

Ukraine

Overview

The Ukrainian economy has shown encouraging signs of recovery in recent years following the severe adjustments it went through in the 1990s. In 2003, the real GDP growth was estimated at 4%, foreign exchange reserves increased by 57% to US\$6.9 billion and the exchange rate remained stable. Growth, which is expected to approach 4.5% in 2004, has been fuelled by an increase in exports, especially to Russia, increased investment, export diversification, a decline in barter transactions and progress in land reforms.

Canadian exports to Ukraine grew by 110% in 2003 to \$65 million, after rising 66% in 2002. Canada's primary exports to Ukraine include machinery, meat, vehicles and textiles. There is significant market potential for Canadian firms in the agriculture, oil and gas, construction, and information and communication technology sectors. Ukraine is continuing progress to a market-based economy and providing a good base for continued export growth in traditional and new sectors. Canada's large Ukrainian diaspora community ensures a special link with Ukraine.

In 2003, Canada's imports from Ukraine totalled \$78 million. This represents an increase of \$7 million over the same period last year. Fertilizers dominate Canadian imports from Ukraine. Imports of steel, steel products and textiles are also important.

Canada is one of the 15 largest investors in Ukraine, with investments of about \$80 million since Ukraine achieved independence in 1991. Investments are concentrated in the oil and gas, energy and glass-manufacturing sectors. Canada has signed a Foreign Investment Protection Agreement with Ukraine.

The Government of Canada is working to increase bilateral trade and investment with Ukraine through the Canada-Ukraine Intergovernmental Economic Commission (IEC) established in 1996 and through Ukraine's WTO accession negotiations. The IEC was created to identify business opportunities and to resolve trade and investment obstacles and irritants for Ukrainian and Canadian companies.

Market Access Results in 2003

- In November, Ukraine lifted its BSE-related restrictions on milk, milk products, leather and raw materials, bovine embryos and semen from Canada.

Canada's Market Access Priorities for 2004

- Canada will continue efforts to reach agreement with Ukraine authorities on a Canadian Food Inspection Agency export certificate for pork.
- Ukraine currently applies tariffs of approximately 90% on pulse products, even though it does not produce these products. As per the Canada-Ukraine market access agreement signed in February 2002, the bound tariff will not be higher than 10% when Ukraine joins the WTO. Canada will lobby Ukraine to implement this tariff offer prior to its WTO accession.
- Continue representations aimed at the removal of Ukraine's remaining BSE measures on imports from Canada.

IMPROVING ACCESS FOR TRADE IN GOODS AND SERVICES

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a BSE case, Ukraine initially issued a ban on imports of Canadian live cattle, beef or beef products, milk, milk products, leather and raw materials, bovine embryos and semen. Canada has kept all its trading partners, including Ukraine, fully informed of the results of its investigations and regulatory response, and it is requesting a resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.) Canada was pleased to learn, in November 2003, that Ukraine will allow the import of Canadian milk, milk products, leather and raw materials, bovine embryos and semen.

World Trade Organization Accession Negotiations

In 1993, Ukraine applied to join the World Trade Organization. Since then, Canada has focused on securing more open, secure and non-discriminatory market access for Canadian exports of goods and services.