

Igor, on behalf of the Adam Smith Institute, thank you for taking the time to talk with us today!

Sincere thanks for **agreeing to speak at our second annual "Agribusiness in Ukraine" International Forum (March 2010)**. Today, we would like to hear your opinion on several issues and to share this information with our audience prior to the start of the Forum:

1. With reference to the Ukrainian agricultural sector, when, in your opinion, will we be able to say we have reached (or are reaching) **the turning point** from economic crisis back to stable, sustainable development? How will **the election results**, or the fact that the election is taking place, **affect the regulatory framework** within which the agricultural sector in Ukraine operates?

A return to sustainable development depends primarily on the **restoration of the ability of the banking system to lend** adequate amounts of money to the real economy on acceptable business terms. **Current rates**, which for UAH have reached an **APR of 30%**, are preventing the development of agricultural projects. Only once it's possible to gain access to adequate levels of finance, will we be able to talk about stable development for the economy as a whole, rather than for individual industries and individual players. If, as **Jacques Mounier, chairman of Calyon Bank Ukraine, predicts, banks in Ukraine will not be able to resume lending for another two years**, it will seriously affect the progress of the agricultural sector and the development of Ukraine as one of the leading players in this industry at a global level.

Regarding the effect of the presidential elections in Ukraine, **both candidates have outlined their programmes only in fairly general terms, and it's difficult to predict how the situation will develop**. Let's wait and see how the new President's programme will be implemented.

2. In your opinion, are there currently **more positives or negatives arising from Ukraine's accession to the WTO?** And what are the main opportunities (or challenges) which it will present to agricultural companies?

At the moment I see **a number of negative aspects relating to Ukraine's accession to the WTO**. Ukraine's agricultural market **is not protected** and the government hasn't been adequately defending the interests of domestic producers, whilst **EU countries provide their farmers with considerable subsidies and preferences**. Any agreement should offer mutual benefits to both parties. In the case of the WTO, we still have a **one-way street**.

3. What benefits have arisen and what difficulties have been created for **the meat industry in Ukraine today, following the WTO accession?**

Once again, I **can't see any significant benefits for the meat industry**, as yet. **Yes, Ukrainian companies have begun exporting chicken meat, but even before entry into the WTO**, they were able to do so due to the level of technology and low production costs. Pork and beef producers, however, especially businesses that have not had the time (or the means) to upgrade their facilities, are experiencing hard times. The **export of pork in conditions of a large proportion of semi-legal schemes and export subsidies in the EU** has brought domestic producers to the brink of bankruptcy. Given the lack of control over the manufacture of sausage products in Ukraine (and the constant reduction in the percentage of natural meat products), it could lead to the **disappearance of meat of Ukrainian origin from supermarket shelves and market-places**.

4. Is there a need to allocate additional funds to support the meat industry in relation to entry into the WTO?

Of course. As a minimum, **we should be applying tariffs and duties to imported goods** similar to those in force in the countries from which they were imported. If there is a subsidy on the export of pork in country 'N', then there should be an additional fee set at the same level on pork products from 'N' imported to Ukraine. If there are specific veterinary requirements for meat products imported into country 'K', then 'K' must provide identification certificates for products imported to Ukraine. **Ukraine doesn't need to devise a programme supporting the agricultural sector from scratch**, particularly where meat production is concerned. Such programmes already exist in countries that really want to support and assist their farmers. We need to familiarize ourselves with these programmes and, most importantly, develop our own.

5. How do you assess the prospects (and risks) for Ukraine's meat industry in the short term?

Unfortunately, **the lack of available finance from banks**, the reduction in the population's **purchasing power**, the **lack of adequate controls** over the importation of meat and the reduction in the percentage of meat in domestically produced sausage **do not offer bright prospects** for the majority of livestock farmers. Those who will survive are those who are already **working on new technologies**, or those who have the **necessary financial resources** and are willing to invest.

6. What needs to be done, and by whom, to harmonize quality standards for agricultural products (in Ukraine – in the EU – on world markets)?

In this regard, I think, we can more effectively **draw on the experience of developed countries, which have established quality standards**. Let's choose which country's products most match the profile of Ukrainian consumers and **adopt** that country's

quality standards (including penalties for violations and their system for controlling standards implementation at government-level). I am sure that this will be a faster and more efficient way than having them developed by a domestic research institute, established for the purpose.

7. What should be **done to protect consumers in Ukraine**?

In what way are consumers in Ukraine worse than consumers in the EU or the U.S.? In no way, and their interests need to be protected at a similar level, in accordance with their fundamental human rights.

8. How does the **restriction of imports and exports** affect manufacturers and traders in Ukraine?

All restrictions should have **a specific economic goal - development, or protection for a specified period**. In Ukraine, unfortunately, such **measures are mostly administrative in nature** and are aimed more at the short-term goals of the administration than the strategic objectives of a particular industry or sector.

9. What have been the most anxious moment and the most positive achievement in the industry over the past year? What consequences will they have for the future?

Let's forget the troubled times of the past year, I'm sure everyone has had enough of them. The most positive achievement, in my opinion, **was the fact of the survivability of the agricultural sector, which has produced gratifyingly high yields, despite the current economic conditions globally and in Ukraine in particular**. This is another demonstration to investors and financial institutions of the capacity of Ukraine's agricultural sector **to be one of its main economic engines**, capable of leading the country not only out of the crisis, but also **to a new level of economic development**.

Igor, once again thank you for the interview. We look forward to meeting you at the conference in Kiev in March. Our sincere wishes for the success of your business!