



So far this year, GDP is up by 5%, a dramatic change from the 4-5% drops of the past few years. The Ukrainian parliament has approved a tough government budget with a deficit target of 3.3% of GDP by the end of 1995. Meanwhile, Russia's GDP has suffered a 9% drop so far this year.

These figures are all the more astounding because Ukraine does not enjoy the advantages of countries such as Poland and Hungary, which had been countries in their own right prior to World War II and had had western market economies. Like the rest of the former Soviet Union, Ukraine (particularly the eastern region) has only a faint concept of what constitutes a free market system. Consequently, under Kuchma's predecessor, Leonid Kravchuk, Ukraine had dropped from first to last place in those former Soviet republics considered "most likely to succeed" after the collapse of the USSR.

Despite the negative aspects to Ukraine's legacy from the FSU, particularly the burden of cleaning up after Chernobyl, there are positives, says Bob Onyschuk, President of the Canada-Ukraine Chamber of Commerce and a senior partner as Smith, Lyons, Torrance, Stephenson & Mayer of Toronto. Prior to the collapse of

*The CUCC, formed in 1993 with 26 founding members, has accumulated a wealth of experience in Ukraine through its contacts and activities, including a series of trade missions, and its office in Kyiv. Some of the companies currently staking claim in Ukraine include Pepsico, Siemens, Boeing and Rockwell, Canadian Bank Note Company, Magna, Ault Foods, Seagrams, Teleglobe Canada, Northland Power, CAE and increasing numbers of smaller investors. Member companies have numerous projects up-and-running, or at an advanced stage of approval in Ukraine. As the CUCC Annual Report points out, they can be found in all sectors:*

- two hotel projects in Yalta and in Kyiv;
- a 350-unit residential apartment project in Kyiv;
- continued development of an auto parts manufacturing centre;
- an alcoholic and spirit manufacturing and retail operation in Ukraine;
- a fine coal recovery project in Donetsk;
- production and export of rail axles and other steel products;
- a supermarket and food distribution project in Dnipropetrovsk;
- an oil and gas rehabilitation project in Eastern Ukraine, involving more than 100 oil wells (and the ability to create substantial self-sufficiency in the energy sector in Ukraine);
- a major hydro co-generation project;
- a successful lumber and sawmill operation;
- a fledgling Ukrainian financial newspaper, in the mode of the Financial Times and the Financial Post;
- a fledgling chain of trust companies in Ukraine, under the name of Trident Trust.

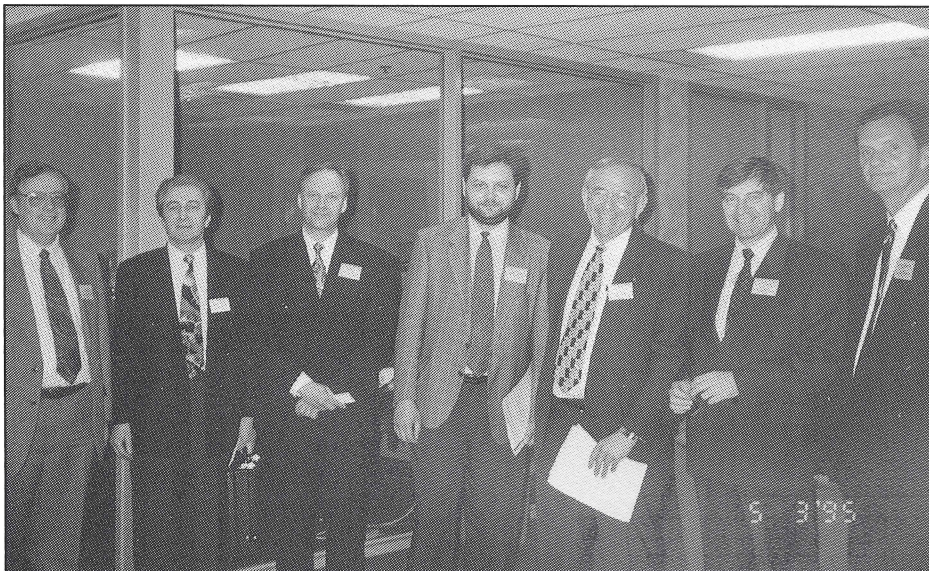
the USSR, Ukraine produced nearly 40% of the GDP, with a mere 17% of the population occupying only 2.7% of the land area. That leaves Ukraine today with a better skilled work force (Ukraine has the highest per capita number of engineers of

any country in the world!), better machinery, and more advanced technology.

Although production has declined since 1990, Ukraine remains in the top dozen countries in the world as far as output per capita in iron, steel, electricity, rolling stock, cement, shoes, fertilizer, meat and sugar. It has a space industry larger than that of France, and is still among the top five shipbuilding countries in the world.

The best areas of opportunities for B.C. businesses are in technology transfer, pulp and timber (and associated equipment), consumer products and services. Ukrainian workers are highly educated and skilled, but are held back by outdated technology. Ukraine's national parks are protected, so Ukraine currently leases forests from Russia to harvest (part of the lease condition is a commitment to reforestation). But by far the area with the most potential is consumer goods and services, an industry and a concept incompatible with the communist system.

Canada enjoys a very high -- if not the highest -- prestige among western nations in Ukraine, says Rutherford. Canada was the first country to recognize Ukraine's independence in 1991, the first to extend an official line of credit, the first to lend assistance through the G-7, the first country Kuchma visited, and the first to host an economic conference on Ukraine. And of



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*Joining the Montreal business seminar, l-r: Roman Hruby, Trade Commissioner, Dept. of Foreign Affairs & International Trade Canada; Mykhailo Tytarenko, Economic Counsellor with the Ukrainian Embassy in Ottawa; Ihor Sanin, Head, Trade & Economic Mission of Ukraine, Ottawa; Anatoly Baliuk, Dir. Ministry of Foreign Economic Relations (MFER Ukraine); Armand Lignière, Director of Export Sales, Institute Rosell Inc.; and Alain Bardoux, Ministry of International Affairs, Gov't of Quebec.*