



Leonid Kuchma speaks:



THE MAN WHO MAKES THE RULES

*Excerpts from a recent exclusive interview with the **Ukraina Moloda** magazine, courtesy of the Kyiv-based **Ukrainian Business Journal** (editor: Anatole Bilenko)*

Q: Mr. President, with what thoughts, hopes and feelings have you assumed your high office?

A: As to my feelings they were all different - both during the election marathon and afterwards. I knew what I was up to. The economic situation in the state was something I was familiar with, not just from newspapers. I observed it everyday as President of the Ukrainian Association of Industrialists and Entrepreneurs. I saw the depth of the economy's fall. The raw materials industries were being somehow supported by the state, while metallurgy and the chemical industry stayed afloat only thanks to exports. As for mechanical engineering and the light industry, they were in a mess. Besides, the decisions being adopted by the government only aggravated the crisis.

I had good understanding of the political situation as well. The virulent campaign launched against me in the press by the previous government did not only have anything in common with the truth, and not only was it anti-human in relation to me, but it also inflicted damage to the entire country. Now tell me what good was pursued in shaping public opinion on the pattern: Kravchuk means peace, Kuchma means war? In what political dictionaries is there a term to define such actions?

Q: Mr. President, the delay in adopting the long promised economic decrees is, obviously, yet another example of how reality influences intentions. Are they delayed because there is an

opposition to them, above all in the Cabinet of Ministers? Would you please explain what is going on.

A: I would like to emphasize that these are fundamental documents, not ones which only declare changes. Therefore, we wouldn't like to make any mistakes as we did when adopting decrees which were not only always sufficiently justified economically and lacked all-round consideration.

However, a fact remains a fact, and I am utterly surprised why the economic service of the Cabinet of Ministers is putting off its conclusions. For them there is nothing new about the problems. Back in January-February 1994, on the insistence of the Ukrainian Association of Industrialists and Entrepreneurs, two meetings of the Cabinet of Ministers were held under the chairmanship of Leonid Kravchuk, at which the problems were stated: repeal of the fixed exchange rate, taxation policy, and repayment of mutual debts by bills of exchange... Instructions were issued on this matter. How can it be alleged now that these problems are new for them?

...We need to have a reserve of hard currency to regulate the exchange rate not with a stroke of the pen but through "injections" of the bank. This concerns especially countries with a negative balance of payments, such as Ukraine, in which demand greatly exceeds offer. We are working on this problem together with the International Monetary Fund and the Soros Foundation. Our thoughts coincide: Ukraine has to have a stabilization fund, at least

within the range of the US assistance promised us this year, i.e., US \$700 million. This has also been the road travelled by the Baltic countries. They were criticized at first, but then supported.

Q: What about taxes. Are you for their substantial reduction, as you had been before?

A: There'll be an income tax, and that's been agreed upon with everyone. The taxation process will become "easier." Today we are framing a conception on taxation and budgetary policy.

Q: Which means that there is disagreement only as regards the decree on currency regulation?

A: On the whole, yes. However, exchange rates, taxes, bills of exchange - all this are intermediate stages. We must begin with structural reform: single out competitive enterprises whose products can be sold abroad, and support them. The rest of the enterprises should be analyzed individually as what to do with them. There are enterprises which just work for their own sake, devouring everything they earn. Some of them will have to be closed, and others will be sold at auctions. Our tragedy consists in that we manufacture only 30% of products with a complete cycle. Ukraine was a huge shop which produced component parts for Russia and the other Republics. Today Russia has rejected a lot of things: production there is dropping as well, and they've learned to manufacture some of the component