

Major Canadian firms are now taking a strategic, long-term approach to Russia. While concerns remain about corporate governance, the rule of law, respect for property rights, regulatory issues and inefficient bureaucracy, the Russian government has responded with recent steps to better promote business confidence.

In December 2005, Canada concluded its bilateral WTO negotiations with Russia. The completion of negotiations with other members and membership in the WTO will contribute significantly to Russia's transition to a market economy.

KAZAKHSTAN

Kazakhstan has enjoyed significant economic growth since 2000, thanks to its booming energy sector, economic reform and foreign investment. In 2005, Kazakhstan's GDP rose 9.2%, fuelled primarily by high oil and commodity prices, but also by domestic consumption.

Canadian exports to Kazakhstan in 2005 rose 53% to \$113 million. Main exports to Kazakhstan include agricultural equipment, log skidders, boring and sinking machinery, and selected industrial machinery.

The country has potential for Canadian investment in certain oil and gas spinoff areas such as industrial housing, pipeline construction, offshore equipment and training. Development of offshore Caspian deposits and new pipelines is expected to continue to drive economic growth over the next 15 years. Under its 12-year industrial development strategy (2003 to 2015), Kazakhstan is also aiming to diversify its economy before oil output reaches a plateau.

Canada is an active participant in the WTO accession negotiations with Kazakhstan. Our overall objectives are to ensure Kazakhstan's full compliance with WTO obligations and to seek more open, secure and predictable access for Canadian goods and services.

UKRAINE

Ukraine's GDP growth was strong from 2000 to 2004, when it reached 12.4%. Uncertainty surrounding the 2004 presidential election, the "Orange Revolution," the outcome of the March 2006 parliamentary elections and a drop in global demand for steel (Ukraine's major export) reduced growth to 2.4% in 2005.

Total Canadian merchandise exports to Ukraine rose 43.8% in 2005 to \$81.5 million. Canada's primary exports to Ukraine include various fish and pharmaceutical products and assorted industrial parts. There continues to be significant market potential for Canadian goods and services firms in agriculture, oil and gas, construction, and information and communication technology.

Ukraine's WTO accession process is at an advanced stage. However, Ukraine still has to address some outstanding multilateral issues, conclude remaining bilateral agreements and pass the required WTO-related legislation. Future WTO accession, continued transparent privatization of large state-owned companies and new foreign investment resulting from these developments should provide a significant boost to Ukraine's economy.

MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa region incorporates 19 countries, plus West Bank/Gaza. Altogether it has a population of more than 300 million. Its known conventional oil reserves represent about 56%, and its proven natural gas reserves about 27%, of the world's total. The region's large and relatively young population and rich resources offer great potential for broad industrial and agricultural development.