



Special Relationship

*CUCC Address by Roman Hruby
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It is important to note Ukraine's impressive commitment to reform and a fervent desire on the part of President Kuchma to see it accomplished. Despite some opposition in Ukraine's Parliament, the President has repeatedly won key votes regarding the market reform program, including most recently an austerity budget, fully in keeping with the IMF's prescriptions.

The IMF would not have approved, much less begin disbursing (as it did in early April 1995), the \$1.5 billion in stand-by assistance, unless it was thoroughly convinced that Ukraine was fully committed to reforming its economy and is in the process of implementing the required reforms. Likewise, the international community would not have offered (as it did in late March 1995) to provide \$850 million of the \$900 million which Ukraine requires in 1995 to close the foreign currency gap, necessary to finance the country's vital imports.

Ukraine has the potential to be a significant industrial power. Canada recognizes this potential and sees many areas for a natural commercial alliance, based upon the most natural human links created by our substantial Ukrainian-Canadian community and the tremendous good will that exists, on the part of all Canadians towards Ukraine, and is fully reciprocated by Ukraine.

Canada is keenly interested in promoting trade and investment links with Ukraine. Sectors of common interest which offer growth potential include agri-food, energy, oil and gas, mining and minerals, and telecommunications. Canada has world class capabilities to offer in support of economic development and reform in Ukraine.

According to official Statistics Canada figures, in 1994, Canada exported some \$7.9 million worth of goods to Ukraine and imported \$17.6. Early 1995 figures indicate that trade is increasing at more than 15 percent. Chief Canadian exports were: infant cereals; textiles and clothing; machinery; beverages; breeding cattle; pharmaceuticals; and computer equipment. Main imports were: textiles and clothing; fertilizer; steel products; ferro-silico-manganese; and milk powder.

Since its inception in 1991, some 363 projects have been funded to the sum of \$17.4 million under the Renaissance Eastern Europe Program. Following Russia and the Czech Republic, Ukraine has received the largest allocation - 40 projects valued at a little over \$2 million.

As well, under humanitarian assistance, Canada committed \$13 million for the emergency provision of medicines, vaccines, etc. Canada's technical assistance program has funded about 80 projects for Ukraine, valued at over \$78 million, of which \$59 million has actually been disbursed. Although some of these projects were in the area of democratic development and good governance, including the \$12 million for the nuclear safety account, and \$14 million for balance of payments support, other projects focused on private sector development and assistance in the transition to a market based economy, particularly in the areas of agriculture, health, environment and management training.

Canada will continue to share the risk with companies looking seriously at investment opportunities in the reforming countries. Whether or not these companies stay and invest depends on the kinds of specific conditions they find in their area of interest.

In this regard western and Canadian initiatives cannot be one-way streets. While all reforming countries have begun implementing liberal trading regimes, there is often a gap between the intent of the legislation and its

application. In addition to liberal laws on foreign investment and a firm commitment to privatization, there is a need for an efficient, transparent comprehensive legal framework to sustain foreign investment. A vibrant private sector functioning within a framework of consistent and transparent rules is the foundation of the reform process. Ukraine, in this respect, is making major progress.

As to Ukraine's trade regime, we note Ukraine's moves to abolish export licenses and quotas, its commitment to the IMF to dismantle the cumbersome export registration procedures, to unify the exchange rate and to stabilize it in relation to the US dollar. Canada firmly supports the principle of Ukraine's accession to GATT or the World Trade Organization, as it will soon be known. Ukraine's intention to accede to the GATT reflects its desire to become fully integrated into the global economy. Canada is providing technical assistance to Ukraine to facilitate its entry into the GATT.

Clearly, Canadian business leaders are looking forward to develop projects and build on our prosperity. Although further progress is desirable, Ukraine's moves to improve the trade and investment climate are very encouraging. The Ukrainian government's program for economic reforms and transparency will foster political and economic stability and reduce the scope for crime and corruption.

The Canadian government will continue to support Ukraine's reform process both in multilateral initiatives, such as the G-7, and bilaterally through the technical assistance and the Renaissance Eastern Europe programs. Such programs will encourage business to take a look at Ukraine as a place to do business. How they fare will determine whether or not they stay.

For the present, the Ukrainian market is still not a market for everyone. But for those with clear priorities, good partners and a strong financial base, profits are available. ■



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