



A DRIVING FORCE

Canada strengthens trade ties with Ukraine

BY CAROLYN GRUSKE

On July 11, Prime Minister Trudeau, Ukraine's President Poroshenko and Prime Minister Groysman witnessed the signing of the milestone Canada-Ukraine Free Trade Agreement (CUFTA).

"The Canada-Ukraine Free Trade Agreement represents a significant milestone in the relationship between Canada and Ukraine. It will bolster our economies, spur innovation, and lead to long term benefits for the middle class and those working hard to join it," said Prime Minister Justin Trudeau.

In 2015, Canada and Ukraine announced the conclusion of the Canada-Ukraine Free Trade Agreement (CUFTA) negotiations. Canada's International Trade Minister, Chrystia Freeland, and Ukraine's First Vice Prime Minister and

Minister of Economic Development and Trade, Stepan Kubiv, signed the Agreement in Kyiv during Prime Minister Trudeau's first official visit to Ukraine.

According to the government, Ukraine offers numerous opportunities for Canadian businesses and investors, in areas such as information and communication technologies, agriculture, infrastructure and logistics, aerospace, defence and security, and energy.

In 2015, bilateral trade between Canada and Ukraine increased by 13.9 percent over 2014, totalling almost \$278 million. Canada's exports to Ukraine totalled over \$210 million in 2015. Examples of products imported by Ukraine include pharmaceuticals, fish and seafood, and coking coal.

Canada's merchandise imports from Ukraine totalled more than \$67 million in

2015. Major imports included fertilizers, iron and steel, and anthracite coal.

Now that the Agreement has been signed, Canada and Ukraine will go through their respective domestic legislative processes to ratify and implement the Agreement.

"Canada's engagement with Ukraine indicates our desire to enhance an already strong relationship with our Ukrainian partner. We have long been a staunch ally of Ukraine. In fact, Canada was the first Western nation to recognize Ukrainian independence in 1991, and our ties have strengthened in the years that have followed," said Trudeau.

"We will continue to stand firmly beside Ukraine as you continue to lead important reform efforts in your country including directly supporting efforts to

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strengthen democracy, respect for rule of law and encourage economic growth. We will continue to contribute assistance and expertise wherever possible because we understand that a strong democracy is at the heart of economic prosperity.

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bility in Ukraine so that the middle class can grow and rise. That’s why under the leadership of our Minister of International Trade, Chrystia Freeland, our government has made the signing of the Canada Ukraine Free Trade Agreement a top priority.”

Details about the Canada Ukraine Free Trade Agreement (CUFTA) were announced at the Canada-Ukraine Business Forum, which was held in Mississauga. Once the deal is in place—after it has been ratified by parliament in both countries—tariffs will be eliminated or reduced on a wide assortment of agricultural and industrial goods. For example over the course of three years, duties on live sheep and poultry, beef, peanuts and flours will be eliminated. It will take a five-year period for duties on pork offal, oil seeds and other vegetal oils to be removed and seven years for those applied to pork, milk, cream, honey, and vegetables to be abolished. Chocolate, bread, juice, beer, wine and fish are also on the list for items that will have their tariffs dropped. Sugar, on the other hand was singled out by Ukraine as an exemption to the deal.

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Prime Minister Trudeau

On the industrial side, tariffs will drop off building materials, household goods, industrial machinery and aircraft parts after three years. It will take five years for the same thing to happen to electrical apparatus, motorcycles, trailers, vessels, and cameras, and after seven years there won’t be any tariffs applied to cars, tractors and spare parts. Tariffs on metal and steel and textiles will also be abolished.

“This FTA is an agreement that aims at making trade between the two countries cheaper, faster and more predictable,” said Nataliya Mykolska, the Ukrainian deputy minister of economic development and trade representative.



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She is also the person who negotiated CUFTA on her country's behalf.

“With the FTA both Canadian exporters and Canadian importers will benefit. The same applies for Canadian exporters and importers. We expect an increase in investment from both sides and that Ukrainian companies become part of the global value chain of Canadian and international businesses.”

The deal, which took six rounds of negotiation, also gives companies in both countries the ability to procure government contracts, creates intellectual property protections, sets what Mykolska calls “rather liberal, not restrictive” rules of origin standards and establishes preferential market access for traders. It also sets out a dispute resolution mechanism, and outlines environmental protection obligations.

While Ukraine already has trade deals with European countries and the Deep and Comprehensive Free Trade Agreement with the European Union (which aligns many Ukrainian standards with those of the EU), this is the first arrangement with a North American-based nation.

“Canada is the best country ever to start with in North America because definitely Canada has a lot of sentiment for Ukraine, in terms of trade. Those sentiments turn into customer sentiment, so they would buy Ukrainian. They have DNA-deep implemented preferences to Ukrainian style, to Ukrainian food, to Ukrainian goods. Therefore in terms of trade, I think that's a big deal,” said Mykolska.

The deal includes what is being called a “self-registration system” for Customs clearances and rules of origin declarations.

“This will make faster all the Customs formalities. With the self-registration and rules of origin, this will make everything faster and cheaper,” said Mykolska.

She recognizes that developing trade friendly provisions isn't enough to make this a successful deal, and that even though the negotiations are finished that the hard work is just starting.


“I think the biggest challenge will be to

bring businesses together. In order for this agreement to work, businesses will need to use the advantages of the FTA. This agreement needs to be alive. In order for that we need to bring Canadian businesses to Ukraine and Ukrainian businesses to Canada.”

Besides the trade agreement, the Ukrainian government (which underwent its most recent election in April) is undertaking a series of reforms that is meant to make the country more attractive to foreign businesses and investors.

“The country is changing. The country has been changed. It has been changed by people, from the civil society. There is a

strong driving force that is changing the country. That is the new reality of the revolution,” said Ukrainian minister of finance Oleksandr Danylyuk.

Gas prices have been deregulated and set at the market rate to encourage the development of the energy sector. Land reform measures are being undertaken to encourage investors and developers. The country signed an Open Skies agreement with the U.S. and is currently negotiating with Canada to do the same. Judicial reform is underway thanks to a change to the constitution. Restrictions on the movement of capital and dividends are being removed. Changes to reduce state inspections are expected by the end of summer and according to Danylyuk, he has made reform of the tax and Customs office his number one priority. “It will be a different institution by the end of the year,” he said. 



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