



КОНГРЕС УКРАЇНЦІВ КАНАДИ

UKRAINIAN CANADIAN CONGRESS

CONGRÈS DES UKRAINIENS-CANADIENS

# **Global Affairs Canada Public Consultation: Possible Modernization of the Canada-Ukraine Free Trade Agreement**

## **Submission by the Ukrainian Canadian Congress**

**March 16, 2020**

## ***Introduction***

With the adoption and implementation of the Canada-Ukraine Free Trade Agreement (CUFTA) in 2017, exports from Canada to Ukraine and exports from Ukraine to Canada have grown impressively each year.

The Government of Ukraine has made the attraction of Foreign Direct Investment (FDI) into Ukraine a policy priority. The increase of trade and economic activity between Canada and Ukraine will serve to further facilitate Ukraine's transition to a market economy with protections for property rights, labour standards, the supremacy of the rule of law and democratic governance.

Ukraine is a key international partner for Canada and an emerging potential market for Canadian investment in the heart of Europe. Increased prosperity resulting from Canadian investment in Ukraine will create a virtuous circle of increased investment of the Ukrainian business community in Canada, creating jobs and prosperity here in Canada. The Ukrainian Canadian Congress (UCC) fully supports the modernization of the CUFTA and the expansion of trade and investment activity between Canada and Ukraine in all sectors of the economy.

**To further strengthen negotiations to modernize the Canada Ukraine Free Trade Agreement (CUFTA), the Ukrainian Canadian Congress (UCC) recommends:**

- 1. The increase of trade collaboration and cooperation between Canada and Ukraine in the IT, Green Energy and Defence and aerospace sectors;**
- 2. The clear establishment of reforms of Ukraine's law enforcement, judicial and taxations systems, and of the associated benchmarks for measuring reform progress;**
- 3. The revision by Export Development Corporation (EDC) of its current "medium-high" risk ranking of Ukraine, to one that accurately reflects the current investment risk situation in Ukraine; and that EDC makes available to Canadian businesses investing in Ukraine all of its products and services; and**
- 4. The introduction of a comprehensive roadmap for the liberalization of travel for Ukrainian citizens to Canada, including the establishment of visa-free travel for short-term visits.**

## ***Key sectors for further expansion and cooperation***

The UCC highlights the following sectors for expansion of cooperation in CUFTA not at the exclusion of other sectors, but rather as ones for which the current level of cooperation does not reflect the potential for future growth:

- 1. Information Technology (IT)* – The IT sector in Ukraine is rapidly expanding and is an area of increased importance in the country's economy. Between 2015 and 2019

industry revenues almost doubled.<sup>1</sup> Canada currently has a deficit of IT specialists and outsourcing to Ukrainian companies is an excellent opportunity for expanding commercial relationships and allowing Canadian companies to increase competitiveness by accessing Ukrainian innovation in fields such as Artificial Intelligence, Analytics, and Fin-Tech.

*2. Green Energy Technologies* – Dependence on foreign energy sources and low rates of energy efficiency are key impediments to Ukraine's economic growth. The green, sustainable energy sector has wide potential for growth in Ukraine and requires the commitment of support of the Ukrainian government through market-based incentives that will attract FDI.

*3. Defence and aerospace* – Ukraine's strategic decision to become a member of the NATO Alliance is enshrined in Ukraine's Constitution. Reforms in the defence industry are a key part of Ukraine's decision to adopt NATO interoperability and NATO standards. Enhanced cooperation and collaboration with Canada's defence industry is potentially an important driver to further stimulate reforms in Ukraine, as well as a potential large market for Canada's defence industry. Ukraine has one of Europe's most developed aerospace industries; the potential for closer cooperation and increased market access between Canada and Ukraine is a promising source to be explored further.

***The Ukrainian Canadian Congress recommends:***

***1. The increase of trade collaboration and cooperation between Canada and Ukraine in the IT, Green Energy and Defence and aerospace sectors.***

### ***Barriers to investment***

The UCC believes that there are two significant barriers to increasing investment and trade between Canada and Ukraine:

*1. Challenges with Rule of law in Ukraine:* A recent survey conducted by the American Chamber of Commerce in Ukraine found that 74% of the Chamber's membership considered that courts in Ukraine are an obstacle for business; 51% considered tax authorities to be an obstacle, and 48% of members considered law enforcement agencies to be an obstacle.

The top three steps identified by the Chamber's membership to improve the business climate in Ukraine and attract FDI were

- Guarantee real and effective judicial reform, rule of law, fair justice (85%)
- Outfight corruption (54%)
- Predictable and transparent tax policy (34%).<sup>2</sup>

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<sup>1</sup> Business Ukraine News. <http://bunews.com.ua/economy/item/ukrainian-it-industry-review-tech-sector-revenues-set-to-reach-5-billion-in-2019>

<sup>2</sup> October, 2019. American Chamber of Commerce in Ukraine. *Ukraine Business Climate Survey Results*. [https://chamber.ua/wp-content/uploads/2020/01/business\\_climate\\_en.pdf](https://chamber.ua/wp-content/uploads/2020/01/business_climate_en.pdf)

Until significant progress is made in Ukraine in establishing law enforcement, judicial and taxation systems that are free from political interference and manipulation, Canadian private sector investment in Ukraine and trade between Canada and Ukraine will not reach its potential. Continued Canadian support for rule of law in Ukraine through international development assistance is a key pillar in ensuring the increase in trade and investment between the two countries.

*2. Export Development Canada:* Export Development Canada (EDC) continues to assess Ukraine's risk rating as "medium to high" in a number of areas despite the reform measures undertaken by the Ukrainian government with the support of the International Monetary Fund (IMF) and other financial institutions. EDC offers support to Canadian companies seeking to invest in Ukraine on only a limited and restricted basis.

Canadian companies seeking to invest in Ukraine continue to make clear that a lack of support in the form of export insurance from EDC is an impediment to their investments and the strengthening of business ties with Ukraine. The EDC position is incongruous to EU and US policies,<sup>3</sup> putting Canadian businesses at a disadvantage.

***The Ukrainian Canadian Congress recommends:***

***2. The clear establishment of reforms of Ukraine's law enforcement, judicial and taxations systems, and of the associated benchmarks for measuring reform progress;***

***3. The revision by Export Development Corporation (EDC) of its current "medium-high" risk ranking of Ukraine, to one that accurately reflects the current investment risk situation in Ukraine; and that EDC makes available to Canadian businesses investing in Ukraine all of its products and services.***

### ***Visa liberalization***

An impediment to increased investment and trade between Canada and Ukraine continually raised by UCC stakeholders is the current Canadian visa system for Ukrainian citizens travelling to Canada. Ukraine does not require visas for Canadian citizens travelling to Ukraine for short-term stays. The UCC has heard from numerous stakeholders that refusal rates for visas for Ukrainian citizens who wish to travel to Canada are inexplicably high. This applies to both visitors and individuals engaged in business and commercial activity.

Since June 2017, Ukrainian citizens travelling to the European Union for stays of up to 90 days do not require a visa. Visa-free travel with the European Union has greatly enhanced the people-to-people and business ties between the EU and Ukraine. No significant problems with overstays have been reported by the EU.

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<sup>3</sup> The US International Development Finance Corporation (formerly the US Overseas Private Investment Corporation) is providing considerable support to US companies seeking to invest in Ukraine, as is the European Union. In January 2019, the Export-Import Bank of the United States announced that it will resume to providing support to US companies engaged in commerce in Ukraine.

***The Ukrainian Canadian Congress recommends:***

***4. The introduction of a comprehensive roadmap for the liberalization of travel for Ukrainian citizens to Canada, including the establishment of visa-free travel for short-term visits.***

***About the Ukrainian Canadian Congress***

The Ukrainian Canadian Congress (UCC) is the voice of Canada's Ukrainian community. The Congress brings together under one umbrella all the national, provincial and local Ukrainian Canadian organizations. Together with its member organizations, the UCC has been leading, coordinating and representing the interests of one of Canada's largest ethnic communities (1.4 million) since 1940 and has been instrumental in shaping Canada's social, economic and political landscape.

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