

# Ukraine Gets Failing Grade in Reform at Anniversary Event in Ottawa

by Christopher Guly, *Ukrainian Weekly*,  
Sept. 7, 1997

On its sixth anniversary of independence, it's time for Ukraine to start growing up, according to Nestor Gayowsky, Canada's former consul-general to Ukraine.

Mr. Gayowsky, who represented the first Western country to recognize Ukraine's independence in December 1991, offered a critical review of Ukraine's first six years at an anniversary celebration held in Ottawa on August 24, 1997. The former diplomat said that while Ukraine was initially touted by international economists as having the greatest potential for success, the country has seriously lagged behind most other former Soviet republics and East European countries.

"Five months after President Kuchma outlined his economic reforms in October 1994, a leading Swiss economist said that Ukraine's economy was the most incapacitated in the region," said Mr. Gayowsky.

Between 1991 and 1996, Ukraine's gross domestic product collapsed by one-third. Last year, it fell another 10 percent and, so far this year, by another seven percent.

In 1994, Ukraine's GDP per capita was \$3,650.

Mr. Gayowsky attributed part of the reason for Ukraine's sluggish economic performance to several non-economic factors: the lingering effects of Chernobyl, pollution and an inefficient use of energy. Another reason: its legal system. "Ukraine has an inefficient police force and a weak judiciary," said Mr. Gayowsky.

## Little to attract foreign investors

Then there's Ukraine's Parliament, the Verkhovna Rada, which "refuses to pass laws that will attract foreign investment," he added. Still locked in a Soviet mentality, the Ukrainian Parliament has done little to generate confidence in major financiers, the World Bank and the International Monetary Fund. As a result, he said the IMF has replaced its planned three-year, \$2.5 billion loan to Ukraine with \$500 million in assistance.

Mr. Gayowsky said that Ukraine's decision-makers have done little to change the country's image as a "back-water" to Russia.

"There are two economic cultures in Ukraine: Soviet and capitalist," he said, suggesting Soviet-style thinking has often been the more dominant among Ukraine's power brokers, thus hampering progress to reform.

The former consul said the strides Russia has taken have been dramatic. Of the top 10 emerging market mutual funds available today, nine of them are Russian, he added.

Contrary to conventional wisdom, Mr. Gayowsky claimed that politically, Russia has also had more stability in its political leadership - despite the storming of its Parliament, the disgrace of a former top leader (Mikhail Gorbachev) and war to keep control of a separatist "province" (Chechnya). Mr. Gayowsky pointed out that Boris Yeltsin has been president since June 1991 and Prime Minister Viktor Chernomyrdin has held office since December 1992. Ukraine, in the mean-

time, has had six prime ministers and two presidents since 1991.

But Mr. Gayowsky said that Russia isn't the only neighbouring country of Ukraine experiencing growth.

While Ukraine has received only \$1.3 billion in foreign investment over the past six years, smaller countries, such as Hungary and Poland, have attracted \$13 billion and \$10 billion in foreign investment, respectively.

While offering some praise for President Kuchma's support for economic reform "at least in words, if not actions," Mr. Gayowsky was critical of the President's, and his government's, attitude.

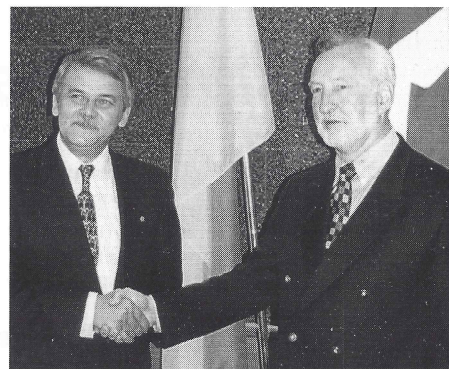
## Not Ukraine's "911 Ally"

While the Kuchma government has attacked the IMF for being generous in offering advice and not financial aid, and has repeatedly called on Ukrainians outside the country to support their homeland, Mr. Gayowsky said the time for viewing the diaspora as Ukraine's "911 ally," has passed.

"We should not be viewed as a lobby group for the Ukrainian government," said Mr. Gayowsky. "That's why they have ambassadors," he added, as Ukraine's Ambassador to Canada, Volodymyr Furkalo, looked on.

In a recent interview with *The Ottawa Citizen*, Dr. Furkalo, who holds a PhD in international law, admitted that altering Soviet-era attitudes among Ukrainians hasn't been easy. "It is difficult to change your psychology from a socialist view to a market-oriented view," he said.

Dr. Theofil Kis, a retired political scientist and



Canada's Consul-General in Ukraine at the time of independence in 1991 Nestor Gayowsky (r) with Ukraine's Ambassador to Canada Volodymyr Furkalo (l).

co-chair of the advisory executive committee of the University of Ottawa's Chair of Ukrainian Studies, also spoke at the sixth anniversary celebrations. He asserted that the West could help Ukraine by changing its own ways of offering assistance to the country.

"We shouldn't be sending money or expertise, because [Ukrainians] don't need expertise," said Ukrainian-born Dr. Kis. "They need a transformational spirit or transformational behaviour."

The trouble is finding out how to export such abstract advice, Dr. Kis acknowledged. He said it could take at least another decade before a new generation emerges with a new and truly capitalist, and not Soviet, view of the world.

The entire texts of speeches by Nestor Gayowsky and Dr. Theofil Kis are available on the *Monitor Internet page*.

## References For the Record

The following are some recent articles on current topics dealing with Ukraine:

- Ukraine Answers The New York Times, by Oleksandr Savytskiy. EASTERN ECONOMIST, Apr. 21, 1997.
- Bureaucracy Slows Success: *Strengthening Ukrainian-German ties*, by Dmytro Mossienko, EASTERN ECONOMIST, August 4, 1997, 14.
- Conference strengthens business ties between Canada and Ukraine, Canadian Institute of Ukrainian Studies, U. of Alberta, UKRAINIAN VOICE, August 4, 1997, 5.
- Discovering the real Ukraine, by Gerald Flood, WINNIPEG FREE PRESS, Ukrainian News, July 16 - August 12, 1997, 12.
- "Nation Building" in the 21<sup>st</sup> Century, Editorial, UKRAINIAN NEWS, August 13-26, 1997, 6.
- Growing up a Little: *Six years of independence*, by Iryna Pohorilova, EASTERN ECONOMIST, August 26, 1997, 20.
- Forget the former Soviet Union, by Paul Goble, RFE/RL NEWS, UKRAINIAN VOICE, Sept. 1, 1997.
- A State Outside A Bloc, by Paul Goble, RFE/RL NEWSLINE, Sept. 2, 1997.
- EU rethinks its funding to East, by William Echikson, RFE/RL NEWSLINE, Sept. 4, 1997, (Ukraine and the World).
- Freedom of press and information still under threat in Ukraine: *Conclusion*, by Serhiy Naboka, THE UKRAINIAN WEEKLY, Sept. 7, 1997, 2.
- How long will the people endure? Editorial, UKRAINIAN NEWS, Sept. 10-23, 1997, 6.
- Inaugural Address to the United Nations General Assembly, by H.E. Hennadiy Udovenko, Minister of Foreign Affairs of Ukraine, President of the 52<sup>nd</sup> Session, Sept. 16, 1997, New York.
- Statement by H.E. Leonid Kuchma, President of Ukraine, in the general debate of the 52<sup>nd</sup> session of the UN General Assembly, Sept. 22, 1997, New York.
- NATO, Ukraine & Russia, FORUM: Ukrainian Review, Summer, 1997.
- The Kuchma Alternative: Baltic-Black Sea Alliance may be established. EASTERN ECONOMIST, Sept. 15, 1997, 6.