



Current risks for investors in the Russian Federation include concern over crime and corruption, uncertainty regarding the provisions of pending domestic legislation, as well as effective recourse through the judicial system in order to resolve investment disputes. The Government will continue to work through 1999 toward concluding a new FIPA, and to advocate on behalf of several Canadian companies that are involved in investment-related disputes in the Russian Federation.

UKRAINE

Recent developments in Ukraine's trade policy have raised serious concerns among its trading partners, including Canada. These are being addressed to Ukrainian officials in the context of both the WTO accession negotiations and the bilateral Intergovernmental Economic Commission. Arbitrary increases in tariff rates, discriminatory treatment of imports from certain trading partners in the form of exemption from the 20 percent VAT, and quantitative restrictions (or the threat) on imports of key products, including agricultural equipment, have all been introduced by Ukraine, with no consultation or discussion.

Ukraine applied to join the WTO in 1994 as part of its program of market orientation and integration into international organizations. Over the coming year, Canada will continue to focus on the need for increased transparency and more open, secure and non-discriminatory market access for Canadian exports of goods and services. Canada is a member of the WTO Working Party that is charged with examining Ukraine's application. In the Working Party, Canada will continue to pursue specific market access issues such as trade activities of state enterprises, including barter trade; government procurement; subsidies, pricing and taxation; intellectual property protection; the customs system; standards and other technical barriers to trade; agricultural sector policies; policies and regulations affecting services trade; and trade agreements with other CIS Member States.

In addition, as part of the accession process, Canada has started bilateral market access negotiations with Ukraine on both goods and services. Ukraine is an important market for Canadian exporters. Our goods exports for 1998 totalled \$20.2 million, and imports were \$68.9 million. Canada is seeking lower tariff levels and the removal of NTBs on products of export interest such as oil and gas equipment, agri-food products and equipment, construction materials, high-technology products and additional industrial items. Canada will look to Ukraine to bind its tariff commitments; to join various zero-for-zero and harmonization initiatives agreed in the Uruguay Round; and to provide non-discriminatory access for products such as oilseeds. Canada is also seeking commitments from Ukraine in key services areas, including professional, telecommunications and financial services. Canada is looking for binding commitments in the temporary movement of natural persons and the regulations that allow foreign services firms to establish a local presence in Ukraine.

Through the Canada-Ukraine Intergovernmental Economic Commission, Canada is working with the Canadian business community to identify specific measures in Ukraine that inhibit bilateral trade and investment, and to raise these in plenary and working group sessions with senior Ukrainian Ministers and Ukrainian business people. Taxation, standards and discretionary application of regulations are among the key issues under review.

Trade development between Canada and Ukraine received a boost during the January 1999 Trade Mission of Prime Minister Chrétien and Minister Marchi. The mission produced 18 commercial agreements between Canadian and Ukrainian businesses worth \$163 million.