



# UKRAINE - CANADA

## Policy and Trade Monitor



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*A Digest on Ukraine-Canada Relations*

### UKRAINE OPEN FOR BUSINESS

#### AMBASSADOR TO RETURN TO UKRAINE

Ukraine's first Ambassador to Canada, Levko Lukianenko announces his decision to resign his Canadian posting and return to Ukraine. (See Page 2)

#### INTERVIEWS:

- *Canada's Ambassador to Ukraine François Mathys (See page 7)*
- *Canada's Trade Counsellor to Ukraine Dennis Goresky (See page 16)*

#### EXCLUSIVE FEATURE

- *Ukraine's Foreign Affairs Commission Chairman Dmytro Pavlychko (See Page 3)*

#### RENAISSANCE EASTERN EUROPE:

*Update for September 1993*

An update in this *Monitor* provides additional details of the Canadian government's trade and development program of the Bureau of Assistance for Central and Eastern Europe. The supplement details assistance available, requirements and guidelines for preparing project proposals, and eligibility criteria.

The 1993 program seeks to increase the involvement of Canadian companies in the markets of Eastern Europe and the former Soviet Union. It aims to increase trade with the region, the transfer of technology, expertise and investment to facilitate the development of free market enterprises in these countries. (See page 33)



*Khreshchatyk, the main boulevard and business district in Ukraine's capital, Kyiv*

#### BREAKING NEWS

##### • ELECTIONS SET FOR 1994

Ukraine's Parliament voted on September 24 to hold parliamentary and presidential elections next year, ending a power struggle that had paralyzed the Government of Ukraine. Lawmakers voted 243 to 39 to hold parliamentary elections on March 27 and presidential elections on June 26.

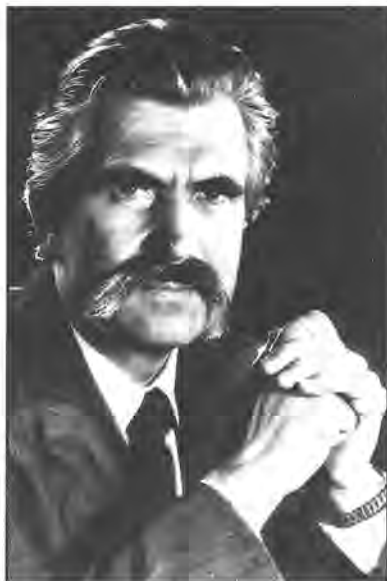
*Other stories on page 3:*

- Ukraine's Defence Minister resigns.
- President Kravchuk assumes responsibility for Ukraine's economy.
- President appoints economic team to oversee reforms.
- New Prime Minister appointed.

#### In this Issue:

Ambassador to return to Ukraine . . .	2
Breaking News from Ukraine . . . . .	3
Issues Confronting Ukraine . . . . .	3
Governor General's Message . . . . .	5
Canada's Ambassador Speaks Out . . .	7
Liberal Party's Ukraine Platform . . .	10
Ukraine & Nuclear Arms . . . . .	12,14
Trade Opportunities (Interview) . . .	16
Newsbriefs . . . . .	19
Grain Assessment Mission . . . . .	21
Social Issues and Assistance . . . . .	22
Health Scientists in Ottawa . . . . .	24
Business Opportunities . . . . .	24
Canadian Tennis Star . . . . .	26
UCC Presidential Address . . . . .	26
Canbear in Ukraine . . . . .	27
FX 1 Product Potential . . . . .	28
Immigration Program in Kyiv . . . . .	30
Ukrainian MiGs . . . . .	31
Trans-European Superhighway . . . .	32
Renaissance Eastern Europe . . . . .	33





## AMBASSADOR TO RETURN TO UKRAINE

After being away from Ukraine for 18 months and halfway through his term, Ambassador Lukianenko concluded that it was essential that he leave his posting in Ottawa and return to Ukraine. The decision by the 67-year-old constitutional lawyer will enable him to actively participate in the upcoming elections in Ukraine, where he intends to work directly with democratic forces. Mr. Lukianenko ran for the presidency in December 1991, at which time he led the Republican party and placed third out of seven candidates. However, he would not confirm whether he would be seeking office in parliamentary elections next March. The Ambassador stressed the importance of electing a market-oriented, pro-reform majority in parliament which would ensure that Ukraine's economic and political transformation continues and thereby accelerates Ukraine's entrance into the world community of nations.

In addition to the Ambassador, the First Secretary responsible for Trade, Science, and Technology, Oleksander Shandruk, will also be returning to Ukraine. Mr. Shandruk is expected to remain in Canada until the arrival of his successor, who, according to Monitor sources, is to be Oleksander Tytarenko. Both resignations came on the heels of the controversial

## UKRAINE'S AMBASSADOR MARKS SECOND ANNIVERSARY

Dear Canadians:

On August 24, Ukraine, the country I have the honour of representing in Canada, will celebrate the second year of its national rebirth.

Independence has returned to Ukraine only after many years of struggle, only after tremendous human, moral and material losses. Ukraine has always sensed the support and encouragement of freedom-loving countries and freedom-loving people, among whom Canadians hold a place of honour. Independent Ukraine will always remember that Canada was the first among western countries to recognize her independence.

Relations between Ukraine and Canada are still in their infancy. Business representatives from both nations are only now becoming acquainted and government bodies are drafting the preliminaries for agreements and contracts, the fundamentals that will protect and guarantee mutually beneficial co-operation. However, since individual contacts are well developed and have been for some time, we have every reason to believe that a solid foundation is in place upon which to develop further mutually beneficial relations between our two countries.

Canada is a world leader in such areas as environmental protection, human rights guarantees, and policies that balance economic and social development. Canadians perceive Ukraine as a country with an ancient and rich culture, as the heartland of very capable farmers and qualified academics. Much can be accomplished on the world market if Canadian and Ukrainian industry and educational institutions join forces.

I call upon you, My Canadian friends, on this occasion of the second anniversary of the rebirth of Ukrainian independence: let us work together to strengthen relations between our countries! Let us both support all efforts that enhance co-operation! Let us establish a united forum of Ukrainian-Canadian goodwill! Then democratic and economic reform in Ukraine will be accomplished with greater confidence.

My sincere best wishes to you and your families.

Levko Lukianenko  
Ambassador of Ukraine in Canada

Massandra summit and in the flurry of resignations within the government in Ukraine. While the Russian government has since annulled the alleged agreement to transfer Ukraine's nuclear warheads to Russia, the debate over this question and the Black Sea Fleet are still very controversial. The past few weeks have seen tumultuous events both in Ukraine and Russia. With the cancellation of the September 26 referendum and the calling of early elections, Ambassador Lukianenko is convinced that at this crucial time in

Ukraine's history, the need for his energy and talents are greatest at home. There has been no confirmation as to who will replace Mr. Lukianenko, nor when the new appointment will be announced.

*(Ambassador Lukianenko, his wife Nadia, and granddaughter Hanusia will be leaving Canada on November 3. The staff of the Monitor wish them all the best.)*





## **BREAKING NEWS FROM UKRAINE . . . . .**

### • NEW PRIME MINISTER

President Leonid Kravchuk named a state mining executive on September 22 as acting Prime Minister to replace outgoing Leonid Kuchma. Yuchym Zviahytsky, 60, had served since June as deputy premier in Kuchma's government and was closely identified with reactionary interests in parliament who advocate continued large-scale state involvement in industry and close economic ties with neighbouring Russia. Zviahytsky, who was nominated acting prime minister on September 22, will stay on until Kravchuk proposes a new candidate.

### • DEFENCE MINISTER STEPS DOWN

Defence Minister Konstantyn Morozov resigned October 4, citing conflicts with hardliners in Parliament and worries about the effects of Moscow's political crisis on Ukraine. President Kravchuk appointed General Ivan Bizhan, 52, acting defence minister.

### • PRESIDENT TAKES CHARGE OF ECONOMY

President Kravchuk issued a decree September 27 giving him full control of the executive branch of government after parliament demanded he assume responsibility for Ukraine's faltering economy. The decree followed parliament's approval for early legislative and presidential elections in 1994. Kravchuk said he was taking over the administration and decree-making powers of government in order to have full control of the economy.

### • KRAVCHUK TEAM TO OVERSEE REFORMS

President Kravchuk appointed a mixed team of reformers and conservatives on September 28 to consolidate his pledge to speed reforms and overcome Ukraine's economic crisis. Kravchuk named the coordinating committee a day after he took over direct control of government to implement reforms. The committee brings together parliamentary chairman Ivan Pliushch, acting Prime Minister Yuchym Zviahytsky, Central Bank chief Viktor Yushchenko, Finance Minister Hryhory Pyatachenko, two economists and two bankers.

\*\*\* *Exclusive to the Monitor* \*\*\*

## **ECONOMIC AND FOREIGN POLICY ISSUES CONFRONTING UKRAINE**

*by Dmytro Pavlychko*

*Member, Presidium of the Supreme Rada of Ukraine  
Chairman of the Commission on Foreign Affairs*

In Ukraine, the process of economic transition has encountered a number of obstacles, a major one being the lack of a proper legal framework for the operation of a market economy.

The Supreme Rada (Parliament) accepted *in theory* that private property is to have the same rights as public and state property. However, Parliament was too afraid to turn land and other objects of the economy into a commodity, subjected to the laws of private property. The mechanisms of carrying out our privatization have yet to be established. Worried by the threat of unemployment and by rampant speculation, some deputies favour a moratorium on privatization until such time as there occurs a semblance of economic stabilization. Nostalgia for the communist era - when all were equal in poverty - has engulfed some people, especially those of the older generation. Many officials at the local level sabotage even the timid measures of privatization which were enacted. The heads of collective farms and the directors of enterprises are mostly against privatization. The old system suited them; the state assumed all responsibility and they did not have to think for themselves or show initiative. Under these conditions, we have been unable to create a sizable propertied middle class who are the basis of the stability and prosperity of all modern contemporary societies.

### **DEVELOPMENT OF MARKET RELATIONS**

Nonetheless, the development of market relations has begun. We have more than 6,000 private farms whose level of productivity is much higher than the

collective farm sector. We have private restaurants and hotels, even private factories and mines as well as numerous joint-stock agricultural and industrial enterprises: this, too, is the economic reality of Ukraine.

A characteristic feature of this period is the reorientation of many enterprises from the Eastern to Western markets, and the development of serious partnerships with Polish, German and Austrian companies. An example is the Ternopil enterprise, Vatra, a factory which produces six million light-bulbs annually. Unable to secure supplies from Russia and Belarus, the factory had to suspend its activities. Vatra directors began to seek needed materials in Poland - found them - and now they have a joint venture with the Belgian company, Schroeder, and work also with Siemens and General Electric. Today, Vatra products are sold in Germany.

The most important achievement of our economy in the last year is the success that many of our enterprises have had in securing Ukrainian suppliers for their component parts. For example, until recently, the Lviv bus factory was entirely dependent upon other republics for its supplies. Today, they have found reliable suppliers closer to home right in Ukraine.

Ukraine is in a position to supply Western markets with unique and competitive products. For example, it is well known that we build some of the best transport airplanes and space





rockets, and produce items indispensable to the chemical industry. Access to European markets is one of the most important forms of assistance that the West could give Ukraine to support its process of economic reform. This would allow our enterprises to help themselves, rather than seek state subsidies.

A year ago we adopted one of the world's most liberal laws on foreign investment. For example, the law provides a five-year tax holiday. Last year the number of joint venture established in our country tripled. In 1992 the output of joint ventures was over one hundred million dollars. In the first quarter of 1993, 1,350 joint ventures

## DEMOCRATIC FORCES GAINING STRENGTH

Now let's look at the domestic political scene. Although in Ukraine there are 15 more or less significant political parties, the basic lines of division in politics is between two forces. The first and largest are the national-democratic forces enjoying greatest support in Western and Central Ukraine. The second and smaller can be characterized as the pro-communist forces concentrated in the East and South. However, it should be stressed that the pro-communist forces cannot boast significant support amongst workers in Eastern and Southern Ukraine.

The national democratic forces defend the full independence of Ukraine and its development as a European state. The democratic forces are divided amongst movements and parties, not because of programmatic differences, but because of the ambitions of their leaders. These are regiments of the same army, which, unfortunately, do not have a joint command and thus have difficulty in winning battles with weaker opponents. However, the parliamentary opposition - the Narodna Rada - supported by the population, did achieve some brilliant successes. For example, it forced the wavering majority in Parliament to vote for Ukraine's independence.



*Ukraine's Foreign Affairs Commission Chairman Dmytro Pavlychko meets with Monitor editors Orest Dubas (l) and Andriy Hluchowecy (r) during 1991 visit of President Leonid Kravchuk to Canada (file photo).*

were registered, and 68 wholly-owned foreign companies were established whose total investment was valued at one hundred ten million dollars. Of course, this is still insufficient, but it is a sign of things to come.

Ukraine's GNP (Gross National Product) is one third of Russia's. Yet the assistance that the West gives Ukraine is only 12% (twelve per cent) of what Russia gets. The latest G-7 meeting in Tokyo showed that this tendency will continue. If Western government's enthusiasm for assisting economic reform in Ukraine was in the same proportion as their attention to our nuclear weapons, our economy would be in much better shape.

Thus, during the recent miners strike communists invited miners to attend their congress but without success: workers do not trust communists. The revival of communist ideology has little perspective in Ukraine because communism there never existed as a serious indigenous force - it was always a mask worn by Russian imperialist forces. There is a danger that the newly reconstructed "national" communist forces, who claim to be defenders of Ukrainian statehood will, in a critical moment, betray Ukraine and submit themselves to their "centre". Communists, even of the national variety, are pulled towards the Moscow centre as a wolf by the forests, as we say in Ukraine.

On 26 September Ukraine is scheduled to have a plebiscite of confidence in Parliament and the President (*Ed. note: The plebiscite was cancelled and is to be replaced by elections in 1994 - See page 2*). Whether the referendum will take place remains to be seen. Certain that Parliament will lose the vote, deputies may agree to new elections instead. The population, disillusioned with slow pace of economic reforms, may not wish to go to the polling stations to cast their ballots in a referendum whose result binds neither the President nor Parliament. In general, the electorate has become increasingly indifferent towards political life, and focuses on daily concerns.

The main task before today's or tomorrow's Parliament is the adoption of a new constitution. Differences of opinion exist: will we have a presidential or a parliamentary republic? Democrats favour a presidential system; pro-communists-parliamentary. The status of oblasts - regions - has to be defined. Will Ukraine be a federal or a unitary state? Democratic forces support a unitary state; their opponents favour federalism.

Despite all the economic problems, one must not lose sight of Ukraine's achievements. It is a remarkably stable society characterized by a high degree of social consensus. We are developing under the optimistic tone of





freedom and democracy. The rights of national minorities are respected and they can freely develop their language and culture. The Ukrainian nation is experiencing a cultural renaissance. Individual rights are respected, and we have freedom of the press. Restrictions on intellectual and economic creativity have been abolished: all of this compensates to some extent for the shortages of goods and their high price. The new Ukrainian society arising from the ashes of communist ruins is varied, diverse, multiparty - it is an exciting place.

## **DIRECTIONS IN UKRAINE'S FOREIGN POLICY**

Let me end by a discussion of Ukraine's foreign policy. In July 1993 Parliament adopted a document *Principal Directions of Ukraine's Foreign Policy*, which states:

"Having become, through historical circumstances, the owner of nuclear weapons bequeathed to it by the former USSR, Ukraine will never sanction their use, and excludes from the arsenal of its foreign policy the threat of the use of nuclear weapons."

This paragraph evoked various interpretation in the world press. Some newspapers said that Ukraine had retracted its decision to become a nuclear-free country. This is not the case. Ukraine merely affirmed the law adopted 10 September 1991 "On Enterprises, Institutions and Organizations under All-Union Jurisdiction Located in Ukraine." The 1991 law states, [quote] "All that is located on the territory of Ukraine is its property." This law, which flows out of the Vienna convention on successor states, is for us, an axiom. Those who wish to resolve the question of nuclear weapons in Ukraine have to come to grips with a simple fact: these weapons have to have an owner; they have to belong to someone! And only the owner can define how, when, with whom, for what purpose, the weapons are to be destroyed. As an owner Ukraine has to bear the responsibility for the use or non-use of its property. At issue is responsibility for technical control to ensure the NON-USE of nuclear weapons. We have to ensure that nuclear weapons are not used. And we are a people whose

country has been ravaged by Chernobyl: so please, do not preach to us lessons about nuclear danger!

Let me remind you that we gave the Russian Federation our tactical nuclear weapons. They were to have been destroyed under joint control. But where are those weapons? Are they really being destroyed? Or have they been dismantled and sold off in bits to other countries? Have they been distributed to various military units? No one knows for certain.

The world community and the political elites of the world community showed no interest in this matter. And Ukraine derived no moral or material benefit from the transfer to Russia of our mobile tactical nuclear weapons. No one even said thank you for this unprecedented step. I am certain this would have been the case with strategic nuclear weapons had it not been for the fact that we have learned lessons from our bitter experience.

A new factor in the situation are the territorial claims of Russia on Ukraine. This dangerous development ended with Russia's Parliament passing a decree "On the Status of Sevastopol". Not surprisingly this irresponsible step has set off alarm bells amongst Ukraine's Parliamentarians and the population at large. Now that Russia has formally announced territorial claims on Ukraine, many deputies now consider that the transfer of strategic nuclear weapons to Russia immoral and irresponsible.

I do not wish to be categorical, but I think that it is most likely that the ratification of Salt II and Nuclear Non-Proliferation Treaty (NPT) will be considered separately. This means that Parliament will likely agree to destroy the 130 missiles of Russian manufacture which contain very toxic fluid fuels. But the 46 SR 22 missiles, built by Ukraine, will remain under Ukrainian jurisdiction for another year and a half, that is until 1995 when NPT will be reviewed.

Undoubtedly this is the correct decision, especially from point of view of law. Ukraine is a subject of Start I - which means that to a significant degree its nuclear status has been recognized. Ukraine is a nuclear state, not in the full

## **GOVERNOR GENERAL'S MESSAGE FOR UKRAINE**

*Message from Ramon Hnatyshyn  
Governor General of Canada  
to the President of Ukraine on  
Ukraine's National Day,  
August 24, 1993.*

On behalf of the people of Canada, I am pleased to convey to you, Mr. President, and to the people of your country, our sincere congratulations on the occasion of the second anniversary of the declaration of independence of Ukraine. This event, as you know, has a particular significance for Canada, given the presence here of so many Canadians of Ukrainian descent.

My wife and I have fond memories of our visit to Ukraine last September. The trip to the land of my ancestors exemplified the special relationship existing between Canada and Ukraine which we want to develop.

I can assure you that Canada strongly supports Ukraine on its difficult path to political and economic reform and is confident that your country will overcome its economic difficulties and be able to play an even more significant role in European and world affairs. Canada is firmly committed to working with your country to bring about a better and stronger Ukraine. To that end, I am confident that the important cooperation programmes, already underway, will be further expanded.

On behalf of the people of Canada, I wish you, Mr. President, and the Ukrainian people every success in building a stronger and more prosperous independent Ukraine.

sense of the word: we did not produce these weapons, but we played an important role in their development, and we did inherit them according to the law of successor states. The demand that Ukraine join NPT as a non-nuclear state is juridical nonsense. Amendments to NPT have to be made, after which Ukraine will sign the agreement. In the meantime, we will abide by the terms of Start I.





Numerous problems have to be resolved on the road to full nuclear disarmament. And we are the first country to travel this road. The problems are those of financing and ecological guarantees: the processing of Ukrainian plutonium from nuclear warheads into fuel for our nuclear electric stations. And we have yet to receive a reply to questions such as: do we destroy our nuclear weapons with the Russians alone? Or with the participation of American specialists? (I think you can guess our preference.) Does the destruction of nuclear weapons take place in Russia? Or do we build special facilities in Ukraine for this purpose?

Only one question has been more or less settled: Ukraine as a successor state to the USSR has to receive guarantees of its security in return for the destruction of its nuclear weapons. These guarantees have to be a legally binding document signed between Ukraine and the nuclear powers. A document which could serve as an example in this respect is the multilateral agreement between Austria and the nuclear powers in 1955. In other words, we will ask the nuclear powers to sign a multilateral agreement to guarantee the territorial integrity and security of Ukraine. We were in slavery too long, and we spilt too much blood to give up our right to arms so easily, which relates to that which is most sacred for us: the right to defend our national sovereignty.

We have understood, quite clearly, that the generous act of Ukraine becoming a non-nuclear state has failed to impress anyone. Nuclear countries certainly did not follow our example. And it is utopian to think that the nuclear arsenals of the superpowers will diminish after we destroy our weapons. But we will not, despite all, retreat from our goal of becoming a non-nuclear state. However we would like to have a determining voice in setting the agenda in reaching this goal.

## **UKRAINE'S SECURITY IN THE WORLD ORDER**

Finally, a word or two about Ukraine in the international context. We understand the war in the Balkans to be but a miniature of the developments which could have unfolded in the former USSR. The Western world is perhaps sincere in

trying to prevent bloody confrontation in Eastern Europe. It does not know how to achieve this nor is it particularly imaginative in its methods to reach this goal.

The West seeks a reliable gendarme to restore order in the post-Soviet chaos. Many in the West still consider Russia to be the master of order. The West appears to have learned nothing from past experience. Recall when the West placed all its hopes on Gorbachev when everyone knew his days were numbered. Recall President Bush's speech in Kyiv several weeks before the collapse of the USSR: he told Ukrainians, a nation that lost millions to Stalinist terror, that Gorbachev and the USSR was a guarantor of our liberties! Today the orientation is again on Moscow: the G-7 not only promises but delivers billions to Russia. President Clinton urges creditors to forgive Russia large parts of its debt. The CIS in the eyes of some Western leaders is synonymous with Russia, and thus Russia has to be strong so it can control events within the CIS, and even beyond - within the borders of the former socialist camp.

I refer you to the document "The Main Principles of Foreign Policy of the Russian Federation" which states that: "It would be the height of levity and lack of responsibility to reconcile oneself with the fact that the command of strategic forces of the former USSR is not regulated". The document implies one nuclear power in CIS and calls for the "maximum level of integration in all spheres within the former republics of the USSR".

Russia's ambitions are supported by the West. Western politicians appear to be most interested in having all questions of world politics decided in Russia's favour. Yugoslavia is a case in point. The West has allowed Russia to seize the initiative. Russia appears to favour a peaceful settlement of the conflict but, in reality, it is strengthening the aggressive side. NATO's head, Mr. Werner said recently "NATO should do nothing that could be used there (in Russia) by reactionary forces to make an enemy of NATO. They (the Russians) must not get the impression that we wish to create a ring around Russia". This sounds wonderful and peaceful.

However, if the West allows Russia to become responsible for security of the former USSR and if it underestimates the role of Ukraine in the stabilization of Central and Eastern Europe, then we may well return to the times when Berlin was divided by a wall and Western Europe was ringed by nuclear submarines.

***There is a Russian-Afghan war in Tadjikistan. The Russian-Moldovan conflict has just recently subsided. On the Abkhasian-Georgian front, Russian mercenaries are playing a leading role. Russian cossacks are fighting on the Serbian side in Bosnia and Croatia. The West does not appear to see or hear this -- and you expect us to accept Russia as a guarantor of stability in the region!***

It is true that when the Supreme Soviet of Russia declared Sevastopol a Russian city and Ukraine turned to the Security Council, the answer was in favour of Ukraine. However, it is not certain how developments in Sevastopol will unfold. The only thing which saves us from conflict with Russia is the position of President Yeltsin.

Yeltsin seems to share the goals of Russia's Parliament, but differs on the means. The same goals can be achieved through economic pressure. I am referring to political demands which may be advanced as a precondition of Ukraine obtaining supplies of Russian oil and gas. It is not a coincidence that the economic union between Russia, Ukraine and Belarus was proposed by Russia during the Sevastopol crisis. The economic union is a pitfall of our independence. Economic blackmail in the form of threats to turn off oil and gas is a more effective mechanism than resolutions by Russia's parliament. The goal here is the same: not to give the newly independent states the ability to pursue an independent foreign policy, and to ensure Russia's dominant influence in financial, political, and cultural spheres. It should be clearly understood that Ukraine will resist the restoration of any supra-state structure such as the USSR. Let me quote from





a recent policy statement adopted by Ukraine's Parliament: "Ukraine will avoid participation in the institutionalization of forms of inter-state co-operation within the CIS which are able to transform the commonwealth into a supra-state structure of a federative or confederative nature". We certainly will not agree to Moscow's political domination as a precondition of economic ties.

For centuries Russia was the main enemy of Ukraine's independence. So, at times, we do not see our allies in Russian society. We are conscious of the fact that we are condemned to live forever with Russia as our neighbour, and this determines our policy of compromise so clearly exhibited when it came to the settlement of the Black Sea fleet issue.

We are also conscious of the fact that Russia needs time to get used to the independence of Ukraine, just as it took time for Russia to get used to the independence of Finland and Poland, who were also once Russian colonies. But our concessions cannot be capitulations, and what awaits us in the future cannot be the road of return.

### UKRAINE: A NEW REALITY IN EUROPE

Ukraine is a new reality that can help transform European history from a zone of world wars - which repeated themselves with maddening regularity - into a zone of stability and peace. We think we have an important contribution to make to the establishment of a unified and free Europe.

Ukraine wishes to create an alliance of Central European countries with similar problems because of their totalitarian past but who have now embarked on a period of renaissance. The basis of this new cooperation - of a real new commonwealth - must be the renunciation of territorial claims, commitment to economic cooperation, respect for the rights of national minorities, and cultivation of traditional cultural ties.

One way or another, Central Europe, of which Ukraine is a part, cannot be divided into spheres of influence of major powers. It would be a fatal mistake to take under NATO's umbrella one state, but to leave

## Canada's Ambassador to Ukraine François Mathys Speaks Out on Relations and Issues

*On September 3, 1993, Canada's first Ambassador to Ukraine was interviewed by Centre Directors Andrij Hluchowecy and Orest Dubas. Mr. Mathys has a long history of diplomatic services. He has been with External Affairs since 1967 and has served abroad in New York, Moscow (twice), and with NATO in Brussels from 1983 to 1986, where he was Deputy Permanent Representative. On July 31, 1992, External Affairs Minister Barbara McDougall appointed François Mathys Ambassador to Ukraine.*



- *Mr. Ambassador, can you provide us with a status report on the progress of the renovations of the Embassy in Ukraine? And have sufficient resources been allocated by your Department of External Affairs towards your operations in Kyiv?*

Thank you very much for this opportunity to share my views and experiences as Canadian Ambassador to Ukraine. As to the status report on the Chancery renovations, I can certainly confirm that a Public Works Canada renovation crew is working full steam - 7 days a week, 12 hours a day - to get the work done. It is therefore possible to predict that within the next 6 to 7 weeks, the Canadian Embassy, the good part of the operations, will have left the Hotel "National" and will be functioning from the Chancery. As to the allocation of sufficient resources, I can certainly say that I am quite satisfied about both the financial resources and the personnel resources that are being allocated to Kyiv. One obstacle to more personnel resources was and remains the fact that we have to find decent accommodations for our Canadian staff and, of course, decent working conditions. Up to now, neither was quite easy to find. So, obviously, this predicament has nothing to do with the Department of External Affairs, but has very much to do with the conditions here in Kyiv, and that will not change in the foreseeable future. Therefore, to sum up, I believe that with a complement of 13 Canada-based staff I am equipped with a reasonably good amount of financial resources. I am equipped to do a good

others under cruel weather in a zone of barbed wire fences. Only together, the countries from the Black to the Baltic Seas (having first united) can we join Western Europe as a strong and self-sufficient partners - not as beggars looking for subsidies.

If the Evil Empire has to be maintained because it threatens the Empire of Abundance, and if God cannot show his power without Satan, then our future is a dismal one. However, we think that we are not condemned to serve as an example of societies which do not succeed. We firmly believe that the slavery of nations has to be destroyed forever, for even without this particular form of slavery there is so much pain that the Almighty will have enough to keep Him busy in the decades ahead. ■





job in representing and promoting Canadian interests here in Ukraine.

- *Do you have a specific target date for the official opening of the Canadian Embassy in Kyiv?*

No, but I can certainly say that there will be an official opening within the last few months of this year. It is my wish to have several high officials present from Canada, perhaps even a Minister. Obviously my timetable will have to be adjusted in accordance with the elections in Canada.

- *You mentioned 13 Canada-based staff - what specific areas are you targeting?*

I am talking about trade, administration, political and economic programs. These are all separate programs. There is also immigration and the visitor visa programs, which is a big program for us here.

- *Are there any plans to have a military attache at the Embassy?*

Quite frankly, I wish to have a permanent military attache here in the Ukrainian capital. My previous remarks about the difficulty of finding accommodations and working offices apply. I know that it is a very strong Ukrainian government wish that Canada be represented militarily by a locally resident attache rather than through an attache accredited from Moscow. At the moment, though, I have to be reconciled with the idea that the best solution is temporarily, I hope, to have our military attache from Moscow accredited here.

- *Canada has always wanted to have Ukraine accede to the START agreement and the NPT treaty. In keeping with Canada's deep concern for nuclear disarmament. Do you see any military cooperation agreements being signed between Canada and Ukraine?*

It is certainly a priority for the Canadian government. The government is of the opinion that Ukraine will, sooner rather than later, be faithful to its own word and accede to the non-proliferation treaty and ratify the START I agreement. That said, it is also Canada's wish, as it is the Ukrainian wish, to have in place soon a

military cooperation agreement. Draft agreements have been exchanged on both sides, and I am confident that we will shortly have in place the ingredients for a profitable military exchange agreement. The agreement would not cover the question of security assurances for Ukraine. But the texts that I have seen are much more down-to-earth, more practical. They cover the number of personnel that could be exchanged in a year, who will pay, how will they travel, and these kinds of issues.

- *Canada has shown much exemplary vision when it became the first western country to recognize Ukraine in December 1991. A few months later, Canada, once again, led the other G-7 countries by being the first to extend Ukraine a multi-million dollar line of credit. In keeping with these foreign policy initiatives, do you believe that Canada has extended Ukraine its fair share of Western assistance?*

Of course, as Ambassador here, I think that the support that Canada has given to Ukraine was significant. It can be more, quite obviously, however there were also questions of Ukraine being able to absorb and to use efficiently the additional credits. The fact remains that most of the credit extended by Canada was used to print what eventually will be a new currency in Ukraine - the hryvnia - and this has had a tendency to deprive other sources of investment from looking more seriously at the possibilities of using the line of credit to pursue ventures in Ukraine. But I am confident that this aspect could be looked at in the months to come and perhaps new credits or, at least, new arrangements for credits be worked out.

- *On the whole question of aid to Ukraine, in the past year you have probably seen some of the programs that are in operations between Canada and Ukraine, technical assistance programs through the Bureau for Assistance and the Partners in Progress initiative. Have you witnessed some concrete results as a consequence of these technical assistance programs?*

I certainly have, and as a matter of fact, we will be officially opening the Canadian Cooperation Office (CCO) in Kyiv on September 10, 1993, and we will be holding a press conference to give the Canadian technical assistance programs and projects more profile, more visibility. These programs are certainly success stories in the agricultural field, in the public administration field, in the health sector. Consequently, these successes need to be better known because they are significant and I would like to think that this technical assistance program will soon even be expanded and, of course, this may well mean more Canada-based personnel on the ground here in Kyiv to monitor and to promote this assistance program.

- *This assistance program is scheduled to be completed next year. Is it going to be extended?*

I have every reason to believe that it will be extended and substantially expanded, and that is a very hopeful sign.

- *What about the line of credit, given that Ukraine continues to repay its loans and that there have been requests from Ukraine to make it into a revolving line of credit? Are you considering this option and are you recommending it for the government?*

All I can say is that I have been advocating this approach and that is being considered very seriously back home. They certainly have my support and the reasons for my support. I can confirm indeed that as far as the Canadian line of credit is concerned and the Ukrainian repayment schedule is concerned, everything is on schedule. That adds to the credibility of Ukraine and its ability in making repayments and facilitates the consideration of, perhaps, a revolving line of credit.

- *Can you give us a brief business snapshot of Ukraine and do you believe that Ukraine is a good country to invest in?*





There are certainly very good possibilities here in Ukraine. However, I must admit that the conditions are difficult at the moment. Ukraine has to control its inflation and simply has to extend more easy access to facilitate investment from abroad. At the moment there are possibilities, and some are being exploited, even by Canadian firms in a number of areas. But the local economic conditions have to stabilize and the investment climate has to become more stable before one can really consider a substantial investment in Ukraine.

- *Without intruding into the politics of Ukraine, is there anything that you recommend to the government and the people that they should be doing?*

The Ukrainian government is being flooded with advice, including much from the Western diaspora. And I do believe that the government faces a very difficult task indeed. It is committed to a market-oriented economy. However it has some social costs, and it is a very difficult balancing act between the two. When you privatize, you soon realize that it may mean unemployment, and perhaps with it some de-stabilizing elements or consequences for many areas of the country, certainly in the Eastern part of Ukraine, the more Russified area. I certainly encourage the government to proceed with economic reform, with the stabilization of its present currency - the karbovanets, which is a temporary one - and become even more accessible to foreign investment through legislation and regulations. At the moment, I can say that there are several success stories of Western investments in Ukraine, but it is not easy for Western entrepreneurs to come to Ukraine, invest and be relatively certain that they and their Ukrainian partners will benefit from it.

- *A comparison can be made between the relationship of Canada and the United States, the proximity of a country that is next to a giant, and the relationship between Ukraine and Russia. What can Canada give as advice to Ukraine in its relationship with its big neighbour Russia?*

The only applicable part of this comparison is the fact that Canada lives

## CANADIAN AMBASSADOR MATHYS ON UKRAINIAN TELEVISION

### CANADA DAY GREETING

It is with great pleasure that I have accepted the invitation to speak to the population of Ukraine, directly on television on Canada's National Day. This is the first time that a Canadian Ambassador is able to do so. I will speak to you in Ukrainian. I hope that you will pardon my accent.

As Canadian Ambassador to Independent Ukraine, I am privileged to represent a country where a large number of Ukrainians have settled. Last year, we celebrated the one hundredth anniversary of the first Ukrainian pioneers in Canada. Their contribution, especially in Western Canada, helped build a strong country. Today, Canadian-Ukrainians live in all parts of Canada. We find them in all walks of life. As you know, the Governor General of Canada, Mr. Ray Hnatyshyn, is of Ukrainian descent. He made a splendid visit to Ukraine, last September. Canadian-Ukrainians have made Canada a better place to live. They have established a special bond between Canada and Ukraine.

The Canadian government and people rejoiced when Ukraine became independent in December 1991. Canada was the first Western country to recognize new, independent Ukraine. Ukraine's political independence has now to be matched with economic independence. The legacy of the past renders the task most difficult. Canada stands by Ukraine's side in this extremely difficult period. My government has established an important technical assistance program, which corresponds to priorities determined by Ukraine itself. Canadians are working with Ukrainians in the fields of health care, agriculture, public administration, law and justice and environment. Business links exist and more are being developed.

Canada is also developing cooperation with Ukraine on regional and international issues. Ukraine's active presence in multilateral institutions, such as the United Nations, the Conference for Security and Cooperation in Europe, the North Atlantic Cooperation Council of NATO provides the basis for this new partnership. Ukraine and Canada are both contributing to the UN peacekeeping effort in the former Yugoslavia. We can work effectively together in resolving problems which affect us all.

Canada is closely following the debate on nuclear weapons. We understand Ukraine's specific concerns. Canadians decided decades ago that nuclear weapons do not ensure security. The Non-Proliferation Treaty is the corner-stone to stop and eventually eliminate nuclear weapons. My country has strongly welcomed President Kravchuk's and the Government's assurance that Ukraine will ratify START I and accede to the Non-Proliferation Treaty as a non-nuclear weapons state. By accepting this commitment, the Supreme Rada will help build international confidence and enhance regional stability.

Canada wishes Ukraine every success in this difficult period of political and economic transition toward democracy and a market economy. Ukraine is a rich and well-endowed country. The Ukrainian people are hard-working, creative and persevering. On Canada's National Day, Canada and Canadians are happy to celebrate their own achievements and to be associated in making Ukraine a better place to live.

*LONG LIVE CANADA -- LONG LIVE UKRAINE!*

beside an economic giant and that Ukraine lives beside another one. I would not venture that the similarity puts Canada in a position to give any advice to Ukraine.

First of all, the degree of economic integration between Ukrainian and Russian economies, by the very nature of what the Soviet regime had





in place is far, far greater than the Canadian and American economies, and that says a lot about the very close, indeed, very intimate relationships, even at the enterprise level, between Ukrainian and Russian economies, industries and firms. These two countries, simply, at the moment have to recognize this fact, and try to find a civilized way to live with each other. There is no other way around this reality, at this moment. For the rest, the level of development of our economies, both U.S. and Canadian, prevents any comparison with that of Russia and Ukraine. But it is clear that if there is a lesson to be derived from our economic and commercial relationship with the Americans, it is that there is always a way to meet trade and economic issues. If certainly think our way, our model, whether through trade agreements or dispute settlement mechanisms, could eventually be followed here in Ukraine. But they first have to put into place a regime that recognizes the inter-relationship of their economies. And so soon after independence, it is not so easy to realize this. Both countries are more inclined to erect barriers than to facilitate trade and this has proven to be a major impediment to the economies of both countries, but mostly Ukraine.

- *Ukraine has been independent for over two years now, what do you see is the prognosis for its future?*

As far as my government is concerned, Ukraine is independent and will remain independent and it is certainly the policy of my government to do whatever it can, within the limits of its possibilities, to favour a more assured independent status for Ukraine. Ukraine has to become more economically independent. It has achieved political independence, that is fine. They ought to be congratulated for that, but economically they are too dependent and they have to be more independent. This is where Canada can help.

- *Do you have something specific that you would like to tell our readers?*

What I would like to tell your readers is that despite what they may hear about Ukraine in Canada, it is a very nice country. Kyiv is a beautiful city, and it's worth it to come here. Opportunities do

## LIBERAL PARTY UNVEILS UKRAINE PLATFORM

*Notes for an Address by the Honourable Lloyd Axworthy, Liberal critic for External Affairs, to the Ukrainian Canadian Professional and Business Federation Convention in Winnipeg, July 3, 1993.*

The end of the Cold War, apart from being the most positive development of this and the next century, has left us with a dilemma. We are being forced to rethink our entire foreign policy at the very time when the enemy is much harder to identify, when our interests and security are defined in broader ways, and when our resources are so limited.

The challenge facing Canada's foreign policy today leaves us with what I call the "say and do everything" syndrome. Buzz words like human rights, global environment, cooperative security, UN reform find their way into every government statement. For every problem, there is a seemingly attuned, frantic response. It is as though we are running in all directions at once. We want to extinguish every fire.

exist and my office will always remain open. Visiting Canadians have come to know that by now.

- *Finally, can you tell us about any memorable or historic moments that you experienced in Ukraine?*

One certainly very nice moment I experienced was on the occasion of the visit to Ukraine by the Governor General of Canada, His Excellency, the Right Honourable Ray Hnatyshyn. The visit took some of us, myself included, to the Chernivtsi area with the Governor-General, and allowed me my first real possibility of looking at this region of Ukraine, where so many Canadians of Ukrainian origin come from. I plan to return to Chernivtsi in just a couple of weeks to have a more detached view of the region. It was certainly a very memorable moment for me, as I'm sure it was for the Governor General and his wife. ■

But behind the photo-ops, the apparent commitment, there is a sense of loss of purpose, opportunities and leadership. A real gap between what we say and what we do.

In many ways we still have a Cold War defence policy -- helicopters, massive cuts in resources for peacekeeping, no defence conversion program. We hesitate, procrastinate in Bosnia; trade with and aid oppressive Indonesia; pay lip service to real UN reform.

Perhaps nowhere is the lack of direction more apparent than in Canada-Ukraine relations. Every member of the government has said at one time or another that they recognize Ukraine's importance for Canada.

Many have seen, like I have, the immense appetite to do business with Canada in Ukraine. They understand its cultural importance to Canadians, particularly the one million Canadians of Ukrainian ancestry.

They see a country of 53 million; a land area as large as France with immense economic potential and a strategic location in the heart of the new Europe. They see a common need to diversify external economic links, reduce economic dependence on a huge, powerful neighbour.

And yet, there is no well thought-out, forthcoming, aggressive policy to seize these opportunities. As a diplomat said to me recently: "We have a window of 5 to 6 years left to make this happen in Ukraine. Billions of dollars in trade and commerce will be lost if the government does not act quickly to improve the situation."





We had a strong beginning. In the wake of Ukraine's independence, Canada made some important moves firsts. The first Western country to recognize Ukraine as a sovereign state. The first to break from the agreement over Ukraine's repayment of the multi-billion dollar foreign debt inherited from the former Soviet Union, and the first to grant a \$50 million line of credit to Ukraine.

But there was little follow-up. Soon the federal government embarked on a one-sided approach to countries in the former Soviet Union, superficially giving the impression that we are supporting Ukraine, but behind the scenes pursued a Moscow-centred orientation. It can be seen in the disproportional amount of aid given to Russia compared to Ukraine. It can be seen in the Prime Minister's pledge to double the aid to Russia at the special summit in Vancouver last April, with no mention for Ukraine. It can be seen in our slowness in establishing our presence in Ukraine. And it can be seen in our insistence that Ukraine must abandon its nuclear arsenal without firm security guarantees.

## SECURITY

Let me start with the latter point.

Canada has strongly criticized Ukraine for dragging its feet on the removal of 176 strategic nuclear missiles to Russia for destruction. It has threatened to withdraw humanitarian aid. It has withheld technological assistance to revamp the Chernobyl reactors because Ukraine has not signed the START treaty.

This position has some merits. There are good reasons for Ukraine renouncing membership in the nuclear club. We should be concerned that Ukraine is the only holdout to the implementation of START I and II which would drastically reduce the nuclear arsenals of the U.S. and the former Soviet Union. We should be concerned by the risk of proliferation. We should also be concerned by a recent Washington Post article which suggests that Ukraine is seeking operational control of its nuclear weapons.

Evidence also shows that the Ukrainian security concerns are real and urgent.

1. We must not ignore that in Ukraine's view the potential enemy today is not the United States or NATO, but Russia. Russia remains a formidable force. It has three times the population and is many times the size of Ukraine. Ukraine has lived through decades of oppression and suffering under the Soviet regime. Twelve million Ukrainians were murdered at the hands of Stalin's government. Important potential disputes are still looming: ownership of the Black Sea fleet, control of the Crimea, ownership of Ukraine's nuclear arsenal.
2. Troubling recent events also explain Ukraine's more demanding attitude with respect to strategic nuclear weapons. In a gesture of goodwill, Ukraine removed all tactical nuclear weapons from its territory to Russia. But Russia has yet to live up to its commitment to give material compensation to Ukraine for the warheads, and provide evidence that these weapons have been dismantled.
3. There are still worrisome claims on Ukraine originating from the Russian Parliament and some extremist radical forces in Russia.
4. Ukraine has no oil and gas of its own; it must rely on Russia for uranium and other energy supplies, which puts it in a position of vulnerability. There is conflict over the price of oil imported into Ukraine from Russia, which has risen 300 times over the past year. As well, Russia has reduced its shipments of oil to Ukraine because the government has not paid bills for past deliveries.

As the chief of Ukrainian Parliament's Foreign Affairs Commission has stated: We all agree that we "must change arms into guarantees". But we should also recognize that there are a number of critical issues:

1. The granting of security guarantees to Ukraine by the nuclear powers -- the permanent members of the U.N. Security Council (through a legally binding political document, to be accepted by nuclear powers,

committing these countries to the non-use of nuclear weapons against Ukraine, the non-use of conventional armed forces, or the threat of force against it);

2. The provision of realistic assistance to Ukraine in financing a nuclear weapons elimination program in Ukraine;
3. The designation of future use of nuclear components of the strategic and tactical warheads located in Ukraine or those that were earlier removed from its territory for dismantling in Russia.

These demands only restate generally accepted principles of international law, particularly as stated in the CSCE Final Act of 1975 and the Paris Charter for the New Europe.

Our policy must therefore be more sensible. Rather than echoing the US's hard-ball tactics, we should refrain from economic pressure in the resolution of this dispute. All this does is send a signal to Ukrainians that they are isolated and must therefore think about how to defend themselves.

Given our close historical ties with both Ukraine and the U.S., we must attempt to become a more honest broker between the two.

Our aims should be:

1. Persuading Russia to give stronger guarantees, backed by international sanctions. Working toward a guarantee to maintain and safeguard Ukraine's integrity and protecting its borders from a possible nuclear attack.
2. Developing a whole new security structure for Eastern Europe by strengthening the CSCE, and by offering eventual membership in NATO.
3. Tackling the issue of transferring weapons to Russia and the level of compensation allocated to Ukraine by the U.S. for the dismantling process.





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.





## CANADA, UKRAINE and NUCLEAR WEAPONS: THE WAY FORWARD

by  
**Tariq Rauf**  
and **Joanne L. Charnetski**

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In the upcoming federal election, domestic rather than international security issues are likely to dominate the political discourse, even though events in the former Yugoslavia, Somalia, Cambodia and elsewhere figure in the headlines daily.

One critical issue is of particular interest both to the Canadian government and to one of the largest and politically powerful groups in Canada -- Canadians of Ukrainian descent. This issue is whether Ukraine will allow the removal of former Soviet strategic nuclear weapons stationed on its territory to Russia for destruction: 176 intercontinental ballistic missiles carrying a total of 1,240 nuclear warheads, and 42 long-range bombers with 592 cruise missiles each with one nuclear warhead; or whether Ukraine will declare itself to be a nuclear-weapon state with the world's third largest nuclear arsenal?

Ukrainian-Canadians generally endorse Ukraine's nuclear aspirations, as part of supporting Ukraine's independence and its position vis-a-vis Russia on control over the Black Sea fleet, Crimea and the port of Sevastopol, as well as on other issues. Canada, the first country to recognize Ukraine's independence, predicated its recognition on Ukraine's compliance with two existing nuclear arms control agreements.

While Ukraine has entered into legally binding international commitments to renounce nuclear weapons, President

Kravchuk and Foreign Minister Anatoly Zlenko have faced increasing opposition in parliament, the Rada, to give up the weapons. Prime Minister Leonid Kuchma and Defence Minister Col.Gen. Konstantin Morozov, in addition to the Foreign Affairs Committee and other deputies, have been arguing that in order for Ukraine to defend itself against Russia and to be taken seriously in the world, Ukraine should declare itself a nuclear power and temporarily retain some of the former Soviet nuclear weapons stationed on its territory. Further, there are worrisome reports that Ukraine has expropriated the nuclear weapons, and is working on developing enabling codes so that it could launch the missiles.

Western attention, including Canada's, has focused disproportionately on assistance to Russia for nuclear safety and dismantling. Belarus, Kazakhstan, and Ukraine -- states with former Soviet nuclear weapons -- also require Western assistance to deal with their Soviet nuclear legacies.

Revanchist elements in the Russian Parliament, including President Yeltsin himself, on occasion, have needlessly provoked fears in Kyiv by challenging the legality of the Russian-Ukrainian border, the status of Crimea and Sevastopol, and disputed other issues. Given the centuries-old history of Ukraine of foreign occupation, mainly Russian, it is understandable that the newly independent Ukrainian state is nervous about Russia's attitudes toward its sovereignty and independence. Probably, due to a lack of experience in dealing with nuclear-weapon issues combined with a persistent fear of Russia, many in Ukraine, and many Ukrainian-Canadians, feel that the best way to safeguard Ukraine's sovereignty is to rely on nuclear arms for protection. Such thinking is not entirely unreasonable in the current context.

Consequently, Ukraine has advanced several conditions that must be met before it will agree to consider START ratification. These are: 1) financial assistance for dealing with nuclear weapons; 2) security guarantees from nuclear-weapon states; and 3) resolution of disputes with Russia over borders,

disposition of military assets, share of the Soviet debt, and energy supplies.

Ukraine is demanding up to \$2.8 billion in financial assistance to defray dismantlement costs, while the US has offered \$175 million dollars to be provided after START ratification and NPT accession. Recently the US proposed removal of the warheads from the missiles, and to store them in Ukraine under international monitoring. Ukraine has been given security assurances by all five nuclear-weapon powers, to the effect that Ukraine will not be subjected to nuclear threats or attack if it joins the NPT. However, Kyiv is still demanding additional security guarantees from the West in relation to disputes with Russia. Kyiv and Moscow continue to bicker over the division of the Black Sea Fleet and the port of Sevastopol, Ukraine's share of the \$11.9 billion from the sale of highly enriched uranium, and on several economic and energy issues.

The stark reality is that the nuclear missiles in Ukraine are declining assets, soon becoming a major liability. The 130 SS-19 missiles are liquid-fuelled. Liquid rocket propellant needs to be chemically stabilized periodically. Similarly, nuclear warheads require constant monitoring and technical attention, to ensure the integrity of all built-in safety devices. With Ukraine extending "administrative control" over the nuclear weapons and because of the on-going dispute, Russia has not serviced the missiles and the warheads for over a year. Thus, as Foreign Minister Zlenko told the Rada last month: "these missiles are now already posing a real ecological threat to Ukraine." Recent reports suggest that given the environmental danger, of its 130 SS-19 missiles, Ukraine has begun to disarm one regiment of 10 SS-19 missiles, with another 10 to be disarmed next month, and that the US has agreed to provide financial support for this purpose. However, the 46 modern SS-24 missiles will not be deactivated.

Under the terms of the 1990 Treaty on Reducing Conventional Forces in





Europe (CFE), Ukraine is fielding more tanks and armoured combat vehicles (ACV) than Russia (in its European territory). Any transfer of additional tanks or ACVs by Russia into the CFE region would be a treaty violation. In short, Ukraine is well placed to deter or withstand a conventional attack from Russia. Any Russian threat or use of force against Ukraine would have dire consequences for Russia. Thus, it is in Russia's self-interest to resolve disputes with Ukraine through peaceful means. Nuclear weapons, in any case, would be useless in countering Russian political or economic pressure. A nuclear-armed Ukraine, paradoxically, would be viewed as a threat by its Central European neighbours.

While, in theory, Ukraine appears to be in a situation to become the world's third largest nuclear weapon state, in practice this is a hollow option. Physical possession of weapons does not translate into operational control. Ukraine lacks all of the critical capabilities in this regard. The cruise missiles had their guidance packages removed to Russia in late 1991, and the ballistic missiles apparently have been electronically disabled from Moscow. Kyiv does not possess other critical systems, such as: command and control, effective early warning, geodetic data from satellites for targeting, and maintenance and testing. Further, Ukraine risks a pre-emptive Russian attack on the nuclear weapons on its territory, if it appears that Kyiv gains launch control.

Thus, for all practical purposes, Ukraine does not and cannot have an effective nuclear deterrent. As Professor Bill Kincaid of the American University in Washington, DC, has pointed out: "by almost any logic, the choices faced by Kyiv in developing an employment doctrine for primitive nuclear forces are starkly limited to self-deterrence and self-destruction."

Ukraine's independence was welcomed in the West, and it has attracted a lot of goodwill. However, by continuing prevarication over fulfilling arms control obligations Ukraine risks being tagged as a "pariah" and an "unreliable" state in the international community. Astute Ukrainians recognize that as their

economy nears collapse, desperately needed aid and investment will not be forthcoming unless Ukraine progresses down the road to nuclear disarmament. And in the absence of disarmament, Ukraine will be economically deprived and politically isolated – in sum, have less security.

Canadians of Ukrainian heritage, therefore, would recognize their moral duty to support President Kravchuk, Foreign Minister Zlenko, and their allies, in their effort to convince the Rada and public opinion that the best option for Ukraine is to renounce nuclear-weapon status. By demonstrating its goodwill in complying with its legally binding international obligations, Kyiv stands to gain more in Western support -- both politically and financially -- than in holding hostage the strategic arms control process.

It is in the interest of all Canadians, not just Ukrainian-Canadians, that Ukraine prospers as an independent state, occupies its rightful place in the community of law-abiding nations, and contributes to global security by destroying its Soviet nuclear weapons legacy. A nuclear weapon-free Ukraine would attract greater Western support, indeed Western governments should publicly commit themselves to this course of action as an incentive to Ukraine to demonstrate its credentials as a responsible, sovereign member of the international community.

**UKRAINE, RUSSIA and  
NUCLEAR ARMS**  
by  
*Oleh Kandyba, P.Eng.*

*Oleh Kandyba is an Ottawa-based engineer and writer on Ukrainian affairs.*

Once again the question is being raised in the Western media as to why Ukraine is becoming increasingly reluctant to give up the strategic nuclear weapons which remain on its territory. Although nuclear weapons are indeed morally reprehensible, there may be some justification for this

position because of the rising tensions in the region.

When it declared independence in August 1991, Ukraine's government stated that its intention was to make Ukraine a nuclear-free state. This was in the days of euphoria, when the disintegration of the USSR was accompanied by much idealistic rhetoric from the leadership of every Commonwealth of Independent States (CIS) country. This included terms like "economic cooperation, non-aggression, and territorial integrity". These intentions simply have not stood the test of post-Soviet reality, especially between Ukraine and Russia.

The economic relationship between the two countries can best be described as adversarial. Russia has been pressuring Ukraine to enter into an unacceptable economic union and is using all means at its disposal. For example, Ukraine has very little of its own oil and natural gas remaining, and it depends largely on foreign sources to supply its industrial and agricultural needs. Russia has unilaterally reduced fuel supplies to Ukraine by 30% in order to obtain concessions from the Ukrainian government. As can be expected, this has caused major hardships in the Ukrainian economy. What oil Russia does sell to Ukraine is at near world prices, and must be paid for in hard currency. At the same time Russia demands below market prices for Ukrainian wheat, food and electrical energy. As a means of causing unrest among Ukrainian miners, Russia has also drastically reduced shipments of Siberian timber to the Donetsk region. This timber is needed to support Ukraine's vital coal mining industry. Compounding Ukraine's economic woes is the fact that Russia is stalling on payments for purchases of Ukrainian manufactured goods and food.

Ukraine has made no territorial claims whatsoever on any of its neighbours. In contrast Russia has openly declared its aspirations regarding Crimea, which was given to Ukraine by Khrushchev in 1954. At various times the Russian





Parliament has openly discussed the need to "protect the interests" of the large Russian populations in eastern and southern Ukraine. According to the same criteria, Ukraine could rightfully lay claim to some tracts of Siberia where Ukrainians make up more than 60% of the populace since their repression by Stalin.

Russia is actively fostering regional separatist movements in Ukraine through financial support, and through visits by high-profile Russian leaders such as Alexander Rutskoi, who encouraged civil disobedience and a separation referendum. This is blatant meddling in the internal affairs of Ukraine, and it is not clear why the Ukrainian government has not reacted more sharply.

Since independence, Ukraine has been systematically demobilizing and restructuring its armed forces from 500,000 men down to 225,000, in keeping with its budget and defense needs. It has more than lived up to international agreements by disposing of its tactical nuclear warheads ahead of schedule in July 1992. Since it had no means for destroying the warheads on its own territory, Ukraine was forced to send them to Russia, which proceeded to sell the nuclear material to the West for hard currency, and Ukraine has not yet been compensated.

Ukraine's economy helped to finance the building of the massive Soviet war machine. Therefore, it has a legitimate claim to an equitable portion of all Soviet military as well as other assets. However, Russia is procrastinating on resolving the issue. There is increasing concern over the division of ships in the Black Sea Fleet and the future basing of Russian ships. The fleet is operated under joint control and is commanded by Russian Admiral Edouard Baltin on behalf of both nations. Friction is growing in this regard as well. In one incident at the end of May, a ship crewed by Ukrainians raised its national flag. Admiral Baltin decreed that the ship was to be treated as a hostile vessel. The very next day some 32 Ukrainian ships raised the blue and yellow ensign and were also designated as hostile. In response, Ukraine's minister of defence, Konstantyn Morozov threatened to deny

all sustenance to Russian ships berthed in Sevastopol.

In short, events such as these have certainly raised tensions between Ukraine and Russia to a very high level. Ukraine is feeling quite vulnerable because the bulk of the Soviet war machine is in Russian hands, and if attacked, Ukraine would have difficulty in mounting a successful military defence. Therefore, it is understandable that some circles in Ukraine are calling upon their government to not give up their strategic nuclear weapons quite so quickly as a form of insurance against possible Russian aggression. This may well be one of the main reasons why the START treaty has been stalled in the Ukrainian parliament.

Ukraine undeniably has a right to exist and to defend itself. History has shown repeatedly that he who prematurely beats his swords into ploughshares invariably ends up ploughing for those who did not. It is unreasonable to expect Ukraine to unilaterally disarm under international pressure while being threatened by a potentially hostile and well armed neighbour. Despite a reasonably peaceful world there is no talk of unilateral nuclear disarmament in the US, Britain, France, Israel, India, China or Russia. To demand this of Ukraine would be hypocrisy on a grand scale.

Then what is the way out of this potentially dangerous situation? It is clear that Eastern Europe very much needs an economic and political counterbalance to Russia's growing power and influence. Ukraine's population is 52 million versus Russia's 147 million. Therefore, to achieve stability and promote reconstruction in the region, it may be far easier and cheaper to shift our priorities somewhat and accelerate the economic redevelopment of Ukraine. To this end, Ukraine would require much more economic and technical aid from the developed nations than the less than \$5B of real aid which it has received to date. In contrast, Russia has received in excess of \$90B. Of course, any large scale aid program must be coupled to the performance of the Ukrainian government in implementing meaningful reforms.

Most important, the West, and specifically Europe must integrate Ukraine into its political, economic, and defence structures. At least during the transition to a market economy and full recovery, we should extend to Ukraine guarantees of territorial integrity through strong defence pacts and political alliances.

Returning to the issue of nuclear weapons, Ukraine must also be an equal partner in any international nuclear disarmament negotiations and not treated like a child which has found something dangerous. Ukraine is a de-facto nuclear state and must be treated as such. Its scientists and engineers were major players in the development of Soviet nuclear weapons and power reactors. Even if all nuclear warheads were removed from its territory, Ukraine has everything that it needs for their design, manufacture and delivery. Therefore a permanent solution to the problem will be far more complex than just the simple removal of warheads.

Through Chernobyl, Ukraine has had an all too graphic lesson on the horrors of the nuclear genie. Therefore the government of President Kravchuk has been unequivocally against the deployment and use of nuclear weapons, and has been striving towards a nuclear-free status. However it can proceed only if Ukraine's national interests are safeguarded. This is a highly responsible position which can only be lauded. As such, it deserves a constructive and truly creative response from the West.





## TRADE OPPORTUNITIES IN UKRAINE

*An Interview with Dennis N. Goresky,  
Canada's Commercial Counsellor to Ukraine*

In July 1993, Dennis Goresky departed for a new mission to Kyiv following his new appointment as Canada's Commercial Counsellor. Mr. Goresky is responsible for promoting Canadian goods and services in Ukraine. He is Ukrainian in origin, born and raised north of Edmonton, in Alberta. He was posted as a political attache and alternatively working on commercial issues in Warsaw (Poland), Bucharest (Romania), Sydney (Australia) and Los Angeles (USA).

*Monitor editors Orest Dubas and Nina Romas interviewed Mr. Goresky in Ottawa on the eve of his departure for Kyiv.*

- *Mr. Goresky, what role do you foresee as Commercial Counsellor in Ukraine?*

I have specialized in issues that are very important in Ukraine, such as energy, environment, agricultural equipment. All of these issues are ones Ukraine needs to master in order for its government to produce the workers and products it requires. In Los Angeles, in particular, we dealt specifically with trade problems, such as access to markets by America. So when we're dealing with a situation such as a new market, it's important to understand what Canadian policies are and how they fit in to GATT. These are issues that Ukraine is now coming to terms with. I was in the right place in my career at the right time.

There are two roles to be played here. My primary role will be to promote exports of Canadian products and services into Ukraine. I'll be involved in finding ways to help Canadians finance their ventures into Ukraine. The Canadian Cooperation Office in a lot of ways is there to provide expertise into Ukraine from Canada. The other side of the coin will involve work with Ukrainians to help them to sell goods in Canada. If anybody comes to the Canadian embassy in Kyiv, we will direct them to the people most appropriate for them to work with, such as the Trade Facilitation Office, who specialize in bringing products from East European markets. They will even train Ukrainians on doing business in Canada. We can't ignore the second side, because Ukraine has to pay for its imports, and it's still in the process of building structures for this.

What I will be doing is promoting two-way trade, joint venture, because in fact, we find that Canadian businesses that have been most successful to-date in Ukraine have taken this approach. First of all, these successful businesses have done their homework here in Canada. Then they've gone over to Ukraine to see what their opportunities for selling their products in that market. At the same time these businesses are able to identify partners in Ukraine that support the Canadian companies' interests in Ukraine and other parts of Europe. A successful joint venture allows both sides to benefit more than they would if each approached the market place alone.

Let me clarify something. Our bilateral trade will be much stronger if we have dealings between all types of businesses and all parts of the Canadian economy. It can't just be limited to Canada's Ukrainian community.

Look at a company like SEMEX. Here we have a success story of a Canadian firm that took all the right steps and the right approach. SEMEX has chosen Ukraine as its centre for production of semen for breeding cattle for the rest of the former Soviet Union and even into Western Europe. Its joint venture with Ukraine is the only one that the company is doing in continental Europe. This company has no Ukrainian roots or traditions. There have been scores of other successful ventures in Ukraine, including dairy products, pizza, shoes, energy exploration, agricultural equipment and scores of other areas. In spite of economic problems in Ukraine, cooperation, joint ventures and straight investment continue to grow almost on a daily basis.

- *What type of projects do you see your office initiating in the near future?*

I would like to tackle four or five key areas. First, I'd like to do some market intelligence to determine Canadian strengths and Ukrainian needs -- where do they match? And then I plan to work with Canadian and Ukrainian companies to get together to match them up. That's the key.

We're already working on one trade show for November in Kyiv on agricultural equipment where the Canadian government will have a booth. I'll be developing a plan for our involvement in such shows, which are relatively new in Ukraine. While there's no track record, there are organizations such as the federal Renaissance program through which Canadian companies are able to get assistance in exploring possible joint ventures and eventually should lead these companies to participate at these shows. And so you're going to see a larger Canadian presence. I have seen this same commitment by people in Ottawa for this direction, and I think a process will soon be put into place.

Canada is also working on several projects -- one on privatization, one on health and a big one on agriculture.

In the energy sector the sky is the limit. Projects involving cogeneration, oil and gas pipelines, oil and gas exploration and enhancement of existing fields. On the nuclear side Canada has considerable expertise to





help make the reactors safer and more efficient.

Environmental issues are also very important and Canadians are exploring ways to assist Ukraine to clean the air, land, and water that had been heavily polluted under the previous system.

Other important areas that seem to bring out new projects on a weekly basis are agriculture, services and health care. If Canadians get involved with only a fraction of the possibilities in these three areas alone, the cooperation and benefit to both countries will extend well into the next century and at a level that will be very advantageous to Canada.

- *Do you believe that the size of Canada's trade with Ukraine can grow much higher?*

At the moment the actual trade is probably about \$8-10 million. Bilateral trade is all so new right now, that there's no way to gather accurate statistics in Ukraine. Whatever the specific volume of trade is, it's not very much. Part of the reason is, that Ukraine can't afford to buy products. Traditionally, Canadian industries, particularly the smaller businesses have a cash flow problem, so they like to go in, sell it and come out. Businesses in Ukraine who want to be successful are those willing to take time and develop their market so that they are able to receive a fair return on their investment, perhaps only in local currency, and are able to expand their segment of the market. In the meantime, they may need to stand on their own and find a way of financing their investment for the first 3,4 or 5 years.

I believe, that if everything goes peacefully, within 3-5 years we're going to see a real change in the way things are done in Ukraine. They're starting a country, they're starting a nation, they're doing everything at once. Many structures are not in place yet. The people will become comfortable with the currency. Businesses will find there'll be more of an opportunity to take their investment out. As it is now, you need to invest, and to look at the medium and long term projects. That's what Ukraine needs and wants, and that's why the joint venture is



*Canada's Commercial Counsellor to Ukraine Dennis Goresky (left) meets with Oleksander Shandruk, First Secretary (Trade, Science and Technology).*

such an important mechanism, because it assures Ukraine that businesses are there for the duration.

- *Have you been instructed by the Department of External Affairs to emphasize any particular sector? Do you feel any particular trade matters should be stressed?*

*Do you have a plan for the next few years?*

Yes, a plan was identified a while back. One of Canada's priorities is to ensure that there is a privatization of Ukrainian enterprises. Without privatization in place, a lot of international monetary groups, like the World Bank, that could help out with Ukraine's development, are wary to get involved. These types of organizations are always looking to see that the weather vane is pointing in the right direction. As long as they're convinced that Ukraine is going along that line, even though there may be problems, you'll find more credits, more long term loans, and better interest rates on those loans.

It's extremely important for Ukraine to come up front with privatization. The same holds true with Russia, as with all of the states of the former Soviet Union. They all have to make these changes. Much like Hungary, the Czech Republic,

Poland, and perhaps Slovenia. But what you have to remember is that, except for Slovenia, all these countries have had their government structures in place. They have a bureaucracy, they have an economy. In the Ukrainian situation, you truly did not have an independent economy. You had a series of demand production areas that were tied into a central core that told enterprises what to produce and most often provided all the materials that were required for the enterprise to produce its product. When you took that top strata away, you didn't have an economy, but only a series of columns that were tied into enterprises in other countries and had no contact with suppliers even located next door. What remained were a series of columns that exist independent of the environment around them. They're now redoing everything. There has never been a change like this that I can think of. *Even when the colonial powers left Africa, they never left them in a situation as bad as this, each new state had at least a remnant of a government.*

The development of Ukraine in other ways is incredible and many companies find that this is the place to go. The number of educated engineers and technicians in Ukraine





currently out of work is a real bonus to businessmen. Ukraine has a pool of human resources that's second to none in a lot of ways. They understand the importance of developing long-term goals and strategies. If everything goes well, this country is going to be consumers, producers and our competitors. But we don't have a fear about competing with them, because in the long run, it's going to be positive for both our countries.

But they're still looking at the directions they want to go. The weakest link is the one they're working on right now – the political/government side, right down to establishing a trained bureaucracy. They never had these trained civil servants working for the benefit of the Ukrainian state and now with so few trained individuals there is a real shortage of competent neutral experts that remain in one are for a length of time. When Ukraine changed a Minister, they would make changes deeply into the Ministry, even to the Director level, and in so doing they could lose all their expertise. You may have been working for three years on a project, but if that Minister goes, you may have to start from scratch because there may not be a single person left who knows anything about that project. **It's not a process that happens anywhere else**, in a country that in other ways is so developed.

- *Do you feel Ukraine is getting sufficient help from the West? Is lack of funds the reason why Ukraine is looking back to its former partners and even further eastward?*

I think Ukraine is beginning to get more credits, but the situation is in limbo. There are problems everywhere in the G7 countries. It's not restricted to the countries of the former Soviet Union. The problem is not strictly credits. It's making commitments and following them through. With Ukraine getting the \$50 million line of credit from Canada and now repaying it, it's establishing its credit rating. I don't see any problems in Ukraine getting additional funds if it gets a handle on its economy and makes changes that the IMF and others have said need to be done.

The reason that Ukraine is now looking to Russia and its other historic neighbors is a

natural phenomenon. It's the same way that Canada couldn't exist without a relationship with the United States. Russia is the largest power in that area. It's the same way that Ukraine also needs a relationship with Germany, because Germany is a dynamic economic force in Europe. You can't exist without that kind of a relationship. It's surprising that people could even think that Ukraine could exist without these relationships with one another. The reason that the government of Ukraine has been signing new agreements with its neighbours is that many of its industries have come to a standstill. Because industries in countries such as Ukraine and Belarus had no relationship with other industries in their own territories, they want to re-establish these contacts with their previous working partners. Only now, these relationships are being established between sovereign nations. At this time, they want to get going again even if it means a retreat from where they were. Many in Ukraine oppose this move as they see it being a return to the old regime. It's their decision to make and except for helping their economy there is little we can do to influence this decision.

- *What progress has been made on trade agreements between Canada and Ukraine? What do you foresee in the near future?*

We are now in the process of finalizing the date when we will meet for what I hope will be the last negotiations on a general agreement. An investment agreement and other such commitments will not be far behind.

- *Is there any particular issue that you feel is critical?*

Privitization is still the key, as well as Ukraine getting control of its economy. If both issues are mastered there will be even more cooperation.

- *What do you foresee as your priorities?*

By sectors they are agriculture, health, environment, energy, and transportation. For my job it is to get out and do more market research and then match Canadian companies with opportunities in Ukraine.

- *Will you have enough staff and resources to tackle all these opportunities in Ukraine?*

Yes, I will have two locally engaged officers and two assistants to provide the necessary support. The Kyiv Embassy itself has 23 locally hired staff in addition to its 10 person Canadian complement. Our government understands the importance of hiring of experienced local staff in any country who know the ins-and-outs of policy, trade, culture, and other aspects of bilateral relations that no outsider could possibly have or be expected to grasp during his posting. I might add we are also expecting to increase this complement by one Canadian and 6 new locally engaged staff.

- *And finally ... a few parting words?*

As I said before, there are now small companies as well as large multinational corporations getting involved in Ukraine. We see small-scale joint ventures and large megaprojects. And yet we still see too much news originating from media stationed in Moscow, so that, even to this day, Ukraine finds herself in Russia's shadow in the west. Under these conditions, I think Canada's Ukrainian community is continuing to do a remarkable job in providing our politicians with the facts and opportunities in Ukraine. The *Ukraine-Canada Policy and Trade Monitor* will also go a long way to help provide information necessary for Canadians to do business with Ukraine and for Ukraine to do business in Canada.





## NEWSBRIEFS

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### ECONOMY & BUSINESS

#### UKRAINE RICH IN OPPORTUNITY: EUROPEAN BANK — KYIV

*Excerpt from Ukrainian Voice*

Business opportunities in Ukraine are related to a critical need for almost everything, said Canada's former trade commissioner to Ukraine.

Pick up the Yellow Pages for Winnipeg or Toronto and flip through them "... and those are the opportunities in Ukraine," Nestor Gayowsky told the nearly 200 delegates at the Canada Day Ukrainian Canadian Professional and Business Federation convention in Winnipeg. Ukraine represents a potential market of 50 million hungry consumers, he said. "There is no reason why people should hold back."

Still, there are some basic rules to follow when seeking to do business in Ukraine, now facing a critical turning point in its future, said Gayowsky, who is now a representative for the London-based European Bank in Ukraine. "Enter the market in a limited way," he said. "Start with a small joint venture and build on early success."

Exposure to risk should be limited to what can be written off if something unfortunate develops. "Cover your bases," he said, "by involving all organizations with which the company may have formal contracts before signing contracts to ensure they won't be railroaded down the road."

As well, he said, businesses must establish control over the selection or removal of Ukrainian managers early in the venture. At the same time, businesses should make good use of those who have grown up in the former Soviet republic. "Ukrainians are well educated and technically competent," he said. "Those

who are getting involved in economic reform have a desire to learn new methods and want, as soon as possible, to assume responsibility for the new venture." There must also be agreement on how costs and prices will be established and how profits must be defined, he concluded.

*Ukraine's then Deputy Prime Minister Viktor Pynzenyk pointed out that last year, only 20 of the 3,000 joint ventures - representing \$1 billion in foreign investment - were from Canada.*

#### UKRAINE PLANS EXPORT DRIVE FOR SHIPYARDS

Ukraine could build 150 ships for export by the year 2000, bringing in \$2 billion in export earnings, Ukrinform news agency reported on August 23. "This is real and could bring Ukraine a profit of \$2 billion," the agency quoted Yuri Kamenetsky, president of Ukrsudnobud state shipping corporation, as saying. Kamenetsky said Ukraine could double the potential of its ship building industry in the next 10 years. Ukraine's five yards built naval ships, but have begun switching output, building tankers for customers in Norway, Greece and Britain. Kyiv also plans a 40-vessel tanker fleet.

#### UKRAINE SEEKS FOREIGN INVESTMENT

The Ukrainian government, on August 19, published a list of 53 enterprises, including some of the country's largest factories, which it hopes to privatize with foreign capital. A statement published by the Ukrinform news agency said the government intended to transfer the factories to Ukraine's small private sector by selling shares. The list included some of the largest factories in the former Soviet republic - three huge chemical plants in central and eastern Ukraine, three steel mills, a machine building plant, an electronics factory in northern Ukraine

and ship repair facilities in Odessa. There was no indication of how officials intended to persuade foreign investors to purchase shares as the government remains engaged in a battle with Parliament over the introduction of market reforms in the country. Ukraine began privatization of small enterprises earlier this year and has tried to pursue tight monetary policies to bring down inflation and reduce a huge budget deficit. But its efforts remain handicapped by large payouts to end a miners' strike and prop up loss-incurring collective agriculture.

#### YORK SYMPOSIUM ON UKRAINE

A Symposium on *Ukraine: Two Years of Independence*, took place on October 8-9, 1993 at York University in Toronto. Invited speakers included: Ihor Yukhnovsky, Member of the Supreme Council of Ukraine and former Deputy Premier of Ukraine (Political Achievements and Challenges of Independent Ukraine), Victor Pynzenyk, Member of the Supreme Council of Ukraine and former Minister of the Economy of Ukraine (Economic Issues), Oleh Hawrylyshyn, Alternate Executive Director of the International Monetary Fund, Gen. Nicholas Krawciw, USA (ret.) (Ukraine's Military Forces), and Ivan Dziuba, Minister of Culture of Ukraine (Cultural Policy and Development). For more information please call: *Ukraine Symposium*, c/o Ukrainian Canadian Research and Documentation Centre at (416) 966-1819.

#### UKRAINE PLANS EXPORT CURRENCY SALES AT MARKET RATE

As of August 16, the value of the karbovanets is no longer to be set by





the Central Bank, but is to be determined in trading against other currencies on the Kyiv currency exchange. In addition, as of September 20, Ukraine planned to make exporters sell all their export earnings at a market rate set on the Kyiv currency exchange, scrapping regulations introduced in August, central bank head Viktor Yushchenko said.

## ENERGY

### UKRAINE TO BUILD OIL TERMINAL IN BLACK SEA PORT

British and Dutch firms won a tender on September 14 with their bid to build an oil terminal in the Black Sea port of Odessa, a project which could give Ukraine new sources for all its requirements of imported oil. Britain's J.P. Kenny group of companies and Single Buoy Moorings Inc., a unit of Dutch firm IHC Caland NV, plan a terminal able to handle 40 million tonnes of oil a year (800,000 barrels per day) for processing in Ukrainian refineries. The terminal will take two years to build and cost between \$130 million and \$150 million, Ukrainian officials said.

Energy-starved Ukraine imports about 90 percent of its 40 million-tonne annual oil requirement from its powerful neighbour Russia. But energy dependence on Russia, and \$2.5 billion in debts to Moscow - mainly for energy imports - have turned into a major political issue in Ukraine. President Leonid Kravchuk cited the arrears in agreeing this month to study the transfer of Ukraine's share of the Black Sea fleet to Russia.

Three other foreign firms vied for the bid, including the Houston-based engineering and construction firm Sofec Inc. "Of course Sofec is stronger, but the Dutch and British companies proposed a cheaper version," Volodymyr Kuznetsov, a member of the tender commission, told reporters. "Besides that, a large part of the work will be done by Ukrainians."

In early September, Ex-Prime Minister Leonid Kuchma concluded a deal to secure 12 million additional tonnes of Russian oil,

using a Swiss firm as an intermediary. Ukraine has a contract with Iran to supply four million tonnes of oil annually and is negotiating with other countries for additional supplies, but prospective deals have been held up by financial and technical problems. Other possible barriers to the plans for the terminals could include objections from Turkey, also on the Black Sea coast. "The Turkish side maintains quite a strict position, because of environmental issues and the heavy burden already on the Bosphorus and Dardanelles," said foreign ministry official Yuri Bohayevsky at a news briefing on September 14. Turkey hopes to curb the flow of oil being shipped through the Bosphorus, much of it from Russia's port of Novorosiisk. It favours using pipelines to send the oil to Western markets.

### UKRAINE TO PRIVATIZE LARGEST OIL REFINERY

The Ukrainian government has approved plans to privatize the country's largest oil refinery and will offer a 55 percent stake of the Lisichask plant for auction, Ukrinform news agency said. The agency, quoting a statement from the Ukrainian Cabinet of ministers, said the refinery, which has a capacity of 34 million tonnes of oil a year, would be transformed into a joint stock company by December 15 in preparation for the sell-off. Twenty percent of the shares would remain in the hands of the Ukrainian state property fund and most of the remaining shares would be offered to refinery employees.

### UKRAINE WILL SELL SUGAR FOR PETROLEUM PRODUCTS

The Ukrainian state food industry committee has been given permission to allocate 200,000 tonnes of sugar from the national reserve for purchase of one million tonnes of petroleum products, a senior industry official said. Individual sugar refineries will be allocated sugar from the reserve according to their need for fuel oil and other petroleum products to complete the harvest, said Petro Chymerys, a senior official at the food industry committee. The refineries may also negotiate contracts individually,

Ukraine is the biggest ex-Soviet sugar producer and forecasts a 1993 harvest of 4.5 million tonnes, up from 3.2 million in 1992.

## MILITARY

### UKRAINE SIGNS MILITARY COOPERATION AGREEMENT WITH GERMANY

On 16 August Ukrainian Minister of Defense Konstantin Morozov and his German counterpart, Volker Ruehe, signed an agreement on military cooperation that provides for official and working visits between delegations of the armed forces of the two countries. Ukrainian Radio reports that Ruehe was on an official visit to Kyiv, during which he also met with President Leonid Kravchuk and Foreign Minister Anatoli Zlenko. This is the second agreement on military cooperation that Ukraine has signed with a Western country; the first was signed earlier this year with the United States.

## AGRICULTURE

### PREMIER ROY ROMANOW NAMES SASKATCHEWAN-UKRAINE ADVISORY COUNCIL

Making good on a commitment made last year by Premier Roy Romanow, the Saskatchewan government on June 30, 1993 created a community based Advisory Committee on Saskatchewan-Ukraine relations. Taking advantage of the opportunity presented by a banquet in honour of the visiting Vice-Premier of Ukraine, Victor Pynzenyk, to announce the Committee's formation, Premier Romanow clearly stated his personal commitment as well as that of the government, in increasing economic and social ties with Ukraine.





Reporting to the office of the Provincial Secretary, presently Hon. Ed Tchorzewski, the Advisory Council's role is to advise the government with respect to the establishment and review of existing and future policies, programmes and projects concerning Saskatchewan and Ukraine relations. The Advisory Council has been established for a three year term.

## GRAIN ASSESSMENT MISSION TO UKRAINE

*Report from the Canadian Grain Commission*

In April 1993 an International Grain Consultation (IGC) team conducted an assessment mission in Ukraine. The goal was to determine the state of the grain industry, particularly in the area of quality control, and to evaluate the potential for involvement of IGC, the commercial service of the Canadian Grain Commission. Meetings were held between IGC and government official, farmers and other members of the grain industry to discuss its structure and needs.

The Vice Prime Minister and the Minister of Agriculture agreed in principle that IGC can provide valuable services in grain quality control in Ukraine but were concerned over the issue of funding. The Deputy Chairman and the Manager of International Relations Department of the State Committee on Grain Products agreed that quality control is very important to the grain industry, but their principal concern was with obtaining equipment for laboratory analysis. Both groups believed that the State will continue to play an important role in the grain industry.

IGC dealt principally with the managers of four collective farms and an association of about one hundred private farmers to learn about the grain production and delivery system. The system in Ukraine is in the process of becoming more market driven and the farmers are unsure of how to produce and market a quality product under the new scheme. In the past, they have been more concerned with producing quantity than quality.



*Members of the International Grain Consultation Team.*

A typical elevator operator discussed the problems faced by the withdrawal of the State from the operations of country elevators. In the past, the State has ordered grain for all segments of the industry; now, only about 30% of production is State-ordered and the rest of the grain can be sold on the open market. The operator was unsure of how to price the grain and how to provide farmers with incentives to deliver a quality product. A bakery manager described the problems faced in trying to obtain flour of sufficiently high quality to produce good bread products.

IGC has concluded that the Ukrainian grain industry can benefit from its services in training and consultation on grain quality procedures and on how quality can enhance the end product and benefit both producers and consumers. Accordingly, it has prepared a proposal for a grain quality demonstration project and has submitted the proposal to a development bank for funding. Subsequent phases will be developed over time to build the concept of quality into all facets of the Ukrainian grain industry.

## 1993 CANADA-UKRAINE FARMER EXCHANGE PROGRAM

This year's Farmer Exchange started in late September. The Ukrainian Canadian Congress - Saskatchewan Provincial Council, which took over this project from

Grant MacEwan Community College in Edmonton, is co-operating with a group of private farmers in Ukraine, the Canada Exchange Program Veterans Club (CEPVC), to bring a number of Ukrainian private farmers to Canada.

In previous years, the program saw farmers from Ukraine billeted with host Canadian farmers for up to six months. The trainees lived with their host families while engaging in a training program. The training for 1993 has been arranged by Judie Dyck from Agmar Consulting.

Ukraine needs young people who will become private farmers. At the same time, host farmers are able to learn more about life in Ukraine and gain the satisfaction that they are helping to build a new country.

MLA's Myron Kowalsky (Prince Albert-Carlton) and Walter Jess (Redberry) have been very helpful in arranging for billets for the trainees.

Farmers who are willing to take in a farmer from Ukraine and contribute room and board, are asked to contact the UCC-SPC. Please provide the following information about yourselves: name, address, age, type of operation, previous participation in the programme, knowledge of Ukrainian.





## UKRAINIAN OFFICIALS OBSERVE FARMING IN SASKATCHEWAN

During June of this year, high ranking officials from the Ukrainian Ministry of Agriculture and Food were in Saskatchewan studying Canadian farming techniques and agriculture administration. The Deputy Minister, Vyacheslav Hrevtsov, and the Director of Livestock and Food Processing, Anatoli Baluta, were hosted by Agriculture Canada, and their stay was coordinated by Gerald Luciuk. While spending most of their time in Regina, the Ukrainian officials were able to visit rural districts and the University of Saskatchewan. The executive director of the Ukrainian Canadian Congress - Saskatchewan Provincial Council, and Judie Dyck of Agmar Consulting had the opportunity to meet with the visitors to discuss the upcoming 1993 Canada - Ukraine Farmers' Exchange Programme. Messrs. Hrevtsov and Baluta returned to Ukraine impressed with agriculture in Saskatchewan and encouraged about the possibilities for closer cooperation between Saskatchewan and Ukraine.

Modernizing Polish television news, formulating guidelines to help abandoned children in Ukraine, and using biogas for energy production in an Armenian village - these are a few of the multivarious projects supported by the Canadian Bureau for International Education's (CBIE) Human Resource Development Program (HRDP) for countries of the former Soviet Union and Central and Eastern Europe.

The 18-month program is funded by the Bureau of Assistance for Central and Eastern Europe of External Affairs and International Trade Canada (EAITC). The largest of the four programs comprising the Partners in Progress Initiative (Partners in Progress is itself the Bureau of Assistance's largest project, with a \$3.7 million allocation. HRDP aims to select up to 100 Canadian cooperants over its lifespan. To date, 58 have been approved, and 35 are in the field. This represents remarkable progress given that the program only got underway last winter.

The HRDP projects, while disparate, feature a few common elements. Each involves a partner organization in the region; the Canadian cooperant or, in the case of a team, at least one team member is fluent in the language of the country (unless the organization has competency in English or French); and each plans to transfer a skill or knowledge which will propel the partner organization and the country towards a market-based economy within a democratic political system. An expected spinoff is ongoing relationships between Canadian organizations and their partners in the region.

Over 900 inquiries have come in from interested Canadians and landed immigrants (who are also eligible), and 200 prospective applicants have visited CBIE offices for information. The interest level is surprising since the program does not actually pay cooperants, and requires them to contribute at least two months to on-site activities. In some cases teams are formed to ensure sufficient time in the field by one or more cooperants. The program covers airfare, equipment and materials, and some field costs. A chunk of the local expenses specifically food and accommodation, are paid by the partner organization. It is worth noting that many of the cooperants undertook exploratory visits at their own expense prior to submitting proposals.

Some exceptional projects, and exceptional people, have been selected. The following snapshots fail to do justice to their significance to the countries involved and to their potential success in engendering positive change in both attitudes and work methods. ■

### SOCIAL ISSUES & ASSISTANCE

## KALEIDOSCOPE OF HRDP PROJECTS FUNDED BY CBIE

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## ALTERNATIVE CARE FOR ABANDONED CHILDREN

Volodymyr Ilnyckyj has extensive professional experience in family services with Manitoba's provincial government. He has developed services for Canada's native communities and negotiated the repatriation of Canadian native children adopted by American parents. The Social Services organization of Ukraine requested his assistance in devising recommendations and criteria for alternative care of children whose parents abandon them or are unable to look after them. This project is supported by the HRDP, the Ukrainian Canadian Social Services organization, and by Mr. Ilnyckyj himself, who will spend two months in Ukraine this summer.

## LEARNING ENGLISH IN THE CARPATHIAN MOUNTAINS

Maurice Nadeau and his daughters Nobuko and Yuriko Nadeau, of Anjou, Quebec, have formed an organization called YAN International which recently worked in cooperation with the University of Ivano-Frankivsk, in the Carpathian Mountain region of Ukraine, to develop a summer English immersion camp. The cooperants designed the curriculum for an intensive, seven-hour per day program, and recruited 10 Canadian teachers of English as a Second Language to staff the program. The goal of this "live and learn" camp is to introduce Ukrainians to North American English and to aspects of its business and culture, with the prospect of facilitating future linkages.

## LAUNCHING OF ENCYCLOPEDIA OF UKRAINE

The largest project undertaken by the Canadian Institute of Ukrainian Studies, together with the Shevchenko Scientific Society and the Canadian Foundation for Ukrainian Studies, has been the development and publication of the Encyclopedia of Ukraine. Drawing on the Ukrainian-language "Entsyklopediia ukrainoznavstva", edited by the late Professor Volodymyr Kubijovyc, but also incorporating a large body of new materials, the completed Encyclopedia of Ukraine consists of five volumes, each of some 1,000 pages and 3,000 alphabetical entries. Its editor-in-chief is Professor Danylo Husar Struk. Volume I of the Encyclopedia appeared in 1984; volume II in 1988. The remaining volumes are now available. For more information, call the Foundation Director, Andrij Hluchowecy at (613) 235-8214.

## SCIENCE & TECHNOLOGY

### COMPUTERIZING MUSEUM COLLECTIONS

Up to now, access by foreign museums to the collection of the National Museum of History of Ukraine has been hindered because of a lack of computerization. Daria Darewych, Assistant Professor of Art History, York University, is heading a three-person team which will assist the Ukrainian partner to computerize and so become "compatible" with Canadian museums such as the Museum of Civilization and the Ukrainian Museum of Canada, as well as museums around the world. The intended result will be visiting exhibitions in both directions, to and from Ukraine, and increased scholarly research on Ukrainian history. The project has been endorsed by Ukraine's Minister of Culture, I.M. Dziuba, several Canadian museums, the Canadian Heritage Information Network, and the Canadian Museums Association.

## CANADA AND UKRAINE ESTABLISH SCHOLARLY EXCHANGE PROGRAM

The Royal Society of Canada (RSC), the country's national academy, has recently signed a memorandum of agreement with the Ukrainian Academy of Sciences, establishing a bilateral program of exchange lectureships. Under the agreement, there will be an annual exchange of distinguished scholars from Ukraine to Canada and vice-versa, on alternate years for a period of one to two weeks, to speak to specialized audiences as well as the general public.

Similar exchange programs have been in existence for many years with the Royal Society of London and the Academie des Sciences de Paris, and have recently been established with Poland, Italy and India. The program is part of RSC's expanding network of contacts with other national academies.

In order to implement the exchange program the RSC has launched a fundraising campaign, headed by Dr. Lawrence Mysak, recently elected president of RSC's Academy of Science (McGill University) and Dr. Yuriy Darewych (York University), assisted by Dr. M.P. Bachynsky (Montreal), Dr. Roma Franko (University of Saskatchewan), Dr. Peter Kondra (Winnipeg), the late Hon. Justice Walter Tarnopolsky (Toronto) and Dr. Paul LeBlond (University of British Columbia).

The objective is to raise \$100,000 to endow the program. RSC's Department of External Affairs has agreed to supplement funds raised at the rate of one dollar for five, up to a maximum of \$15,000; thus \$85,000 remains to be raised.

For inquiries or donations, contact: Therese Gauthier, Coordinator, Relations, The Royal Society of Canada, P.O. Box 9734, Ottawa, Ontario, K1G 5J4; (613) 991-6993; fax, (613) 991-6996.





## UKRAINIAN HEALTH SCIENTISTS TRAIN IN OTTAWA

*Development and International Technical Cooperation Program with Ukraine -- Immunization Assistance, by V.W. Yarosh, Microbiologist, Health Canada*

The breakup of the Soviet Union and the emergence of independent states has resulted in social disruption, with major effects on the health care system. A Canadian mission to Ukraine identified the health sector as a potential collaborative area with the strengthening of the regulatory program for vaccines, blood and blood products as a priority. In Ukraine, the vaccination program is seriously jeopardized by the lack of vaccine production, lack of a national regulatory and quality control authority and deficiencies in the storage, distribution and administration of vaccines.

The Ministry of Health of Ukraine is presently in the process of organizing a national regulatory agency which will be responsible for the assessment of safety and quality of all domestic and imported vaccines and other immunobiological preparations. Expert microbiologists from Health Canada, Bureau of Biologics,

conducted a comprehensive assessment of the former manufacturing facilities, the proposed quality control facilities and laboratory personnel, which resulted in a collaborative project to strengthen the immunization program in Ukraine. The project is intended to assist in the formation of a national control authority for biological and technology transfer through training of scientific personnel in modern laboratory methodology, quality control procedures and good laboratory practices. This is to be accomplished through two training sessions of the scientists in Ottawa, visits to Canadian pharmaceutical manufacturing facilities and three follow-up visits of Canadian experts to Ukraine.

The first training/workshop phase took place in June, 1993, with the arrival in Ottawa of fourteen scientists/-bacteriologists, virologists and epidemiologists. These scientists were selected from various centres such as the Institute of Epidemiology (Kyiv), Academy of Science of Ukraine (Kyiv), and vaccine production facilities in Kyiv, Kharkiv and Odessa. The participants underwent extensive hands-on laboratory training at the Bacterial and Viral Divisions of the Bureau of Biologics and orientation sessions at the Institute Armand Frappier BioVac Inc. in Montreal, the Connaught Laboratory Limited in Toronto, and the

Epidemiology Department of the Ontario Ministry of Health in Toronto.

Following this four-week training/workshop session, the scientists have acquired the theoretical and practical knowledge of modern vaccine testing procedures and the regulation and licensing of biological products. They are expected to apply this knowledge to the national quality control program in Ukraine. The visit also provided an opportunity for both sides to compare the cultural, social and economic differences between our two countries and to set up very valuable scientific and personal contacts for further cooperation.

The second phase of this project includes the training of a new group of Ukrainian scientists in the regulatory control of blood and blood products as soon as arrangements can be made. Both training sessions will be reinforced by three follow-up visits to Ukraine by the Canadian experts who will further assist in the organization of the Ukrainian quality control agency, identify problem areas for further training and evaluate the effectiveness of the scientific training in Canada. ■



*Participating Ukrainian scientists in Ottawa (author at left)*

## BUSINESS OPPORTUNITIES

### KYIV RELAY & AUTOMATICS AMALGAMATION IS LOOKING FOR CANADIAN BUSINESS

Kyiv Relay and Automatics Amalgamation is located in Kyiv, Ukraine. Established in 1954 the firm is a major supplier of electrical and electronic equipment in Central Europe. It is a fully integrated facility staffed by 9000 employees including an engineering group of over 900 professionals. The plant produces a variety of products such as:

- Electronic and electromechanical timers
- Electromechanical and thermal relays
- Automatic control systems





- Large screen display monitors
- Consumer goods
- Medical equipment.

The firm is seriously interested in business ventures with Canadian firms for exporting or importing products. Also it can provide development or manufacturing services for products or their components in Ukraine. Kyiv Relay and Automatics Amalgamation has joint ventures with German companies such as Siemens. Therefore, it has experience in doing business with Western organizations. It would, however, like to expand its horizons into North America.

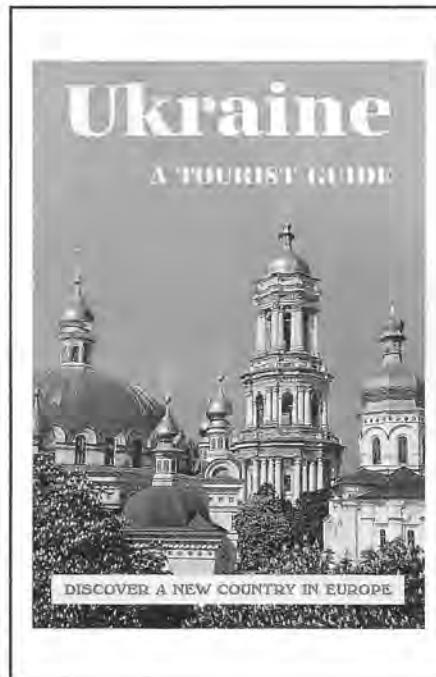
## TOUR HANDBOOK COVERS UKRAINE REGION BY REGION

Smoloskyp Publishers has released "Ukraine: A Tourist Guide" (1993). This comprehensive 450-page guide to the newly independent country of Ukraine is the first and only book of its kind, and contains information essential for the tourist and business traveller alike.

The book contains a separate chapter on each of Ukraine's 25 geographical regions, and includes information on historic cities and villages, churches, monuments, museums, theatres, hotels, restaurants, banks, health resorts, parks, medical services, and the like.

There are also separate chapters on Ukraine's history; practical information on planning a trip to Ukraine; a reference section listing addresses and telephone numbers for government agencies, diplomatic representatives, embassies and consulates; travel agencies; conversion charts; and an index of telephone codes for cities and villages of Ukraine and to major countries of the world.

The 5-1/2 by 8-1/2 inch format of the guide is easy to use and ideal to carry. It includes a pull-out road map of Ukraine, individual maps of cities, and 250 black-and-white and 50 colour photographs. The guide costs \$27.75 US and will be updated every year.



For more information on "Ukraine: A Tourist Guide," please contact: Art Zinkewych, Billings, Montana: phone/fax, (406) 656-0466.

## INTERNATIONAL CONSORTIUM SEEKS PARTNERS FOR KYIV

An international development consortium is seeking the participation of Canadian companies interested in entering the markets of Ukraine. C.I.D.E.E. is a privately owned Canadian company based in Montreal, a consortium regrouping companies with the necessary complementary skills, dedicated to the creation, development, financing and operation of projects in the areas of energy, environment and telecommunication, both in Canada and abroad.

The Ukraine project started with a reception given for the Ambassador of Ukraine to Canada, His Excellency Levko Lukianenko and Oleksander Shandruk, Trade Counsellor, at the IBM/Marathon headquarters of C.I.D.E.E. (Consortium of International Development for Energy and Environment) in March of this year. With

the support and encouragement of the Ambassador, the President, Mr. Pierre Verreault and the Vice-President for International Development, Stephan Kuyumjian, visited Kyiv and other cities of Ukraine on an exploratory mission during the months of June and July. This led to the opening of their office in Kyiv.

While in Ukraine they made several contacts with private entrepreneurs as well as various government organizations and ministries in order to assess and evaluate the potential of the market and determine the areas of priority.

The Canadian Embassy staff in Kyiv was most helpful in organizing various meetings with government agencies, as well as providing useful information about Ukraine.

Several memoranda of understanding were signed inviting C.I.D.E.E. to present proposals for the development of projects in the areas of energy, environment, waste management, telecommunication, construction, etc.

Since their return to Canada, C.I.D.E.E. has embarked on a campaign of active solicitation, seeking the participation of Canadian companies interested in entering the markets of the former Soviet Republics, especially Ukraine.

## ADVERTISING

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*Greg Rusedski - Upcoming Tennis Superstar*

## CANADIAN TENNIS SUPERSTAR GREG RUSEDKI SERVES NOTICE

*With Toronto Star files*

When he pushed two-time champion Stefan Edberg to a four set match (with three tiebreakers) at Wimbledon this year, Ukrainian Canadian Greg Rusedski received national and international attention in the tennis world. He followed this up with his first major Association of Tennis Professionals (ATP) tournament win in Newport, Rhode Island, making Greg the first Canadian male to win such a tournament in 24 years.

Greg, the highest ranked player in Canada, continues to climb in the rankings of world tennis stars, where he is now 108th, a quantum leap from his No.603 ranking in the world at the end of 1991. In July, 1993, The Toronto Star included a full page feature with the headline "Rusedski serves notice: Hard-hitting lefthander

courting tennis stardom". At 6-foot-4, 19-year-old Greg has already shown that he can play with the world's best. In 1991, he was the junior doubles champion in Wimbledon, where he also reached the semi-finals in singles, the first Canadian to do so. That year, he was the singles junior and doubles semifinalist in the US Open.

Greg's serve is rated in the top ten players on the tennis tour. In the past year, Greg played in 16 international ATP and Challenger tournaments in Japan, Asia, China, Hong Kong, Israel and the Middle East. In the Canadian Open this summer in Montreal, his home city, Greg reached the second

round, and barely lost on national television, thrilling many Canadian viewers. Unfortunately, an injury kept Greg out of the US Open.

Plans for 1993-94 include a tournament in Moscow in November, followed by tour visits through Kuala Lumpur, Sydney, Tokyo and Beijing.

Tennis is an expensive sport - \$50,000 is just the starting point for going on the tour for one year. Add coaches, trainers, and experts and the costs skyrocket. All this has put an enormous financial burden on the young tennis star's family, and although exposure will surely bring in financing in the future, the need for sponsors is crucial at the present time. Greg Rusedski definitely looks like a winning investment!

*If you would like to help Greg, contact the Policy and Trade Center at (613) 829-0900.*

## UKRAINIAN CANADIAN CONGRESS TO PROMOTE BILATERAL RELATIONS

*Excerpts from an address by Oleh Romaniw, UCC President to the Ukrainian-Canadian Professional and Business Federation Convention, Winnipeg, July 2, 1993.*

This gathering of business, government, academic and community people from across Canada says much about the performance of the organized Ukrainian Canadian community over the past several years. The independence of Ukraine has created a new dynamic, both on the international political scene and within the Ukrainian diaspora. This convention provides a snapshot of the role Canada's Ukrainian community has played, is playing, and can play, in developing stronger ties with Ukraine for the mutual benefit of ourselves and our ancestral homeland.

It has been almost two years since Ukraine declared its independence and took her rightful place in the world community of nations. That singular act instilled a new hope for the future within our Ukrainian Canadian community. There was a new vitality within the community which not even our own recessionary troubles could stifle.

As Canadians of Ukrainian descent, we know Canada is in an excellent position to take advantage of the vast Ukrainian market. We can contribute our professional skills to further Canada-Ukraine bilateral relations and our linguistic understanding of the region can only serve to enhance Canada's economic potential there. When you add into the equation the fact that Canada was the first Western country to recognize the independence of Ukraine, you have all the necessary ingredients for a strong and vibrant partnership.





The Ukrainian Canadian Congress is obviously well situated to play an integral role in fostering closer relations between Canada and Ukraine. Because international trade and assistance is so important to Canada's and Ukraine's current and future economic prosperity, it is crucial for the Canadian government and businesses involved in trade and aid to Ukraine to make better use of the UCC. The Congress can perform a valuable function as an intermediary or source of reference in helping them determine the aid and assistance needs of Ukraine and in providing background information critical to the conduct of bilateral and multilateral trade negotiations. There can be no doubt that knowing international markets, understanding cultural differences in negotiation, communicating styles and having fluency in foreign languages are critical components in tapping world markets. It is for this reason, among many others, that we must encourage all levels of government to recognize the importance of providing support for heritage language education. This is important, not only for communities like ours, as a symbol of fundamental respect for ethnocultural communities, but for Canadians as a whole because it can greatly advance our international trading ability and economic well-being in an increasingly competitive global marketplace. The Ukrainian Canadian Congress stands ready to assist in any way it can to facilitate closer ties between Canadian and Ukrainian businesses and to encourage Canadian entrepreneurs to take advantage of the knowledge and skills offered by ethnocultural minorities...

The Ukrainian Canadian Congress is an effective voice for our community's concerns. It has taken some far-reaching decisions and has other innovative plans for the future of our community in Canada.

Let me cite the example of the decision taken not too many years ago in response to a long-felt need within the community for a permanent Ukrainian representation in Ottawa to establish a UCC National Information Bureau to provide direct liaison with the Canadian federal government and bureaucracy. This has facilitated our ability to influence Canadian public policy in areas of concern to the

Ukrainian Canadian community, especially in the area of Canadian foreign and trade policy towards Ukraine. Through its Information Bureau in Ottawa, the UCC has developed a strong rapport with the Department of External Affairs on issues dealing with Canada-Ukraine relations. The Bureau takes part in regular consultative meetings with the Central and East European desk at the Department and I have had the privilege to meet with Canada's Ambassador to Ukraine, François Mathys, to discuss some of the UCC concerns. The Department of External Affairs considers the UCC as an important source of current information on the ever-changing political developments in Ukraine.

I contend there is a direct link between the UCC's farsighted decision to establish an Information Bureau in Ottawa and the quick recognition by Canada of Ukraine's independence. Other initiatives are being planned.

## CANBEAR ENTERPRISES PURSUES CONSUMER PROJECTS IN UKRAINE

A group of Ontario investors from Ottawa have formed Canbear Enterprises Inc., to pursue business opportunities in both Ukraine and Russia. To-date, projects such as a western-style grocery store in Dnipropetrovsk, Ukraine, and a 12-bay North American auto service centre in Moscow are near completion and are scheduled to be open for business in December 1993.

Other projects include parking operations, retail gasoline stations and automobile sales in Moscow while in Dnipropetrovsk, Canbear Enterprises Inc. will be focusing on developing a food retailing and distribution network. Three additional stores and land for a distribution centre has been acquired for this purpose. Once the service centre in Moscow is operational, a similar one is planned for Dnipropetrovsk.

These projects will require an investment of \$6.7 M US over a 3 year period.

## Dnipropetrovsk: the City

### Major cities in Ukraine:

Kyiv .....	2.6M
Kharkiv .....	1.6M
Dnipropetrovsk .....	1.2M
Odessa .....	1.1M

Dnipropetrovsk is located approximately 600 km south east of the Ukrainian capital city of Kyiv on the Dnipro river.

Prior to 1990, Dnipropetrovsk was a city closed to foreigners because as part of the military-industrial complex, it housed the world's largest missile facility and other related armament production facilities. A portion of the city's infrastructure was built around these facilities. The city is now challenged with a significant defence conversion process.

In addition, Dnipropetrovsk is a major industrial and manufacturing centre for metallurgy, heavy industrial machine production, chemicals, instrumentation and food processing.

It is also a center for higher education as it has a number of technical institutes (metallurgical, chemical) and the State University of Ukraine. Culturally it has renowned opera and ballet schools, drama theatres and various music facilities.

Because of Dnipropetrovsk's diverse industrial and technological base, the work force and population at large is well educated and informed.

Much of the investment in Ukraine has been focused around the cities of Kyiv and Lviv. To a large degree, Dnipropetrovsk has not yet been "discovered".

Canbear Enterprises has formed a Joint Stock Company (JSC) with the City of Dnipropetrovsk. Having the city as Canbear's partner allows for shorter timeframes for decisions, thereby speeding up the process in getting the job done in a country where bureaucracy rules.

The city of Dnipropetrovsk is a major city in Ukraine where Canbear Enterprises has begun to establish itself as a company positioned to take advantage of the significant growth potential of a population moving towards a consumer orientated society.





Return on investment for most projects will be close to 35 to 45%.

Both Ukraine and Russia have substantial economic potential for the future. Despite the political uncertainty, the economic confusion of transforming to a market economy, and a legislative morass, both countries are increasingly generating interest for new investment from abroad.

Russia stretches over 11 time zones, makes up more than 75% of the territory of the former Soviet Union, possesses close to 90% of the oil and has retained most of the former USSR's scientific establishment.

Ukraine, with a population almost as large as France, has a strong agricultural base coupled with a broad scientific and technological complex which, in many cases, is world class and is limited only by a lack of investment capital.

Both countries, with a large well-educated population are substantially behind other industrialized nations in meeting every day consumer requirements. Consumerism is poorly developed because of the previous focus on military and defence development. Nevertheless there is a latent demand for better quality, choice and availability. Meeting this demand cost effectively with the right products and services represents excellent investment potential.

To this end, Canbear has focused its activities on the consumer with developments in both countries. Canbear believes that there is a three year window where solid business opportunities and investments can be realized and developed inexpensively. The company also is confident that although the environment is risky, the nature of the investment is not risky, as it addresses some of the fundamentals of everyday living; food and transportation.

In Dnipropetrovsk, Ukraine, projects include a number of retail stores, automobile sales and service centres, and an office/apartment development.

## Special to the Monitor

### **FX1: PRODUCT POTENTIAL FOR BOTH CANADA AND UKRAINE**

*by John Dicks, General Manager  
FX International Limited  
Bedford, Nova Scotia*

It was reported in the March/April issue of Ukraine-Canada Policy and Trade Monitor, By Dr. David Marples in his commentary to CBC radio, that the price of oil imported into Ukraine from Russia has risen 300 times over the past year. In an article written by Oleksander Shandruk, First Secretary at the Ukrainian Embassy in Ottawa, he confirmed that nearly 40% of Ukraine's imports are from Russia. In his article, Shandruk spoke further of the urgent need to radically increase the competitiveness of Ukraine's national enterprises, and indeed those of Canada, in the global market of production.

If a country were able to do so, by a figure of even 8% to 10%, and were also able to increase the efficiencies of its governmental and industrial operations by a similar figure, the positive jolt that this would provide to its economy would be massive. Governments, in any country in the world, would have little difficulty utilizing the monies made available, and the other benefits they would reap from reducing imports.

There is hardly any machinery or engines that can be operated without the need to minimise or reduce wear. Attention to this is important, especially in industry as there are severe economic penalties for not paying attention to friction and wear in engineering systems. Wear reduces machine operating efficiencies through power losses and increased fuel and oil consumption. Components need to be replaced more often, resulting in increased maintenance. Metal surfaces are not perfectly flat; consequently, when metal to metal contacts occurs, the surfaces only touch on a few microscopic high points. When one surface slides or rotates over the other, a rise in temperature takes place at these high points. Minute local welds are formed and then torn apart; this is referred to as friction weld. Various forms of lubrication

are used between the surfaces to reduce the number of contact points; however, these do, after time break down. The study of these interacting surfaces in relative motion is called Tribology. Most industrialized countries now have established facilities to test and analyze the problems associated with lubrication breakdown.

There exists today a product that has been proven in tests conducted by government and independent testing facilities, and by industry in several countries, to significantly reduce heat, friction and wear at loads not even advanced oils can sustain. The product is called FX 1. It has been developed in the United Kingdom and is manufactured at the internationally recognized and respected Carless refinery. It will be brought to market this fall in both Canada and Ukraine.

Available in liquid form, or further blended into a high temperature, high pressure grease, FX 1 is a unique hydrocarbon based monomolecular surface modifier that combines advanced lubrication technology with metal reactivity. A purely liquid formulation, free from harmful solidifying agents such as polymers or metallic compounds, FX 1 is carried to friction surfaces by the existing lubricants. Its tiny electropolar molecules react under loads to form a synergistic bond with the metal surfaces through low temperature bonding which creates a very slippery film between the contact surfaces. Once ingrained it becomes part of the metal and is almost impossible to break down. The host surface is made denser, smoother and more stable. Friction is reduced and terminal wear prevented at vastly higher loads than with mineral or synthetic oils alone. The almost immediate and most significant reduction of friction and the heat that it generates allows the moving parts of engines and machinery that are impeded by friction to operate more efficiently. It extends their work-life, allows for a reduction in planned maintenance programs by up to 50%, and it reduces noxious emissions dramatically. Tests to the





new European Community specifications demonstrate that the 8% to 10% figure quoted earlier is attainable.

Developed in the United Kingdom as the result of a private sector venture linked to some of that country's major research organizations, FX 1 has gone through a rigorous five year test program before being brought to the market. This program utilized the expertise and the clinically precise and objective testing facilities of the British Department of Trade and Industries Warren Spring Laboratory, the National Centre of Tribology, and the British Internal Combustion Engine Research Institute.

Their tests documented the following:

- In gas and diesel engines, fuel consumption was reduced by a minimum of 6%, with many test vehicles reaching savings beyond 20%; an average increase in power of 3.8% peaking at 9.5%; reductions in noxious emissions of up to 21% and 21.5%; and engine compression tests resulting in a mean increase of 16.7%.

- In compressors, motors and pumps, use of FX 1 has allowed documented power savings of up to 28%. In air conditioning

and refrigeration equipment it countered the high loading in Freon compressors from fast start to continuous operation and safeguarded the systems against wear.

- In the manufacturing sector FX 1 was used in machine tools and applied heat on cutting tools or added in the usual blend of 5% to the existing lubricant. Its use allowed for an increase in tool life ranging from a base minimum 20% to beyond 100%. Accuracy, finish and production rates were greatly improved. Reported case histories have documented an overall increase in productivity of more than 50%. Applications of FX 1 have allowed for the alternative use of carbon steel tools in place of expensive carbide and likewise carbide in place of diamond impregnated tools.

Over the past 18 months the testing program has been expanded to include many more countries. These tests have shown that heavy equipment and plant machinery treated with the product, work to such performance levels that scheduled maintenance programs have been dramatically reduced, together with drastic cuts in power consumption. Used with standard lubricants, FX 1 has shown up to 28% electrical savings, particularly

in compressors, motors and pumps which were cited by the UK Department of Energy and the Institute of Mechanical Engineers when promoting energy savings to industry. However, the results in the marine sector have been the most spectacular. The Icelandic fishing fleet is now officially recording savings on lubricating oils of up to 50% on a constant basis. Fuel savings on tests in 1991 were roughly 16%, but recent reports document savings of up to 26%. FX 1 has also been used to flush out a ship's main engine after salt water contamination. A university research department, looking to reduce viscous drag in liquid and gas pipelines, found 15-20% savings after treating the interior walls with FX 1. The formula turns plain or salinated water into an effective lubricant and has restarted failed water pumps in cooling systems. Two points must be made: firstly, the product allows equipment to perform better as time passes and as additional treatments are made and, secondly, FX 1 works particularly well on older equipment.

The Canadian test program began in May of this year with various federal, provincial and municipal governments

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testing the product. Also, private vehicle fleets and manufacturing concerns, as well as government and private marine vessels have been included in the program. Preliminary test reports have proven to be both positive and conclusive and are consistent with those documented in the British test program. These test programs have recently been expanded and now include selected applications involving the pulp and paper industry, high-speed, high temperature manufacturing, offshore drilling and emergency power generators. Tests are being conducted in the provinces of Ontario, New Brunswick and Nova Scotia (where the Canadian headquarters is located). The Central European test program is already underway in Latvia, the Czech Republic and Slovakia and new distributors are active in Poland and Hungary. The former Soviet republics of Russia, Belarus and Kazakhstan together with Romania and Bulgaria are available for marketing and distribution.

However it is the potential of the Ukrainian market that I speak of today and find so very exciting. As the mast head of the June issue of the *Ukraine-Canada Policy and Trade Monitor* proudly proclaimed, Ukraine is a natural trading partner for Canada. A country that is home to 53 million people with an orderly, well-educated, skilled and highly motivated work force, an economy that is still one of the largest in the world and which has already provided much to the world, including the ethnicity of some 5% of the Canadian people.

This is the first presentation of this information in North America and I am pleased that it was done in this publication. We appreciate the opportunity to reach so many influential individuals, such as those who comprise its readership, and are hopeful of having contact with many of you in the future.

Contact: John Dicks (902) 835-6580 or by fax at (902) 835-1392.

## IMMIGRATION PROGRAM IN THE CANADIAN EMBASSY IN KYIV

### Personnel in the Immigration Section

- The Immigration Section of the Canadian Embassy in Kyiv is staffed by 3 Canadian officers: Robert J. Shalka - Counsellor (Immigration); Nathalie Smolyneec - Second Secretary (Immigration) and Keith Swinton - Second Secretary (Immigration). The three officers are Foreign Service Officers of the International Service Group of the newly-formed Department of Public Security, formerly Employment and Immigration Canada. All have served at a variety of Canadian diplomatic missions (ie. Germany, Thailand, former-USSR, Singapore, India, USA, China and Sweden) prior to coming to Ukraine. All speak Ukrainian with varying degrees of fluency.
- The Section is supported by 8 local Ukrainian employees.
- Since late 1992, the Section has been located at the Chancery of the Canadian Embassy at 31 Yaroslaviv Val Street in Kyiv. Office hours are Monday to Friday from 8:30AM to 12:30PM and from 02:00PM to 05:00PM. Visitor visa applicants are normally seen in the morning. Afternoons are reserved for immigrant interviews.
- Present facilities for receiving enquiries from visitor visa applicants and prospective immigrants are less than ideal and have been acceptable only as a temporary measure pending completion of renovations to the Embassy building. In particular, the waiting room is much too small for the level of traffic. Arrangements at the reception counter are also unsatisfactory. Because of the crowded nature of facilities, it has been necessary to manage access to the waiting area at peak periods. Because of crowded facilities, every effort is made to deal with the public as quickly as possible. Fortunately, renovations to the Embassy are now underway and a properly functioning waiting room and reception area will be in operation by the end of the year.

### Visitor Program

- The Embassy has offered full services to persons seeking temporary entry to Canada (ie. private and business visitors, tourists, students and temporary workers) since late 1991.
- The visitor movement from Ukraine to Canada is growing, as shown by the following statistics:

VISAS	1992	1993 (To August 31)
Applicants received	4,628	3,868
Applicants refused	1,035 (ie. 22% of applicants received)	547 (ie. 14% of applicants received)
Visas issued (all categories)	3,594	3,341

### NOTES:

- An "application" may include one or more individual (eg. a family of 3 persons applying on the same forms would be considered as one application,
- Visas are issued to individuals. Consequently, an application may generate more than one visa.
- Although each case is decided upon on individual factors, the main reason visitor visa applications are refused is that the Canadian officer is not satisfied that the person(s) applying will return to Ukraine or leave Canada upon completion of their authorized stay. When a refusal is necessary, the applicant is provided with the reasons. Canadian law defines a "visitor" as a person who intends to stay in Canada for a temporary period. Sufficient numbers of persons issued visitor visas do attempt to remain in Canada to warrant a relatively cautious approach to issuing visas. For persons wishing to live permanently in Canada, other programs are in place at the Embassy.
- Every effort is made to offer "same day" service to visitor visa applicants. Normally, persons applying in the morning are given a decision that morning. The principal exceptions are persons requiring medical examinations or who wish to apply for a multiple-entry visa.

### Immigrant Program

- Since January 1, 1992 the Canadian Embassy in Kyiv has also dealt with applications from persons wishing to immigrate to Canada. Prior to that date, immigrant applications were dealt with by the Canadian Embassy in Moscow.
- Since beginning its immigration operations to the end of August 1993, the Embassy has received 1,745 preliminary enquiries. These enquiries have resulted in 352 formal applications. To date, the Embassy has issued 121 immigrant visas. These have included most immigrant categories (ie. family class, assisted relatives and independent).





*Ukrainian MiG dazzles North Americans.*

## UKRAINIAN MiGs DRAW RECORD CROWDS

In 1992, with the support of the Ukrainian Flying Club (LUK), Ukraine sent a team to compete at the World Space Modelling Championships in Florida and placed overall 4th in the world. This was a historical moment, since this was the first Ukrainian national team to compete in a world championship under the banner, anthem and flag of Ukraine.

LUK has also now become involved with the former "Soviet" aero club of Ukraine to help turn it into a truly Ukrainian national club, and thus the Federation of Aero Sports (FAS) of Ukraine was formed. It is now the governing body for all aero and astro sports in Ukraine. Its greatest undertaking was the first Ukrainian Air Force MiG-29 Demonstration Team Tour of North America.

In February 1992 LUK organized two aircraft from the Ukrainian Air Force (VPS) to participate in a 20-city air show tour of North America. Two Ukrainian MiG-29's,

support equipment, including two spare engines and crew, headed by MGen Yaroslav Skalko, Deputy Commander of the Ukrainian Airforce, were loaded into an AN-124 "Ruslan" which took off from Stryi, western Ukraine bound for Edmonton, Alberta. On May 8, 13.5 hours later, and low on fuel, they landed at CFB Edmonton. In addition to the MiG's, the air show hosted the AN-225 Mriya, the world's biggest airplane made in Ukraine. It was in Canada to pick up medical and health care related supplies for Ukraine. This project was organized by the Ukrainian Canadian Congress, and medical supplies were donated by Edmonton residents. The Mriya left fully loaded for Kyiv, while the team headed for Winnipeg. In Winnipeg, MGeneral Skalko was met at the airport by BGen I. Popowych, COS Air Command and BGen V. Pergat, both of Ukrainian origin.

The North American leg of the tour included the U.S. cities of Scranton (Penn.); Minot (N. D.); Rockford (Illinois); Mojave (Calif.); Goodlands (Kansas); Niagara Falls (N.Y.); Columbus (Ohio); Burlington (Virginia); Red Deer (Alberta); Abbotsford (BC); Windsor (Ont.);

Chatham, (NB); London (Ont.); and Trenton (Ont.) in Canada. These 17 airshows and over 10 fuel stops generated much good press coverage for the team and Ukraine, and drew large and record-breaking crowds! The team members were truly "Ukraine's ambassadors of good will".

Business opportunities were also a great part of the tour. Since airshows are the largest attraction for the public and corporate sponsors (after baseball or hockey!), it is no wonder that a large number of business requests were left with the team. These opportunities dealt not only with aviation or tourism, but some included manufacturing, metals, agriculture, sports, etc. In less than a year, a number of joint ventures were formed, directly because of the tour.

It is expected that the Ukrainian Ministry of Defence will see the benefit of such a team for the 1994 season. LUK is also interested in hearing from any corporations willing to co-sponsor the tour. For information, contact the *Ukraine-Canada Policy and Trade Centre*. ■





## TRANS-EUROPEAN SUPERHIGHWAY TO GO THROUGH UKRAINE

The Ukrainian government has backed an initiative of leading Western European countries to build a trans-European superhighway which would pass directly through the territory of Ukraine. The proposal would establish a general transportation system which would help to integrate all European economies and ultimately link key cities from Portugal clear across two continents to China.

The main superhighway would start in Portugal and pass through Spain, France, Italy, Slovenia, Croatia (or Austria), Hungary, and go directly to Kyiv in Ukraine. Later stages would see extensions to Poland, Slovakia, Odessa and the Crimea, north to Moscow, then eastward through Russia, to Kazakhstan, and finally to the Far East and China.

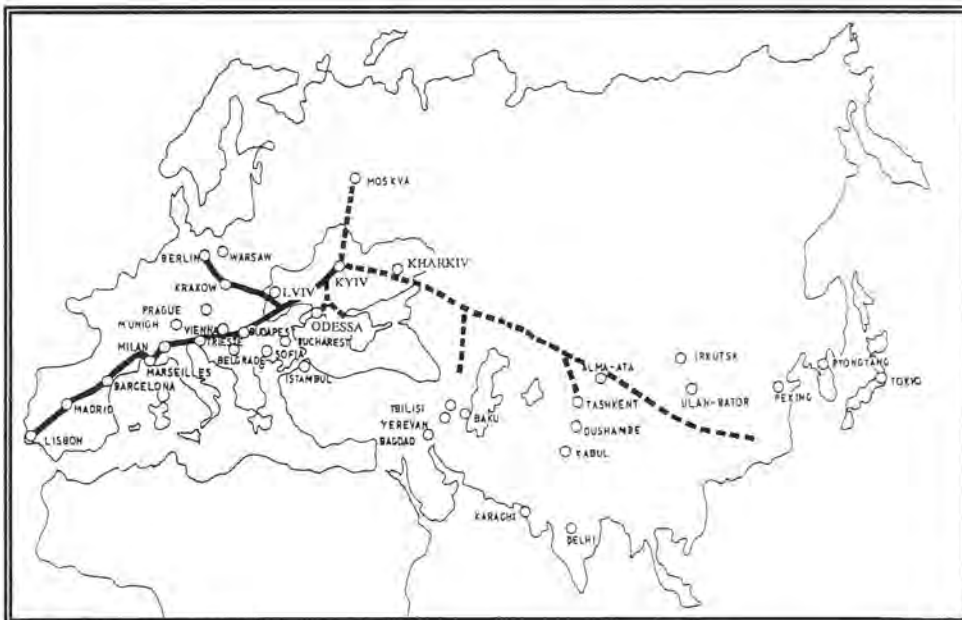
The superhighway initiative arose from the recommendations of a transportation conference in Prague back in 1991, at which the European Parliament and the



*Proposed route of toll superhighway through Ukraine*

Canada for both financial help and expertise. PLANMAC INC. of Etobicoke, Ontario, has already taken the initiative in making recommendations as to the kind of overseeing body that should be put in place for a project of such a massive

\$3 billion U.S. Understandably, the Ukrainian government foresees that this project will have to be handled by an international consortium. Depending on the availability of basic vital information - such as air photos and accurate topographic maps - the project could take between 4 to 5 years to complete, but a more realistic estimate is for somewhere between 7 and 10 years. The final stages, such as the Moscow and Asian links, are projected at a later date, some 20 years in future.



*Proposed route of superhighway across Europe and Asia*

What must first be determined is whether the potential volume of traffic (both as a passenger and a transport route) warrants such a massive undertaking. Vital basic feasibility studies and market analysis must be done before there can be any hope for financial commitment from the financial community. But the first steps have been taken, and representatives from PLANMAC INC. are already scheduled to visit Ukraine for talks in the weeks ahead.

European Economic Community (EEC) were active participants. Ukraine is looking very hopefully in the direction of

scale. By conservative estimates, the Ukrainian stretch of this toll superhighway could cost anywhere between \$2.5 and





# RENAISSANCE EASTERN EUROPE

*Bureau of Assistance for Central and Eastern Europe  
Department of External Affairs and International Trade  
Update: September 1993*

## OBJECTIVE

The Renaissance Eastern Europe Program is a trade and industrial development program which seeks to increase the involvement of Canadian companies in the markets of Eastern Europe and the former Soviet Union. The REE program is funded by the Bureau of Assistance for Central and Eastern Europe which is responsible for delivering Canada's technical assistance program to the countries of the region. The REE program was developed to help fulfil the Bureau's mandate to facilitate the movement towards free market economies in the countries of Eastern Europe and the Former Soviet Union.

The program considers the changed and changing market circumstances in this unique region and the local need for models of successful private enterprise. The program recognizes the obstacles of geography and traditional trading links that Canadian firms encounter when doing business in the region. Renaissance Eastern Europe will share certain business development costs associated with market penetration through new long-term business cooperation arrangements e.g. joint ventures, wholly owned subsidiaries, production sharing, etc.

There are two fundamental objectives; 1) increased trade with the region which should follow from increased familiarity and cooperation with the Canadian private sector, and 2) the transfer of technology, expertise, and investment which will facilitate the development of free market enterprises in the target countries.

Eligible markets include the Russian Federation, Ukraine, Belarus, Moldova, Armenia, Azerbaijan, Georgia, Kazakhstan,

Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan, Lithuania, Latvia, Estonia, Poland, the Czech Republic, Slovakia, Hungary, Romania, Albania, Bulgaria, Lithuania, Latvia, Estonia and Slovenia. All exchanges between the Department and eligible applicants will be treated as commercially confidential and privileged information.

## ASSISTANCE AVAILABLE

The program is not a duplication of PEMD(\*) but supplements this marketing support program in certain respects. There must be a commercial business objective to the cost-shared activities and, an approved project is one that demonstrates convincingly that there are future trade and industrial development benefits for Canada. At the same time there must be evidence of benefit to the target market consistent with the objectives of the development of a market economy and the modernization of domestic industry and agriculture. Projects for funding can be proposed by the Canadian private sector or will be initiated by Government.

## PRIVATE SECTOR PROPOSALS INCLUDE:

- venture-specific front-end studies
- enterprise-specific training.

## GOVERNMENT PROPOSALS INCLUDE:

- support for newly established, representative and viable bilateral business councils
- increased business information programs and seminars

\* **Program for Export Market Development** (Federal Government's export trade development support.)  
Hotline service 1-800-267-8376.

- incremental funding for the trade fairs and missions program.

## ELIGIBILITY

Applicants for support under Renaissance Eastern Europe must qualify under one of the following categories:

- an incorporated business
- an independent firm of professionals, such as architects or engineers
- a private sector non-sales trade association
- a profit-oriented Crown Corporation, Crown-owned company or provincial/municipal agency.

All program participants must be judged capable to fulfil the program's objectives and engage in follow-up business activity. Incorporated businesses and firms of professionals must:

- be established and operating in Canada for at least three years and have annual sales exceeding \$1 million;
- have satisfactory marketing and managerial capabilities;
- be financially able to successfully complete the project (positive working capital and tangible net worth);
- have an exportable product or service that meets Canadian content criteria of 60 per cent;
- be registered (or in the process of registering) with External Affairs and International Trade Canada's World Information





Network for Exports (WIN Exports) data bank;

## INELIGIBLE PARTICIPANTS AND APPLICANTS

Renaissance Eastern Europe assistance is not available to:

- Government Departments at any level or their non-profit oriented agencies or affiliates;
- educational institutions or their non-profit oriented affiliates and subsidiaries;
- companies with no history of international business success;
- organizations or associations that do not represent profit-oriented companies.

## VENTURE SPECIFIC FRONT-END STUDIES

Program funding is available to support Canadian companies evaluating joint venture opportunities, investment opportunities or structured cooperation agreements in the target markets. Determining elements in the evaluation of any program-funded studies remain the projected follow-on commercial benefits to Canada plus the expected benefits for enterprise management or operation in the target market. Evidence of interest and some burden sharing by the partner organization in the target market is required.

Program funding will be available for the following:

- return economy air fare between the target Eastern European market and the applicant's location as agreed through an evaluation of the project scope;
- per diem allowances of \$150 in Canada for visiting officers from the target organization;
- per diem allowances of \$150 in the target market for visiting officers of the Canadian-based company or agents of the company.
- specific outside legal, marketing, accounting, translation and interpretation services;

- seminar costs such as room rental, audio-visual aids, printed materials, simultaneous translation.

Total project costs will be shared with the applicant, and the program will not cover more than 50% of eligible costs. The Departmental contribution will not exceed a maximum of \$100,000. The program funding is non-repayable. Companies are limited to a maximum of three activity proposals per Government fiscal year. A summary report of the project is required upon its completion detailing results and expected follow-up business activity.

## ENTERPRISE SPECIFIC TRAINING

Program funding is available to companies proposing training for their partners or target clients in Eastern Europe and the former Soviet Union. Training support is offered in connection with companies pursuing strategic partnerships or having already struck long-term cooperative arrangements in the market. The training should be sector-specific and related to the structure, management and/or operation of a successful private sector enterprise. The training project must be identified as a critical aspect of a successful joint venture arrangement. The training activity must be endorsed by a relevant and credible enterprise or organization in the target market and must provide identifiable benefits in the target market. Evidence of burden-sharing by the partner organization is required. Program funding will be applied to the following:

- return economy airfares between the target East European market and the applicant's location as agreed through an evaluation of the project scope;
- per diem allowances of up to \$150 in Canada for trainees;
- per diem allowances of \$150 in the target market for trainers from the Canadian-based company.
- special legal, translation and interpretation services.

Total project costs will be shared with the applicant but the program will not cover more than 50% of eligible costs. The

Departmental contribution will not normally exceed \$100,000 per project. The program funding is non-repayable. Companies are limited to a maximum of three separate and distinct activity proposals per Government fiscal year.

## SUPPORT FOR BILATERAL BUSINESS COUNCILS

Associations that represent Canadian business, and focus on the problems and opportunities of international business development in specific markets are important for increased export awareness and success. "Renaissance Eastern Europe" will provide support funding for bilateral business councils to help them achieve the critical mass required to be self-sustaining. To qualify for consideration of support funding a council must meet the following criteria:

- be a registered or incorporated association having a clear trade and industrial development mandate directed to one or more of the markets in Eastern Europe;
- give evidence of recruitment success that includes many of the known exporters active in the target market;
- have a documented working arrangement with a partner association in the target market;
- have a satisfactory program of activities to increase the awareness of regional business opportunities among the Canadian business community;
- show promise of the ability to cover operating costs;
- attempt to be national in scope through a geographical distribution of membership.

Renaissance Eastern Europe funding will be spread over a three-year period (with check-points), and be applied to eligible items such as:





- operating costs of a central office or secretariat in Canada (i.e. salaries, rental, utilities, services (phone/fax/telex), etc.);
- office equipment;
- operating costs of a liaison office in the target market;
- a program of seminars.

There must be evidence of cost-sharing plus some financial or equivalent contribution from the partner organization in the target market. Contributions from the program will be conditional on a satisfactory accounting of expenditures and the submission of an annual (or project-specific) report of the Council's activities and future plans.

## HOW TO APPLY

Applications must describe the activity, indicate time-frame, detail costs, explain follow-up, identify the local partner organization(s) and include sufficient financial information about the applicant. Applications must be submitted at least six weeks before the proposed activity.

All applications will be judged in accordance with program criteria. There will be a collective review by the Trade Development Division together with other interested Divisions, other Departments and the International Trade Centres. Proposal evaluation by Canadian trade commissioners in the target market will be required.

Applicants will be notified in writing that the application has been received and that it has been assigned to a particular project officer. They will further be notified in writing when the review is completed and a decision is reached. Each activity will be placed within a time-frame. Only expenses occurring within that time-frame will be considered for eligibility. All claims for payment must be submitted within 30 calendar days of the end of the project period. Settlement of the final claim is conditional on receipt of an activity summary that details planned follow-up work by the applicant. Only the specific costs outlined in Annex B of the

Contribution Agreement can be claimed. A formal invoice is required. Where outside legal or accounting or other consultant costs are claimed, the receipt must be certified by the applicant's chartered accountant or authorized executive. All expenditures claimed under Renaissance Eastern Europe are subject to audit at the discretion of the Department. The applicant must retain original receipts related to the funded project.

Companies interested in learning more about program eligibility and project possibilities should contact the following:

Central and Eastern Europe Trade Development Division  
Department of External Affairs and International Trade Canada  
Ottawa, Ontario  
K1A 0G2  
Phone: 613-996-2858  
Fax: 613-995-8783

### GUIDELINES FOR PREPARING A RENAISSANCE EASTERN EUROPE (REE) PROJECT PROPOSAL

Please take careful note of the "Review Criteria for Proposals for the Private Sector" that is attached, with particular reference to items 2 to 5. REE is a post-PEMD funding program as it relates to investment/long-term cooperation in the markets of Central and Eastern Europe and the former Soviet Union.

#### Check List of Eligibility Criteria

- basic financial and structural eligibility of the applicant as outlined under the section "Eligibility" (pp. 1-2);
- evidence of previous successful work in the proposed sector of activity;
- evidence of a visit to the country during the last twelve months;
- written confirmation that one or more companies or organizations in the target market is interested in a long-term cooperation, takeover or equity partnership;
- some preliminary ideas of where financing may be available to conclude a successful cooperation, takeover or equity partnership.

To enable us to proceed further in considering your proposed activity the project application must include:

1. Company background, including a statement of company ownership (your corporate brochure will suffice) and recent financial statements for the last two operating years for your company, or your most recent Annual Report.
2. Current international business activity, with specific reference to the target country.
3. Project Objectives (for example: to establish a joint venture with company X in (country) to provide (goods) and/or (services)).
4. Project Description and Scope (What will be done?).
5. Profile on Partner Company (in country X): sector(s) of activity, size of firm (financial, number of employees, branches, etc.), current markets, sources of funds, state enterprise or private sector or being privatized. *Include the partner company's full address and the name, title, and telephone number of the contact person most familiar with the project proposal.*
6. Total Potential Investment. (Show evidence that your company can arrange financing for your share of project; if a joint venture: state amount each partner is investing; if a contract; indicate the amount.)
7. Commercial Benefit to Canada of Project. (for example: Sales of Canadian goods and services; access to new markets, etc.)
8. Documented evidence of a commitment to a joint venture or other form of long-term business co-operation from your partner in the target country. This could be a contract, Memorandum of Understanding, protocol of cooperation, letter of intent or exchange of correspondence.
9. Potential Benefits to Target Country (transfer of technology, expertise, employment, model of successful private enterprise, etc.)
10. **Project Budget:** An estimate of total project costs over a specific period of time. Eligible costs that





can be presented on the budget are as follows:

- Airfares, local travel (list people travelling and ticket price, provide quote from travel agent for excursion/economy fare)
- Per diems, \$150 dollars a day to cover meals and accommodation
- Staff costs: managerial, technical, support (indicate daily fees and tasks)
- Legal, accounting, and consultant fees
- Interpretation/translation, printing
- Communication

All costs must be accompanied by a description of the task

### REVIEW CRITERIA FOR PROPOSALS FOR THE PRIVATE SECTOR

1. The activity must form a logical element of an applicant's business development plan.
2. The activity must involve a capable partner in the target market who recognizes the value of the activity and agrees to contribute to the costs of the activity.
3. The activity will position the Canadian applicant (and/or other Canadian companies) for consequent business.
4. The activity is considered essential to the conclusion of an equity joint venture or other structured cooperation arrangement.
5. There must be a reasonable probability of successful follow-up business from the sponsored activity. The follow-up opportunities must be described in the application as well as in the summary upon completion of the activity.
6. Applications must be submitted at least six weeks prior to the planned activity. Companies cannot presume support until a contribution agreement is signed. Under no circumstances will retroactive payments be made.
7. Companies are limited to a maximum of three activity proposals per Government fiscal year.

Financial assistance under the Renaissance Eastern Europe program is in the form of a non-repayable contribution. Applications must be submitted prior to

incurring any eligible costs for the activity. Payments are made in instalments and are reconciled against an invoice for eligible expenditures. *The Department reserves the right to request an audit of project expenses, and successful applicants must retain project-related receipts.*


Please include in the project submission, if possible, a computer disc which has the text of the project proposal in either Word Perfect 5.1 or Word Perfect 5.2 for Windows. Mail to:

Central and Eastern Europe Trade Development Division  
Department of External Affairs and International Trade Canada  
Ottawa, Ontario K1A 0G2



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## U. S. AID TO THE FORMER SOVIET REPUBLICS

NATION	PERCENT OF POPULATION OF CIS	TOTAL U.S. Aid (FY 1992-93)		
		AMOUNT (1)	PERCENT	PER CAPITA (2)
Armenia	1.20	188.0	8.11	55.04
Azerbaijan	2.61	0.1	0.00	0.01
Belarus	3.63	118.5	5.11	11.42
Georgia	1.95	106.5	4.59	19.12
Kazakhstan	5.99	82.4	3.55	4.82
Kyrgyzstan	1.60	95.9	4.14	20.99
Moldova	1.56	54.9	2.37	12.31
<b>RUSSIA</b>	<b>52.36</b>	<b>1,448.0</b>	<b>62.46</b>	<b>9.68</b>
Tajikistan	1.99	15.9	.69	2.80
Turkmenistan	1.99	15.9	.69	2.80
<b>UKRAINE</b>	<b>18.19</b>	<b>137.2</b>	<b>5.92</b>	<b>2.64</b>
Uzbekistan	7.57	16.3	.70	.75
<b>TOTAL</b>	<b>100.0</b>	<b>2,318.3</b>	<b>100.0</b>	<b>8.12</b>

(1) In millions of dollars; (2) In dollars

## U.S. AID PACKAGE FOR FORMER SOVIETS

The Senate backed up the U.S. support for Boris Yeltsin with money on September 30, providing \$2.5 billion from a foreign-aid bill to assist Russia and other former Soviet republics. The aid to former Soviet republics included up to \$300-million for Ukraine. The bill makes the aid conditional on timely withdrawal of Russian troops from Latvia and Estonia and respect for territorial integrity within the former Soviet Union.

## LETTER TO THE EDITOR

September 12, 1993  
 Congratulations on your initiative in starting the digest - "Ukraine-Canada Policy and Trade Monitor". A publication of this sort is absolutely necessary to assist Ukraine in getting on its own economic feet.

Michael Wawryshyn  
 Toronto, Ontario







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CELEBRATION OF SECOND ANNIVERSARY OF INDEPENDENCE IN OTTAWA AUGUST 24, 1993. AMONG THE GUESTS, AMBASSADORS FROM ISRAEL (1), LEBANON (2), POLAND (3), AND SAUDI ARABIA (4).