
Business Development Forum in D.C. is bullish on Ukraine's economic prospects

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WASHINGTON - Ukraine may well be on the road to a bright economic future if it not only stays on but also improves what appears to be the right path to economic development.

A recent roundtable discussion of the prospects and challenges of trade and investment in Ukraine ended here on that optimistic note by Morgan Williams, the Washington representative of SigmaBleyzer, an emerging markets private equity investment firm active in Ukraine.

"In spite of the fact that they haven't done very many reforms, in spite of the political fighting that they've had, Ukraine continues to grow economically," he told the forum as the last speaker in the discussion. He added: "It could be just an amazing economic miracle there if they ever kind of got their act together."

The roundtable, featuring seven representatives of U.S. and Canadian firms and institutions involved in developing economic ties with Ukraine, was held here October 30 at the Johns Hopkins University School of Advanced International Studies. It was organized by the Business Development Forum of The Washington Group, an association of Ukrainian American professionals.

A similarly optimistic assessment of Ukraine's current economic performance was expressed by Bohdan Myndiuk, treasurer of the Canada-Ukraine Chamber of Commerce (CUCC) and president of Mytram Consulting Inc., and other participants.

The upturn came after the Orange Revolution, Mr. Myndiuk said, pointing to the growth of Ukraine's small and medium businesses, highly skilled workers in the computer services industry, improved communications and transportation, and the appearance of what he called "a semblance" of commercial law.

The other panelists were: Taras Kostyuk, president of the Primus Exhibitions Group; Susanne Lotarski, president of the Ukraine-U.S. Business Council; Zenya Chernyk, who chairs the Ukrainian Federation of America; Desi Jordanoff, country manager for Ukraine at BISNIS (Business Information Service for the Newly Independent States), which is part of the U.S. Commercial Service of the Department of Commerce; and John Kun, vice-president of the U.S.-Ukraine Foundation. They described their organizations' experience in working with Ukraine. The discussion was chaired by Andrew Bihun, director of the TWG Business Development Forum.

As Mr. Myndiuk described it, developing trade and investment ties with Ukraine has not been an easy road for Canadians, as was reflected in the CUCC's 14-year history. Its first trade and investment mission to Ukraine, in 1994, which included representatives of 80 companies and the Canadian minister of foreign affairs, resulted in the signing of agreements with 15 Ukrainian companies worth \$600 million.

Everybody was overjoyed - for a while - he said, but only two of the 15 agreements actually went into effect. The rest were done in by problems related to bureaucracy, litigation, a misunderstanding of Ukrainian laws and a failure to "dot all the is," as he put it. But the biggest problem then, Mr. Myndiuk added, was that the Canadians were thinking long-term, while their Ukrainian partners were focused on short-term profit.

There are still some mixed signals coming out of Ukraine about the health of its economy - the insecurity of changes in government, high customs duties and the delay in Ukraine's entry into the World Trade Organization, he said, "but, on the whole, the advantages are outweighing the disadvantages, and we are pressing ahead, hoping for progress."

At the outset of the evening's discussion, Viktor Nikitiuk, minister-counselor of the Ukrainian Embassy in Washington, read a greeting from Ambassador Oleh Shamshur, who noted that "crucial political changes" over the last two years in Ukraine offer many opportunities for economic development and foreign investment, which had doubled last year.

Mr. Kostyuk read a greeting from Ukraine's ambassador to Canada, Ihor Ostash, who also spoke of opening investment opportunities in Ukraine.

The first discussant of the evening, Ms. Lotarski, president of the Ukraine-U.S. Business Council, pointed out that Ukraine "is a very dynamic part of Europe" and it is growing rapidly despite some economic problems.

She said that there is some frustration on part of the business community "because there is so much that needs to be done that could be done and that would bring the kind of growth and investment to Ukraine that would be very, very beneficial."

That situation there is not unique to Ukraine, she added. It is seen in many countries in other parts of the world.

Ms. Chernyk noted that her Pennsylvania-based Ukrainian Federation of America has commissions dealing with many issues in Ukraine - from health care to disaster preparedness, in addition to business relations and a large business education program.

These programs, which are assisted by state grants and subsidies, strive not only to get Pennsylvania businesses involved in Ukraine but to bring Ukrainian businesses to Pennsylvania as well, especially in the agricultural, food-processing and tourism sectors, and incorporating new immigrants from Ukraine into this process.

Mr. Jordanoff said that the Commerce Department's BISNIS maintains a business information-sharing network that is being used by 4,000 American companies and 2,500 companies in Ukraine. It also has a "search for partners" program.

Vladyslav Kostyuk, son of Primus Exhibitions President Kostyuk, gave a PowerPoint presentation describing the improved state of the Ukrainian economy and the role exhibits play in entering a foreign market.

Mr. Kun described the mission and philosophy of the U.S.-Ukraine Foundation, a non-profit institution founded in 1991 to promote democracy, human rights and a free market in Ukraine through its partnership programs between the cities, non-governmental organizations and other institutions of the two countries.

While some projects are conducted on the national level, most are focused on improving the work of local governments and organizations, to help them become self-sufficient and to wean them off the old practice of relying on the central government to solve all problems, Mr. Kun explained. This also includes local economic development, which is spurred by programs aimed at improving the local business environment.

The program includes organizing business meetings and seminars, which are now being webcast on the USUF's Internet site, hosting group visits and sharing business information on a link on its website and in its Bizlinks newsletter.

"Doing this, we believe we're helping democracy in Ukraine," Mr. Kun said. "Making the market freer only enhances the ability of democracy to flourish."

Since the program's founding, some 40,000 Ukrainian local government officials have undergone U.S.-Ukraine Foundation training, Mr. Kun said. Over the past 10 years the foundation has received \$22 million from the U.S. Agency for International Development for its projects. It also receives donations from other foundations, companies and individuals.

SigmaBleyzer was founded in 1993 by Michael Bleyzer, who emigrated from Kharkiv to the United States in 1978. Mr. Williams noted that it had \$100 million invested in some 90 Ukrainian companies in 1997, when it suffered a setback resulting from the economic crisis in Russia.

As a rule, he said, SigmaBleyzer now stays away from markets in which local oligarchs have an interest as well as from partners, which have been the source of many investor horror stories in the past. "We think probably the best partner in Ukraine is no partner," he said.

Today, Mr. Williams said, SigmaBleyzer has \$150 million invested in Ukraine - mostly in high-tech ventures, software development and cable broadband - and expects to invest another \$200 million within the next year and almost doubling its employment there from 10,000 to 20,000.

"Yes, we are bullish on Ukraine," Mr. Williams said.

Closing the roundtable discussion, Mr. Bihun, who had served as the U.S. commercial attaché in Kyiv for four years in the 1990s, added that along with some drawbacks in Ukraine's economy, there are positive signs as well, among them the growth of the middle class and the Westernization of society. There is that "kernel of hope" for a better future, he said.