



results only if they are supported by strong international partnership and cooperation. One essential element of such cooperation is that the industrial countries must ensure that their markets are open to Ukraine's products. For Ukraine to establish a viable market economy, it must be allowed to compete in markets where it has a comparative advantage. This is a crucial element of cooperation for all economies in transition. Just as important, barriers to trade between enterprises in Ukraine and its traditional trading partners must be removed.

"Industrial countries must ensure that their markets are open to Ukraine's products. For Ukraine to establish a viable market economy, it must be allowed to compete in markets where it has a competitive advantage."

Michel Camdessus, IMF

In addition, the resolute pursuit of stabilization and reform by Ukraine will need substantial financial support from the international community. This is required to preserve the coherence of the program: without new inflows of foreign credits and grants, and debt service relief, foreign exchange shortages will remain acute, the value of the domestic currency could depreciate sharply, and the ability to maintain convertibility would be threatened. Without substantial financial support, the commitment of the Government not to accumulate new external arrears would be put at serious risk. Without such support, imports would not recover from the sharp declines of the last three years, and the reconstruction of the economy – and hence its capacity to service all debts – would be further delayed. Last but not least, without such assistance, the Ukrainian leadership would find it progressively more difficult to sustain political support for its market-oriented approach.

What is the Fund's role in this relationship? It consists of three ingredients. First, the Fund will continue to be there to provide strategic policy advice and help in the formulation of sound programs. Second, it will continue to be there to help with institutional building and to provide hands-on technical assistance. Third, it will be there to provide and mobilize financial assistance to ease the burden of adjustment. In all these efforts, we shall, of course, continue to work in close partnership with the World Bank and the EBRD.

With regard to financing, for 1994 we have sought – with some success – to obtain financing assurances sufficient to complement the US\$365 million being provided by the INF itself and fill the projected financing gap of around US\$1 billion. Several donors, among them Canada, Russia, Turkmenistan, and the United States have contributed generously. Other potentially major donors are still deciding whether and how much they may be able to contribute. I cannot

overemphasize the importance of supporting Ukraine when it has made such courageous decisions. I must remind you that our evaluation of needs is tight and that broader support, promptly disbursed, could make a major difference to the success of this country. And let me add emphasis to the importance of quick follow-through by donors and the prompt release of readily-usable balance of payments assistance. Nobody will be surprised if I refer here to the relevance to Ukraine's situation of the need for an early decision on the proposed package of measures we began to discuss in Madrid. The adoption of the proposal put forward by IMF management – including, in particular, an immediate general allocation of SDRs – would make a major difference for Ukraine: most notably, Ukraine's exchange reserves would immediately be reinforced by a general allocation in significant amounts, without the need for budgetary resources to be mobilized in donor countries.

By the end of today, I hope that all of us – and the Ukrainian Government in particular – will be able to draw comfort from the response of the international community to Ukraine's coherent policy program. With good implementation, and with the extension and reinforcement of its stabilization and reform policies, considerably more assistance will be available for Ukraine from the Fund in 1995. I am confident that Ukraine stands ready to do its part. And the good news from the IMF's side is that on Monday the Executive Board took a very significant step toward enlarging the assistance that can be provided to all Fund members, by increasing, for a period of three years, annual access limits to 100 percent of members' quotas. For Ukraine, this could permit the Fund to provide assistance over a twelve-month period, through a stand-by arrangement in support of a very strong program, of up to about US\$1.5 billion. But, of course, we must keep fully in mind the conditions that must be attached to higher access. The membership has made it clear that the higher annual access limit would permit, and when needed would result in, increased actual access commensurate with the strength of programs. And even with enlarged access, Ukraine's needs will continue to extend beyond what the Fund – and indeed the multilateral institutions together – can provide. I am aware that Ukraine is requesting large amounts of financial resources from the international community at a time when budget constraints are tight in the creditor and donor countries. But supporting Ukraine now and in the period ahead is surely a small price to pay to prevent a parlous economic decline in the coming months and years. It is a wise and essential investment! Ukraine is offering us today an opportunity that we cannot afford to miss. ■

**Leonid Kuchma
President of Ukraine**

It gives me great pleasure to greet you at the opening of the Conference on Partnership for Economic Transformation in Ukraine, the success of which is of great importance to our country. I am also extremely pleased that this conference is being held in the hospitable country of Canada with which we have special ties of partnership. I wish to thank the organizers of this conference and the Canadian Government for the invitation and opportunity to address you directly, and I wish you success in your work.

As you know, the decision to hold this conference in Winnipeg was taken at the G-7 Economic Summit in Naples in July of this year. This decision was preceded by the signing of an agreement on partnership and mutual cooperation with the European Union by Ukraine. At this time, our dialogue with the USA, Germany, Canada and other leading states gained impetus.

The revival of our international ties came at a time of internal political changes in Ukraine. The new President and new Government proclaimed their priority to be large-scale economic reforms in Ukraine, and have already begun to work in this direction. This priority continues to be the mainline of our policy, and we are grateful to those countries which have responded to this and have agreed to support Ukraine during this difficult period of its development.

"The principal directions of the economic policy envisaged by the (Economic Reform) Program are extensive liberalization of the economy, achievement of macroeconomic stabilization, a higher level of social protection for the less fortunate strata of the population, and acceleration of structural changes."

We are proceeding from the fact that the existence of a stable, economically powerful democratic and independent Ukraine which is integrated into the world's political and economic system will meet the long-term interests of all the states participating in the Conference. Therefore, it is our hope that the resolutions of this forum will initiate a program of full-scale technological and financial assistance for Ukraine and a broader world market for Ukrainian goods.

I personally, and the Ukrainian Government as a whole, realize that the success of this conference depends largely on which measures for implementing our plans of economic reforms and concrete receptive mechanisms of their