



Landesbank, the ABN-Amro Bank and Internationale Nederlanden.

Through the series of Corporate Statutes passed, Ukraine permits the whole breadth of Western corporate vehicles, including joint ventures, limited partnerships, partnerships, limited liability companies, and joint stock companies, both open and closed. The general corporate level of income tax in Ukraine is 30%, with a 15% tax on dividends, interest and capital gains. Western companies can also do business in Ukraine through representative offices in the country, which however need to be registered with the Ministry of Foreign Economic Relations or the Ukrainian Chamber of Commerce and Industry.

The Privatization Laws in Ukraine were passed in April, 1992 - before Russia passed its own laws - but then became stalled because of the inaction of the Fokin Government. Since the installation of the Kuchma government, the programme has been restarted and has moved forward vigorously under the dynamic leadership of Mr. Victor Pynzenyk, the Deputy Prime Minister for Economic Reform. The laws are based on the Czech voucher system, and a number of private auctions had already been held in Lviv and Odessa in February 1993, as pilot projects with the involvement and the initiative of the O.F.C. Now major auctions are being organized across the country in most major cities, and the Government is proceeding with a very ambitious privatization programme for many of the medium size state industries. Most state industries are in the process of being "corporatized," so that in time their shares can be sold at auction or through the stock exchanges. Morgan Grenfell, the I.F.C., and the E.B.R.D. are advising the country on its privatization programme.

One of the most interesting pieces of legislation is the Law on Pledges, passed October 2, 1992. No similar law yet exists in Russia or anywhere else in the C.I.S. It is a mortgage law, which allows the pledge of security for debts and investments - with both a chattel mortgage (called a "zaklad") and a regular mortgage (whether of a land lease, a right to use land, or buildings and immoveables - called a "hypotheca"). The law also per-

mits a floating charge on inventories and on goods in production. This law, together with the Land Law (which at the present time only permits the leasing of land) are the genesis for project financing and investment for Ukraine's further economic development. Although the mortgage law is very young and not very well developed, it is being followed up by a land registry system, and if official rumours are to be believed, by a law on private ownership of land. Ukraine's Parliament passed a resolution in January, 1992, approving the concept of the private ownership of land, and instructing the then Cabinet of Vitold Fokin to bring forward a law on private property ownership. The government of the day ignored that instruction; it is now supposedly under active consideration by the current government of Leonid Kuchma. If that law comes forward, Ukraine will have out-distanced Russia and the other C.I.S. republics in its transformation to a Western-based market system.

Two final pieces of information are important to round out the investment climate in Ukraine. The first is that at the Second Annual Meeting of the European Bank for Reconstruction and Reconstruction in London on April 26th, Ukraine was given a permanent seat on the Board of Directors of the EBRD. They now have their own permanent director and staff at the Bank, and will be responsible for a "constituency" at the Bank, including countries like Romania, Moldova and Georgia. The Bank is extremely interested in a whole host of infrastructure for private companies and businesses. The Bank will also establish a S.M.F. fund for Ukraine, Russia, and some of the other C.I.S. republics, to encourage small and medium enterprise creation and investment.

Secondly, Ukraine and the I.M.F. have been working very steadily and quietly behind the scenes to establish a structural transformation facility for Ukraine, in parallel with the facility being created for Russia as part of the recently announced \$43 billion G-7 package. The negotiations and discussions over this facility, and a broader stand-by credit arrangement are being worked on in parallel with I.M.F. missions in both Kyiv and Moscow operating to try to complete the documentation for the first phase of a facility by early June. Despite both the indiscriminate money printing and

credit emission policies of the previous Fokin Government, and ongoing running battles by the new Government with the farm and factory manager groups in Parliament, the new Government has clearly understood that the key to economic success and a stabilized currency is a strong central control of monetary policy and credit emission. That is also now clearly understood by Parliament and the National Bank of Ukraine, both of whom as of April 15th agreed to support the tough credit policy of the new Government. As a result, the drop in the exchange rate of the karbovanetz has been halted. If the Government is able to hold the line, the first tranche of the I.M.F. transformation facility, expected by later this summer, will permit the Government to move forward with monetary reform and the introduction of its new currency, the hryvnia.

Ukraine still has a long way to go. But it is open for business, and is looking for Western investment, particularly from Canada. I am asked at least once on every business trip: "Why are there not more of you Canadians interested in investing here?" The look of puzzlement is always sincere —because they think that we Canadians walk on water. We were the first Western country to recognize their independence; we have a large Ukrainian speaking community in Canada; but most importantly, we have a terrific international reputation as honest brokers — unlike the Americans, the Germans or the French. These are advantages that we should exploit while the window of opportunity is still open.

Ukraine is a new country on the map of Europe with virtually boundless opportunities, if they play their cards right. Canada, and Canadian businessmen, can be a part of that future if we see and seize the opportunity available to us, for the mutual benefit of both countries.

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