

1/ Economic and Political Considerations

ECONOMIC CONDITIONS

- THE PROBLEMS AND PITFALLS FACING CANADIAN AND WESTERN EXPORTERS IN TRYING TO STRUCTURE AND SUCCESSFULLY CONCLUDE A COUNTERTRADE TRANSACTION IN THE FORMER USSR HAVE MORE TO DO WITH THE OVERALL CONDITIONS FOR DOING BUSINESS IN THE FORMER USSR AND THE CHANGES THAT ARE OCCURRING THERE, THAN ANY HARD FAST RULES AND REGULATIONS FOR DOING COUNTERTRADE. THESE INCLUDE THE CHANGING LEGAL ENVIRONMENT, THE LACK OF BUSINESS EXPERIENCE, POOR INFRASTRUCTURE, DETERIORATING ECONOMIC CONDITIONS AND POLITICAL CHANGES.

CHANGING LEGAL ENVIRONMENT:

- FIRSTLY IS THE RAPIDLY CHANGING LEGAL ENVIRONMENT AS THE SYSTEM STRUGGLES TO MODERNIZE AFTER 70 YEARS OF COMMUNISM - GOOD NEWS FOR ANY LAWYERS. A WEEK DOES NOT GO BY WITHOUT NEW LAWS, DECREES AND POLICY ANNOUNCEMENTS AFFECTING RULES FOR TRADE, INVESTMENT AND LOCAL OPERATION. IN MANY CASES, THOSE RESPONSIBLE FOR THEIR ENFORCEMENT ARE UNAWARE OF NEW REGULATIONS OR LACK GUIDELINES FOR ENFORCEMENT.
- THIS CREATES TREMENDOUS UNCERTAINTY AND RISK FOR EXISTING COMPANIES ACTIVE IN THIS MARKET AND ACTS AS A DETERRENT FOR NEW ENTRANTS.
- IN ALL, EXPORT LICENCES, HARD CURRENCY RETENTION QUOTAS, EXPORT TAXES, TAXATION OF FOREIGNERS OPERATING IN THE CIS. FOREIGN INVESTMENT LAWS HAVE RECENTLY UNDERGONE CHANGES AND ADJUSTMENT BY AUTHORITIES.
- ONE RECENT SUCH EXAMPLE WAS THE IMPLEMENTATION OF A \$5 A BARREL EXPORT TAX ON OIL. CANADIAN COMPANIES IN THE OIL AND GAS SECTOR TAKING PAYMENT IN OIL HAVE HAD MANY PROJECTS JEOPARDIZED BECAUSE OF THIS.

LACK OF BUSINESS EXPERIENCE:

- SECONDLY IS THE LACK OF BUSINESS EXPERIENCE (AND IN SOME CASES ETHICS) STEMMING FROM THE DE-MONOPOLIZATION OF TRADE AND THE GRANTING OF TRADING RIGHTS TO ALL ENTERPRISES AND FACTORIES.
- UNFORTUNATELY, TRADING EXPERTISE AND EXPERIENCE IN DEALING WITH THE WEST STAYED IN THE HANDS OF THOSE PREVIOUSLY IN