



4. Fostering support to Ukraine's proposal for the establishment of an International Nuclear Disarmament Fund which would ensure proper and efficient dismantling consistent with technical standards.
5. Dropping the condition that Ukraine sign the START Treaty to be eligible for an External Affairs & Atomic Energy of Canada initiative to improve nuclear reactor design and operational safety in countries of the former Soviet Union. (This initiative, which is in final negotiation, will use close to half of the \$30 million nuclear safety program announced by the Prime Minister in June 1992).

ECONOMY

The pursuit of the above-stated objectives must be accompanied by a deeper commitment to establishing close relations with Ukraine at all levels. The absence of a strong Canadian presence is bewildering given the remarkable goodwill towards Canada in Ukraine.

In September 1991, the Conservative government acquired a Chancellery in Kyiv, but two years later, only a consular and immigration service operates out of the new building. The Ambassador, the commercial and administration personnel are still operating out of an hotel because the renovations have not been completed.

At the same time, the Germans and the Hungarians have staff of more than 40 people, most of them commercial attachés. The French have established a cultural institute and language training centre. These countries have had the foresight to see that Ukraine is where many of the deals are to be made.

TECHNICAL ASSISTANCE

Our technical assistance package, while promising in nature, is dramatically too small in scope. Our response is simply not commensurate with the needs and the challenges ahead.

Ukraine is going through a major political and economic crisis: ongoing struggle between reformers and the old guard; and steadily declining industrial production,

galloping inflation, worsening health and welfare problems.

Today, according to its premier, Ukraine is on the verge of economic collapse. Some 90% of the workforce lives below the poverty line and they are also struggling with a 2000% a year inflation rate. There are massive environmental problems caused by the former Soviet military-industrial complex and Chernobyl.

Ukraine is becoming a crisis centre. Canada and the West cannot be a decisive factor in the future of Ukraine, but reexamining our one-sided approach to the countries of the former USSR, and treating these states as individual entities, will go a long way in addressing the problems.

By way of suggestions, we should consider the following steps:

- A more aggressive joint defence conversion initiative. Ukraine's military-industrial complex numbers approximately 700 enterprises with more than 1.2 million employees. These enterprises develop a wide range of strategic, complex armament. With Ukraine's independence and the end of the Cold War, there are now real conditions for radical changes in the fields of defence. This opens the door to various joint cooperative programs and initiatives, such as Canadian investment in the conversion and growth of the scientific industry in Ukraine.

We should earmark more assistance to help defence industries convert to alternative military and civilian uses.

- Increased assistance from the Western Economic Diversification Agency. The Agency created a \$150,000 repayable assistance program. The money will help a study to identify joint ventures opportunities for Western Canadian companies in Ukraine.

Given the unique possibilities for cooperation between Canada and Ukraine, this assistance must be doubled and tripled.

- Extend a new line of credit to Ukraine. In 1992, Canada extended a \$50 million line of credit to Ukraine. Since August 1992 the line of credit has expired. While Ukraine has honoured the repayment schedule, no further line of credit has been issued, nor has there been a decision to make it a revolving line of credit. (compared with Russia which has a more than \$2 billion revolving line of credit).

- It is critical that the Canadian government's procurement practices explicitly encourage the use of Canadian companies when they are clearly competitive.

~~Central Canadian Structure, a~~ Winnipeg-based company, made a bid for the renovation of the Canadian Embassy in Kyiv. But after spending \$45,000 to put together a bid, and having come within 10 per cent of an Austrian company's tender, it is about to lose the contract. First, the department said it would be awarded to the Austrian firm, now it has come up with a considerably scale-back version of the plan. No explanation was given; no opportunity to bid.

- Create a Special Endowment Fund for Canadian Investment in the former Soviet republics and Eastern Europe, based on private sector initiatives by the many expatriate communities in Canada, which can be supplemented by the Fund.

- Emphasize the development of more formalized trade and transportation (air) links with Ukraine to facilitate access to Canadian goods and services. Where applicable, encourage the practice of barter trade.