



Canada-Ukraine Cooperation in the Agri-Business Sector

by Dennis Kowalsky

In the fall of 1994, Prime Minister Jean Chrétien, on a formal request from Ukraine's President Leonid Kuchma, appointed Eugene Whelan, President of Agricultural International Development Associates of Canada (AIDAC) and former Canadian Minister of Agriculture, to visit Ukraine to make recommendations for reforming Ukraine's agricultural sector. After Mr. Whelan and Dr. Michael Zin, who accompanied him on the seven week visit, returned to Canada, they submitted a report proposing recommendations for productive aid to reform Ukraine's agri-food sector. Because no actions have been taken on these recommendations, a group of concerned individuals, headed by Mr. Whelan, was formed with the goal of informing potential investors of the business investment climate in Ukraine's agri-food sector. A business seminar on investment in Ukraine's agri-food sector was the first step taken.



Addressing the seminar was one of the organizers, well-known Canadian, AIDAC President, and recently appointed Senator Eugene Whelan.

The Seminar

On June 17, 1996 about 60 people representing agri-business, government and NGO's participated in a business seminar on Parliament Hill in Ottawa which addressed the topic of Canada-Ukraine Agri-food Cooperation.

Chairman Dr. Zin summarized some of the current economic problems in Ukraine and the great potential of Ukraine's agricultural economy because of its rich soil, favourable climate and proximity to the markets of the Middle East, Russia and Western Europe. He stated that agricultural sector has untapped potential for business investment in agricultural chemicals, agricultural equipment and food processing and packaging equipment. Seminar Co-chairman Mr. Whelan spoke of the low productivity in the agri-food sector caused by obsolete farming equipment, lack of farm inputs and new varieties of commodities, but stressed that the major overall problem was the lack of an agricultural extension system for educating farmers in Ukraine about modern farming practices.

Ambassador of Ukraine

His Excellency Volodymyr Furkalo, Ambassador of Ukraine to Canada, thanked organizers and seminar participants. He emphasized that his embassy would facilitate all efforts for investment in Ukraine's agri-food sector because. Such investments are very beneficial to both countries, and contribute to the ongoing economic reforms in Ukraine.

The Ukrainian Perspective

Speakers Natalia Vasilchenko, Head of Foreign Economic Relations Department, representing the Ukrainian Ministry of Agriculture, and Mykhailo Tytarenko, Economic Counsellor (Embassy of Ukraine) presented the current investment climate from a Ukrainian perspective. Both speakers stressed that Ukraine's economy has been through some difficult times since independence, as evidenced by decreased productivity in the agri-food sector, but with reforms taking hold and the appointment of reform-minded cabinet ministers, it appears that the agri-food sector is starting to recover with inflation rates and declines in food production stabilizing.

Risk Management

A presentation on the management of investment risks in Ukraine was made by Myron Dzulynsky from the law firm of Smith Lyons. He outlined Ukraine's current legal system, statutes and pending legislation as it applies to foreign and domestic business investments. Brian Deaves of Deloitte and Touche discussed aspects of Ukraine's financial system such as banking systems, accounting practices and then presented a case study for a business investment situation for a Canadian company entering into a venture in Ukraine. Both presenters stressed that the investment climate is stabilizing; with more legislation to protect investments being enacted, but reiterated that it is still very important to carefully research an investment opportunity, especially the selection of a partner when making a business investment in Ukraine.

A Canadian Perspective

The Canadian perspective of investment in Ukraine's agri-food sector was discussed by Mary Lynn McPherson of the Royal Bank, who stated that this lending agency is interested in assisting with investments in Ukraine. However, it was observed by seminar participants that the \$5 million that has so far been allotted by this financial institution for potential investments in the agri-food sector of Ukraine was extremely small considering the large investment opportunities.

Nestor Gayowsky, former Canadian Consul-General in Ukraine (1990-92) and former European Bank for Reconstruction and Development representative for Ukraine, stated with 'due-diligence', the time is right to start investing in Ukraine. Ukraine, he said is starting to emerge from the mess resulting from the collapse of the Soviet Union, which left it with a 'dysfunctional economy', having no foreign relations or trade division and an agricultural sector that had been totally neglected. But because of its natural resources and educated population, the future looks bright for Ukraine, possibly brightest of all the Central & Eastern European block. People are beginning to understand what a market economy is, how to make money, and laws to protect foreign investment are being put in place. Recently, there was the appointment of a new Ukrainian Prime Minister, an agronomist, with a proven track record for supporting reform in the agricultural sector. There are many signs that the investment climate is improving resulting in increased investments from USA and European Community. However, before investing in