

Minister of Industry,  
Science and Technology and  
Minister for International Trade



Ministre de l'Industrie, des  
Sciences et de la Technologie et  
ministre du Commerce extérieur

# Statement

# Déclaration

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AS DELIVERED

**NOTES FOR AN ADDRESS BY**

**THE HONOURABLE MICHAEL WILSON,**

**MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY**

**AND MINISTER FOR INTERNATIONAL TRADE**

**CLOSING SPEECH TO THE**

**ANNUAL GENERAL MEETING OF THE**

**CANADA UKRAINE BUSINESS COUNCIL**

**TORONTO, Ontario**  
**April 28, 1992**

Good evening, everyone. And thank you, Mr. Reichmann, for your kind words of introduction.

I was delighted to accept your invitation to address this landmark conference on enhancing Canadian trade and investment development with Russia and Ukraine.

This gathering of business people from Canada and the Commonwealth of Independent States (C.I.S.) in itself says much about the performance of the Canada Ukraine Business Council (CUBC) over more than two years now. The conference served to highlight the role Canada's private sector has played, is playing, and can play, in developing business ties with Russia and Ukraine.

I was struck by "hands-on" aspects of the conference program -- ranging from rules affecting foreign investment to structuring and financing deals, using actual case studies and industry sector experience. As a result, all of us have acquired a better appreciation of this complex region and its burgeoning potential.

In less than a year, the world has watched the second Russian Revolution and the restoration of Ukraine's independence. These rapidly evolving historical events represent a major shift following 70 years of Communist rule.

The newly independent partners in the C.I.S. face difficult challenges in changing to a market economy from a centrally planned economy and assuming their places in the world trading system. It is encouraging that the Yeltsin government has demonstrated the political will to pursue unpopular but realistic measures. These favour liberalization, freeing prices, doing away with monopolies, introducing competition, and moving gradually in coming years to privatize the economy.

We should not forget that Russians and Ukrainians have lost almost all historical memory of the normal conduct of business after generations of a totalitarian production and distribution system that ignored supply and demand signals. There is still a relative lack of understanding of how free enterprise works. Few governmental and managerial structures exist as reference points for a new business strata in society.

Both Russia and Ukraine need to acquire the legal framework to make a free market system work. Essentially, this means assuring the sanctity of contracts, a clear legal and regulatory regime, transparent government decision making affecting business, and predictable rules on ownership of land, buildings, capital equipment and resources.

These economies in transition must also institute and enforce a tax structure that permits producers to operate with the least possible burden so that commercial benefits for both sides are not impeded unduly.

We hope and trust the governments of Russia and Ukraine will undertake a privatization program that leaves scope for foreign investment. The official standing of foreign firms in these markets should be further clarified while proper business ethics are encouraged for the benefit of all.

Bureaucratic procedures could do with some streamlining to expedite fair and equitable treatment of Canadian and other foreign firms. Political stability and co-ordination need to extend to all levels -- the national, regional and municipal. The eventual value and convertibility of local currencies still have to be ascertained. Predictable rules are needed on questions of environmental liability. Repatriating earnings from joint ventures must be facilitated by establishing known and realistic tax and exchange rates.

These and other points were covered in my meeting this morning with Economy Minister Andrei Nechayev of Russia.

Russia and Ukraine are rich in talented people, physical assets still in the state sector, land and natural resources. As an example, the Russian far east, which shares the Pacific Rim with Canada and countries such as China, holds boundless opportunities for trade and investment.

Assets exceed liabilities many times over. Some would argue they provide solid collateral against which to borrow in global financial markets. Trust, however, is another essential ingredient. Buyers and sellers -- lenders and borrowers -- all need to operate in a market based on trust before this wealth can be converted to cash. The resulting multiplier effect will benefit Russians and Ukrainians alike. Canada and other trading nations will gain as well.

This helps to explain why it is so important for Russians and Ukrainians to maintain confidence in and support for the monetary and fiscal policies pursued by their democratic governments. These policies will lead to currency reform, end black market hoarding and transform barter into a more efficient cash economy. Only then can young entrepreneurs in Moscow or Kiev tap into the full potential of the market and be encouraged by the prosperous future that now beckons.

Much has happened since I last met with some of you in January. So let me provide you with a brief update on our effort to respond to opportunities in Russia and Ukraine. Following up on my visit to Moscow last fall, we sponsored a business roundtable in January with 30 senior Canadian executives. A summary report was prepared, and we are now attempting to implement some of the initiatives suggested.

I met this morning in Ottawa with Russian Minister of Economy Andrei Nechayev. Mr. Nechayev is en-route to Washington today for meetings following the formal entry of Russia into the International Monetary Fund (IMF) and the World Bank -- a true watershed. Canada, through my colleague, Don Mazankowski, has been a strong supportive participant in this process. Minister Nechayev was able, however, to accept my invitation to meet in Canada. Our wide-ranging discussion touched on the reform agenda and the rouble stabilization and balance of payments funds recently announced.

I notified the Minister that tomorrow we shall table a draft text of a new bilateral trade agreement we are proposing between Canada and Russia. We are well on our way to negotiating a new trade accord that will reinforce the present most favoured nations (MFN) and build on and improve the existing 1956 trade agreement.

This agreement, when signed this summer, will reflect new realities and help business communities in both countries. For example, it will reaffirm the earlier double taxation avoidance and foreign investment protection treaties. We also discussed a possible economic co-operation agreement designed to modernize our bilateral framework in the 1990s.

I am also delighted to announce that at the conclusion of our meeting we signed documents bringing into effect two lines of credit administered by the Export Development Corporation (EDC) and Vnesheconombank. These are for a \$100-million capital goods and services facility and a \$62-million balance in the non-wheat food loan to Russia.

You will recall that EDC concluded a \$50-million line of credit with Ukraine in February of this year. Earlier this month EDC made its first allocation under the loan facility. The Canadian Banknote Company of Ottawa will receive \$32 million in financing to produce the new Ukrainian currency, the hryvna, for the Government of Ukraine. We anticipate additional export transactions under this new line of credit.

To follow up this month's European Bank for Reconstruction and Development (EBRD) board meeting in Budapest -- and prior to this July's G-7 Summit in Munich -- I will be representing Canada at the Muenster conference in early May. This East-West economic conference will look at ways to stimulate involvement by the West's business community in the East's restructuring, by creating favourable frameworks for trade and investment, including the establishment of effective administrative and legal systems.

It also gives me great pleasure today to announce that I will lead a business delegation to Moscow, Kiev and Alma Ata at the

end of June. This trade mission constitutes follow-up to the Prime Minister's meeting with President Boris Yeltsin on February 1. It will be aimed at sectors, such as oil and gas energy, construction, mining and engineering, where Canada can make a difference.

This door-opening exercise will be designed to showcase appropriate Canadian capabilities that meet vital needs in the region. My trade officials are preparing updated market surveys for the occasion and co-ordinating recruitment.

This initiative is part of an overall strategy that involves ministerial colleagues such as Tom Hockin, John McDermid and Jake Epp. Mr. Epp will visit Moscow and Kiev in the second half of May for talks on petroleum and nuclear safety issues. While in Moscow, he will tour the Neftegaz Oil and Gas Trade Show and meet the over 60 business people representing 25 Canadian firms participating in the Canadian exhibit organized by External Affairs and International Trade Canada. Canada will also be present at a large forest industry fair in St. Petersburg this September.

Energy is a key area that deserves special mention. To improve access for our energy firms, Canada pressed hard and successfully to be part of the European Energy Charter Negotiations, and we, along with Russia and Ukraine, were among the signatories to the political document signed last December.

Our objective is to ensure that the multilateral trade and investment rules that would bring the ex-Soviet republics into the free market system in the energy field, work to the benefit of Canadian business. We believe that Western investment in oil wells and gas pipelines is key to economic development in the C.I.S. A great deal remains to be done on the negotiation of the basic agreement, the legally binding document that will give substance to the Charter structure.

Negotiations are now entering a decisive stage, and we are looking to our private sector for guidance and advice. To date Canada has made a significant contribution through chairmanship of the Nuclear Working Group, the leading sectoral protocol among the three nearest completion.

The Export Development Corporation has recently been authorized to provide foreign investment insurance to three selected Canadian joint ventures in energy and construction. Recently, we organized the visit to Canada of Ron Freeman, First Vice President of the EBRD. Mr. Freeman met hundreds of business people in three cities on possible merchant bank involvement in joint venture projects.

This was followed up by Canadian representation at the EBRD board of governors meeting two weeks ago in Budapest. My colleague John McDermid, Minister of State for Finance and Privatization, represented Canada. There is EBRD support for bankable projects in the privatization of industrial enterprises.

A third noteworthy item is our decision to add a trade commissioner to the new Canadian embassy in Kiev later this summer. This should help us better serve the business community as more Ukrainian contacts and contracts develop. To get a better reading on economic developments in Kazakhstan, my department now has an official on temporary duty in the capital, Alma Ata.

Further, we have re-funded the Program for Export Market Development (PEMD) in this new fiscal year, and my departments will be carefully examining applications for eligible companies wishing to investigate realistic opportunities in these markets.

For assistance to Russia and Ukraine to be effective, it must be combined with an opening up of markets. We believe that impediments to exports from these countries should be minimized to permit emerging enterprises to earn foreign exchange and become instruments of economic growth and democratic stability.

Two weeks ago, Canada unilaterally granted General Preferential Tariff Treatment (GPT) to Russia, Ukraine, the Baltic States and Armenia. We intend to grant the GPT to all the former republics of the U.S.S.R. in due course. The GPT provides tariff rates on average 30 per cent below the most favoured nation duties on a variety of manufactured and semi-manufactured products coming into Canada from these countries.

Another initiative to assist potential exporters in the region is being implemented by my colleague, the Honourable Charles Mayer, and Agriculture Canada. The Canada-Russia Trade Task Force, working with the CUBC, will hold seminars on how to export to Canada next month in five cities -- St. Petersburg, Moscow, Ekaterinburg, Kiev and Minsk. The Trade Task Force has produced a Russian language handbook on how to sell products in Canadian and other Western markets.

Quite apart from large quantities of wheat, barley, corn and soybeans delivered to Russia on credit terms -- almost \$1.5 billion in 1991 -- we have launched an economic assistance program under the Task Force on Central and Eastern Europe.

A portion of this budget is allocated to the Canadian private sector under the Renaissance Eastern Europe Program. Over the past 16 months, we have supported 16 Canadian firms in Russia and 13 in Ukraine with cost-shared support exceeding \$2.7 million under Renaissance. This seed money toward the cost of joint

venture feasibility studies and training is aimed at commercially viable proposals mainly in foreign exchange generating sectors.

We have also contributed \$165,000 to the CUBC for your Toronto and Moscow offices -- in addition to \$154,000 for the CUBC's new oil and gas industry section office in Calgary.

The Task Force on Central and Eastern Europe is also funding institutional training meant to complement Canadian commercial activities in areas such as livestock genetics in Ukraine, Russian petroleum industry training in Alberta, and defence conversion assessment across the region.

External Affairs and International Trade Canada continues to seek out initiatives, such as improving the legislative and regulatory framework, that dovetail with our commercial interests and, at the same time, help new countries in Eastern Europe.

I hope that what I have said gives you a better appreciation of the approach the government is taking in working with Canada's private sector to widen and deepen our economic ties to Russia and Ukraine.

The task is too daunting to go it alone. Our combined effort will have the greatest impact in meeting the needs of everyone involved. We remain open to your ideas as expressed at this conference and in other forums. Some of my officials are attending this conference and are known to most of you. My congratulations to you, Mr. Chairman, and the staff of the CUBC in organizing this useful series of meetings. Thank you.