives

IEC working groups in the various sectors listed the main obstacles that both sides encounter in doing business, including taxation, visa requirements, complicated certification and registration processes, and excise and customs policies.

Agriculture: Special emphasis was placed on cooperation in agriculture, which plays a key role in the economies of both countries. Participants noted that Canada had suspended support to Ukrainian agriculture in 1996 due to the lack of reforms in the sector. Now, a promising plan has been developed for Ukrainian-Canadian collaboration, with Canadian companies ready to invest substantially, up to \$680 million:

- \$25 million in the cattle-breeding, poultry and meat-processing sectors;
- \$35 million in production of children's foodstuffs;
- \$25 million in reconstruction of flour mills;
- \$12 million in the processing sector;
- \$1.8 million in automation of sugar beet processing;
- \$40 million in reconstruction of a number of agricultural enterprises; and
- \$540 million in reconstruction of sugar refineries.

Energy and Construction: Improvement of cooperation in the energy and con-

struction sectors needs resolution of a number of problems on the Ukrainian side. These include simplification of the procedure for registering joint ventures, reduction in tax rates, resolution of outstanding issues of product certification, and amendments to excise and customs policies.

There were also differences of opinion concerning the utilization of credits. Currently, projects worth US\$7 million have been introduced and implemented in Ukraine.

At the meetings, an open letter was circulated by Ed Southern of Calgary-based Nadra Resources Ltd., inviting interested businesses to join in the formation of a Ukrainian Petroleum and Gas Producers Association.

Concerns and Challenges of the IEC

The IEC meetings in Kyiv demonstrated the value of the consultation process as a tool which is enabling the two countries to advance their trade and economic relationship. Priorities were discussed and problems areas defined. According to the IEC, the following concerns remain to be addressed:

- a desire to see a simpler regulatory framework, particularly a shorter process to register joint ventures;
- a hope for reduction of the 56% royalty on new oil discoveries, lower import duties on production machinery, such as drilling equipment, and lower VAT;
- a need to recognize the sanctity of contracts, joint ventures and other