



bumble bee should not be able to fly, but it does. A business growing in Ukraine faces similar challenges. This is testimony to the fact that the internal economy is reshaping itself and making a substantial movement towards a market-based economy.

Last year a number of fiscal and monetary measures were implemented and significant steps taken in liberalizing the economy in terms of domestic and international trade, in the area of tax policy changes. Export and import policies have also been significantly liberalized, export licenses and quotas abolished. Agricultural products are now sold through the commodity exchange. The process of denationalization and privatization of state enterprises is continuing, not smoothly but persistently. The currency exchange rate has been unified and a currency market has developed. The establishment of banks and financial intermediary systems is well under way. For the first time since its independence Ukraine has begun to make timely external debt payments.

Let me address another topic -- Ukrainian-Canadian trade. Both countries have now adopted a classical package of agreements which defines our bilateral economic relations on the following points:

- trade and commerce (grants most-favoured nation status to exporters)
- economic cooperation (establishes instruments and approaches to mutually beneficial partnership)
- investment promotion and protection (provides guarantees), and
- avoidance of double taxation (signed and soon to become law).

As you know, international treaties have priority over domestic legislation and thus the set of Ukrainian-Canadian agreements can form a groundwork basis for required guarantees of security in business with Ukraine. Here I am addressing those skeptics who have not yet ventured into the Ukrainian market, and are taking a wait-and-see approach to the legislative developments.

What is the profile of Ukraine-Canada trade over the last years? In 1994 the Ukrainian export to Canada increased by 12% over 1993. In 1995, the turnover of our bilateral trade increased 2.5 times compared to 1994, and reached: a) on the basis of Ukrainian statistics - US\$117.4 mln., and b) on the basis of Canadian review - Cdn\$63.5 mln. (This is quite a surprising discrepancy in statistics-gathering.)

In 1995, despite well known domestic economic hardships, Ukrainian exports remained unchanged. Canadian import to Ukraine in 1995 increased 6 times compared to 1994. It was the import of Canadian goods to Ukraine that substantially influenced the development of Ukrainian-Canadian trade. Its steady growth, with a relatively lesser increase of Ukrainian exports to Canada, resulted in Ukraine's negative export balance in trade in May 1995. On January 1, 1996 there was a

negative (import) balance which reached 45.7% of all Ukrainian-Canadian trade.

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**Trade between Ukraine and Canada is in 5th place among G-7 countries that deal with Ukraine (following Germany, USA, Great Britain and Italy). Yet, Ukraine is ranked 90th among the top 100 countries with whom Canada maintains international trade, and in the first dozen among countries of Central and Eastern Europe and CIS.**

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Based on Statistics Canada survey figures, Ukrainian exports to Canada in January 1996 were almost 5 times of those in January 1995, and Canadian exports to Ukraine more than doubled in the same period.

A third of all Ukrainian exports to Canada are apparel and textile goods. One quarter are magnesium products, and 14% iron and steel primary forms. There has been a 6% increase in machinery and equipment export.

The 4th quarter of 1995 opened the Canadian market to exports of Ukrainian live breeding fowls, alcoholic beverages, chemical wood pulp, steel chains, etc. Additionally, cattle, vines, plastic pipes and slabs, stone products, ceramics blocks, decorative glass produce, machinery spare parts, etc. were also exported from Ukraine.

Canada did and still does purchase several kinds of Ukrainian metals' primary forms (flat rolled steel, re-bars, angle and profile hollows, rod wire and various wires, etc.), ferrosilico-magnesium, magnesium, aluminum profiles. Those products are in demand in Canada and their imports could be increased.

There is still one "but" -- an ironic situation exists for our economy in transition. Our industrial capacities are limited by problems with energy supply and payment crises, while, at the same time, they are in heavy demand.

There is strong competition to buy most Ukrainian products, such as metallurgical, urea and other kinds of fertilizers and chemicals, first of all from domestic companies, and then from foreign ones. This is why it sometimes poses a challenge for us to satisfy all requirements abroad.

To obtain these commodities, it is necessary to be within the Ukrainian market not impassing, but on a active, permanent basis. In other words: "First come, first served".

The structure of Canadian exports to Ukraine includes a broad range of products: machinery, telecommunications and medical equipment, electronics, cars and transport facilities, construction materials, food products, apparel, houseware and other consumer goods.

You can sell anything if you can find a Ukrainian buyer. And keep in mind that, according to our last national survey, more than 40% of Ukrainians say they have never used Western products. Ukrainians have various degrees of familiarity with Western products. They have more experience with clothing (32%) and footwear (24%), than with packaged foods (14%), personal care products (13%) or electronics (12%).

According to the Ukrainian State Credit and Investment Corporation, Ukraine's need for foreign investment is over US\$5 bn, including such priorities as \$1.7 bn for oil processing, \$2 bn for metallurgy, \$0.5 bn for machinery production, \$0.25 bn for energy industry, as well as pharmaceutical and diagnostic equipment, and environmental products.

I would like to take advantage of this opportunity to tell the Canadian businessmen here today from the various provinces, that our Trade and Economic Mission is promoting the concept of regional trade and economic relations between Ukraine and Canada. Mr. Verkhnyatsky, Deputy Head and consul, and Mr. Knyasev, an expert in the Mission, will welcome your ideas on this subject.

We believe that the realization of such a concept is also in the interest of Canadian provinces striving to establish their own system of economic relations with Ukraine. This initiative was first launched by Saskatchewan, and interest in developing such contacts with Ukraine has been expressed by the governments of Alberta and Manitoba.

The most feasible priorities for investment at the regional level of cooperation are agri-food processing and tourism.

The risk of doing business in Ukraine no longer justifies avoiding this lucrative market. International experts note that President Kuchma has brought in legislation to re-channel Ukraine's economy. Legislation and the economic-fiscal climate have remained stable (with the possible exception of changes in such area as value-added tax (VAT)). For instance, the impossible income-based taxation which existed until Kuchma's election, has been replaced by a world-standard profit tax at a low rate of 30%. The galloping inflation that tended to swallow profits is now history. Given the IMF's support, this trend should continue.

This is not the time for complacency. Ukraine has tremendous potential to move forward. I wish you much success and mutually profitable contacts, partners and ventures in the near future.

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