

FOREIGN MINISTER GIVES DIRECTIONS FOR 1996

Kyiv, Dec. 28, 1995... "Ukraine's foreign policy will continue to be directed towards consolidation of the society and overcoming the economic crisis in the country," stressed the Minister of Foreign Affairs of Ukraine Hennadiy Udovenko summarizing the results of the year and outlining the main spheres of activity for the Ministry of Foreign Affairs in the future. He focused on the achievements, stressing that the most important thing is that, in 1995, Ukraine's international image improved significantly. He identified the main directions of the country's foreign policy: G-7 countries, Russia and the CIS countries, the European region, countries of South and Latin America and Asia-Pacific countries, multilateral diplomacy (international institutions) and neighbouring countries.

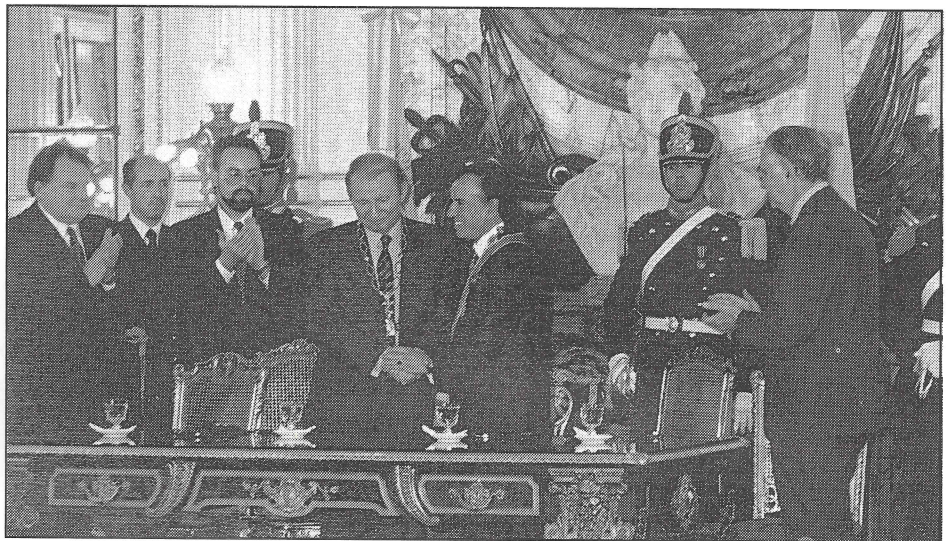
The year 1995 was characterized by a significant number of visits of government and state leaders from many countries. In particular, Ukraine was visited by the presidents of the U.S., Latvia, Lithuania, Turkmenistan and Belarus, and by prime-ministers and speakers of parliament of a number of countries. Mr. Udovenko called the normalization of relations with Russia and turning to a more business-like approach in the dialogue between the two countries a significant achievement of Ukraine's foreign policy. For example, an intergovernmental political agreement was concluded and initialled, there was a breakthrough in solving the problem of the Black Sea Fleet, the debt issue was regulated. Ukraine succeeded in reorganizing its relations with European structures and institutions. Ukraine became a full member of one of the most influential European organizations - the Council of Europe. Ukraine signed a temporary agreement with the European Union, which should validate the trade articles of the major Agreement on Partnership and Cooperation between Ukraine and the EU. Relationship with NATO has risen to a new level.

Work with the Ukrainian diaspora, particularly in the CIS countries, was an important part of Ukraine's foreign policy. Not a single visit was conducted without a meeting between Ukrainian leaders and representatives of the diaspora. However, the Minister stressed that it is necessary to work more actively in this direction.



EU-UKRAINE INTERIM TRADE AGREEMENT

Feb. 1, 1996... The Interim Trade Agreement between the European Union (EU) and Ukraine



HOMIN UKRAINY

Ukraine's President Kuchma met Argentinian President Carlos Menem during a visit to Brazil, Argentina and Chile in October, 1995.

Kuchma became the first leader of a former Soviet Republic to visit Latin America. The visit successfully expanded Ukraine's trade and cooperation with the governments, and established numerous investment projects and private joint ventures.

came into force, putting into effect the Partnership and Cooperation Agreement signed in Brussels in June 1995 during a visit by President Kuchma.

The Interim Agreement places trade links between the EU and Ukraine on a new and stronger footing. It will create a better and more predictable environment for business, and foster the development of trade and investment links between the parties. It allows for trade concessions, non discrimination of foreign products (most favoured nation treatment on tariffs, duties), liberalization of capital transfers, and abolition of quantitative restrictions. These commitments, as well as the benefit of the General System of Preferences, should foster the development of trade relations in the prospect of a possible free trade zone between Ukraine and the EU after 1998. The EU is already Ukraine's main trading partner outside the CIS, and EU imports from Ukraine are increasing (35% in 1994, 17% for the first semester of 1995), and they amount to seven times those of the U.S.

WORLD BANK DRAWS UP \$3 BILLION PLAN FOR UKRAINE

December 1995... Following a visit to Kyiv and Donetsk, World Bank president James Wolfensohn announced that the World Bank is prepared to offer Ukraine \$1 billion annually for the next three years. An initial \$10 million is on its way to pay for a pilot project to shut down three unprofitable coal fields in the Donbas by early 1996, with an additional \$100 million in funds by the end of 1996 in a program to restructure the region's unprofitable and strife-ridden coal mining industry.

The World Bank has already loaned some \$500 million to Ukraine, including a \$114 million credit to improve hydropower plants, and \$32 million for agricultural projects.

Wolfensohn met with President Leonid Kuchma, Prime Ministers Roman Shpek and Victor Pynzenyk and several other officials to discuss an aid package for reform in the country's energy and agricultural sectors. Marchuk pointed out that Ukrainian businesses need to have broader access to World Bank competitions for work in other countries. He asked the World Bank to provide guidelines as to how Ukraine could meet the requirements of such tenders.

Details of future projects were discussed at talks which took place with Kuchma, Shpek, Pynzenyk, and the head of the State Property Fund Yuriy Yekhanurov. The most important ones to be implemented beginning in 1996 are projects for the development of privatized businesses (worth \$300 million, \$200 million of which will be in the form of a loan from the World Bank), the rehabilitation of thermal electric power plants (worth \$500 million which includes a \$200 million loan), a gas transit (\$477 million and \$250 million, respectively), gas supplies (\$120 million; \$100 million), support for pre-export guarantees in the agricultural sector (\$300 million; \$178 million), the restructuring of the social welfare system (\$300 million to be fully financed by the World Bank), land reforms (\$50 million; \$30 million), and the development of financial institutions (\$90 million; \$60 million).

A proposed \$250 million World Bank loan for agricultural development would require privatization and land reform. Kuchma, who declared last November that "there is no alternative to reforms" has earned Western appreciation for his commitment but is having difficulty in overcoming institutional resistance to reforms.