

# Statement

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NOTES FOR AN ADDRESS BY  
THE HONOURABLE ANDRÉ OUELLET,  
MINISTER OF FOREIGN AFFAIRS,  
AT THE CONFERENCE ON PARTNERSHIP  
FOR ECONOMIC TRANSFORMATION IN UKRAINE

WINNIPEG, Manitoba  
October 27, 1994



Government  
of Canada

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du Canada

Canada

Mr. President, Excellencies, ministers, Monsieur Camdessus, colleagues: greetings and welcome to Canada and to Winnipeg.

I am pleased to welcome you to the opening of the Conference on Partnership for Economic Transformation in Ukraine. We share a common goal: a prosperous and democratic Ukraine. It is my hope that the Conference will bring about a greater level of understanding and commitment among those present to the transformation of the Ukrainian economy. The economic and financial linkages that continue to exist with its neighbours make the health of Ukraine's economy essential to the economic health of the region as a whole.

Ukraine occupies a special place in our government's foreign policy. The one million Canadians of Ukrainian origin have left their mark in our country's young history, indeed in all sectors of Canadian life. Canada and Ukraine possess a fantastic advantage in that we can build on those human ties to foster a fruitful, prosperous relationship between our two countries. I wish to thank the Ukrainian community in Canada for its efforts in helping us prepare for your visit, Mr. President.

When I visited Ukraine last March, I saw first-hand the enormous challenges facing that country. But I also witnessed the fantastic will and enthusiasm of Ukrainians for building a free market economy and democratic institutions. Most importantly perhaps, I became even more aware that the international community could not let Ukraine face these enormous tasks alone.

Canada is committed to helping facilitate the integration of Ukraine into the international community. Canada was pleased that its G-7 partners endorsed our proposal to organize this conference. We all agree that stability and independence in Ukraine, as anywhere, must rest on the foundation of economic prosperity.

The Canadian government has sought to provide some of the tools for building a unique partnership between our two countries. Indeed, the political, economic and military co-operation agreements we signed this week establish a framework for this partnership.

The Foreign Investment Protection Agreement I signed with Foreign Minister Udovenko and the Economic Co-operation Agreement I signed with Foreign Economic Relations Minister Osyka on Monday in Ottawa, are part of our assistance to create a proper environment for business. The Memorandum of Understanding on Technical Assistance I signed with Minister Udovenko is our contribution to assisting Ukraine in its transition towards a democratic society.

Our common goal, all of us here today, is to achieve the full integration of Ukraine into the world economy. The main actors in this partnership will ultimately not be governments, but

private entrepreneurs and business people who will build economic ties for mutual advantage. It is these individuals who will realize Ukraine's potential to become a significant player in the international economy, and we must therefore take the appropriate measures to help them.

The role of governments is to establish the framework in which private investment and trade can flourish. This is the task which President Kuchma has taken on with his presentation of a comprehensive economic reform plan earlier this month. I think I can speak for all friends of Ukraine when I congratulate President Kuchma on taking this first important step on the road to economic transformation and growth.

It will not be an easy road. There will be opposition to reform. However, strength can be drawn from the experiences of other reforming economies in the region. An early and sustained commitment to reform pays off, in the form of domestic economic growth, including trade and foreign investment.

The international community is ready to assist Ukraine in this courageous effort. International assistance will be necessary, particularly in the early stages, if the reform program is to be viable. Our partnership with Ukraine will be based on the principle of "help for self-help." Our assistance to Ukraine can only be effective if the Ukrainian government takes the necessary steps to put in place the framework in which a market economy can develop.

President Kuchma has committed his government to decisive action on economic reform with the signing of an agreement with the International Monetary Fund. This will permit Ukraine access to an initial amount of International Monetary Fund resources. I am pleased to announce that to support the program for the remainder of this year, Canada has agreed to provide \$34 million in credits to Ukraine. The United States government will provide US\$70 million, and other governments are expected to provide credits or, as in the case of Russia and Turkmenistan, defer payments owed to them by Ukraine.

The first task of today's conference will be to discuss the measures which are necessary to implement the economic reform program over the coming year. The Ukrainian government has outlined these in their memorandum to the International Monetary Fund. It will be most valuable for our officials to be able to hear directly from the Ukrainian government how they plan to proceed with the implementation of the reform measures.

Full implementation of the economic policy measures outlined in the International Monetary Fund agreement should help to create the initial conditions for growth in investment, both domestic and foreign. But this is not enough to ensure the economic

future of Ukraine. Still broader and deeper reform measures are required if a market economy is to grow and flourish.

What is missing is the appropriate institutional and legal framework — a framework which in Western economies has been developed over the centuries. Here again is an area where Western governments are well suited to assist Ukraine. The challenge faced by the Ukrainian government is to step forward decisively to create the environment in which the market mechanism can work to the benefit of all Ukrainians.

By way of example, the Ukrainian public service has a vital role to play in developing the policies and legislation that will enable a market economy to function properly. Strengthening the public service has been a priority for Canada's technical assistance program with Ukraine. We are providing over \$4 million to the Institute of Public Administration in Kiev for public service training. Canadian experts have provided training in public administration and in critical areas for policy development: finance, economics and social policy. I was pleased to review the progress made on this project with Ukrainian Minister of Cabinet Pustovojtenko and to see what future areas of assistance Canada could provide.

International trade also requires an appropriate institutional framework that would enable Ukraine to become fully integrated into the world economy. The Ukrainian government has already taken an important step in this direction by initiating the process of accession to the World Trade Organization. We welcome its application and Canada is prepared to offer specific assistance to Ukraine to help facilitate accession to the World Trade Organization, such as providing trade policy training to Ukrainian public servants.

The support and guidance of the World Bank on privatization policies, social protection, financial sector reform and the development of the institutional framework for a market economy will be critical. Our officials are here to listen to the Ukrainian government's plans, and to offer their views based on experiences with policy reforms in some of these very same areas.

We also hope to share perspectives with the Ukrainian government on key sectoral policies — energy and agriculture come to mind. Energy sector reform will be critical in Ukraine to reduce dependency on energy imports and on higher-risk nuclear facilities. We are pleased to be able to say that the Canada, its G-7 partners and Ukraine are already working together on the task of raising nuclear safety levels and finding longer-term energy solutions. Both the World Bank and the European Bank for Reconstruction and Development [EBRD] are playing critical roles in this process.

The second objective of today's conference is to focus specifically on the issue of investment promotion and private market development. The main source of economic recovery in Ukraine will be private investment, particularly in small and medium-sized enterprises. Foreign investment, including Canadian investment, is already growing in Ukraine, but only slowly because of the unstable business climate. The European Bank for Reconstruction and Development is already providing financing to small and medium-sized enterprises in Ukraine. In the sessions today, EBRD officials will be providing their views on the key structural reform measures which are required for such enterprises to grow. An exchange of views at this conference will no doubt allow the process to advance more quickly.

The international community will remain fully engaged in supporting the implementation of Ukraine's economic reform program. Dialogue is essential for good partnership. Dialogue builds trust and understanding. Today's conference is an opportunity to carry forward the dialogue between governments that has begun under the auspices of the international financial institutions, and which will continue under their auspices.

The vision we seek for Ukraine's economic future is that of a thriving market economy and an active trading partner both regionally and internationally. I know President Kuchma shares that vision. This conference offers the opportunity to pursue the vision together as partners. I look forward to hearing the results of your work.

Thank you.