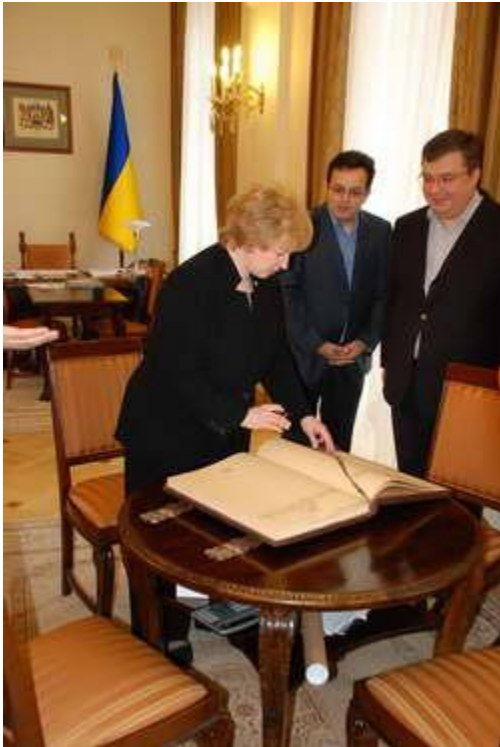


**Kim Campbell's interview to "Subbotnyaya Pochta" Newspaper, 15.10.08**

## **Supplier of products?**

**Kim Campbell, former Canadian Prime Minister, speaks on the global financial crisis, perspectives of Ukraine's economy development and Lviv competitiveness**



Ms. Campbell served as the Head of the Canadian government and she was also Minister of State for Indian Affairs and Northern Development, Minister of Justice and Attorney General, Minister of National Defence and Minister of Veterans's Affairs. She was the first woman Minister of Defence of a NATO country. Ms. Campbell was Secretary General of the Club of Madrid, an organization of former Presidents and Prime Ministers.

Today, Kim Campbell serves on the boards and advisory committees of a number of international organizations. Just recently she has become the Chair of the International Advisory Board of the Foundation for Effective Governance (Ukraine), whose activity directly relates to Lviv.

**Now the world is experiencing one of the biggest financial crises. In your opinion, when will the developed countries overcome the crisis and will there be any changes in the distribution of forces and centers of power? What are the main reasons for crisis and could we have foreseen the crisis?**

American newspapers warned of the crisis well in advance. I believe many people could foresee it as far back as one or two years ago. The crisis was triggered by a mass of bad debts. First of all the banks were allowed to turn into investment banks and they started making transactions not peculiar to the nature of their activity. This created additional risks for the funds at their disposal.

Furthermore, the banks provided credits to both solvent and insolvent clients. They encouraged borrowers to assume difficult mortgages with a small advanced payment and at some moment annuity payments increased and borrowers could not make the mortgage payments any more. Why did banks offer such risky mortgages? Because they could earn higher fee on risky mortgages compared to usual ones. And people expected the housing prices to keep growing and tried to use the possibility to get cheap money for purchasing houses. They hoped to sell them before they run out of money to pay out the debt. A wave of real estate speculation caused artificial real estate prices. Overvalued assets are called bubbles and bubbles, as we know, burst.

Banks started consolidating mortgage-backed debts and sold them to other financial institutions. The leaders of such financial institutions did not realize what was behind those debts and what they really bought from banks. Finally, they got in hands a great deal of mortgage-backed securities and debentures with zero value.

It became a personal tragedy for many people as the housing prices dropped and the mortgage-backed debt was higher than the value of real estate property they owned. They did not have money to pay out the credit. As the result they lost everything they had. Commercial and investment banks suffered significant losses as they invested into defaulted securities. Still, the crisis started when the banks stopped lending to each other and companies. They did not have funds any more.

There are two ways to overcome the crisis. First of all it is necessary to provide financial support to companies and help those people who can still pay out their mortgage-backed debts to save their right of ownership for the purchased houses. At the same time the banks blamed for the crisis shall bear responsibility for that.

### **How do you see the role of Ukraine on the international arena today?**

Now at the rime of the global food crisis the world considered Ukraine as a supplier of food products because Ukraine is successful in this area. Ukraine plays an important geopolitical role and the international community is interested in economic and political stability of the country.

In addition, Ukraine is an important strategic partner as it cooperates with NATO. International community hopes that such cooperation will be maintained independent of the fact whether Ukraine is a member or a partner of the organization.

### **Does official Canada support Ukraine's aspiration to join NATO?**

Now official Canada is in the process of election, which is to take place on October 14. After the election the position of Canada regarding Ukraine's aspiration to join NATO will become clear.

### **In your opinion, what are the weaknesses and strengths of Ukraine today?**

I hope to learn more about Ukraine's weaknesses and strengths during implementation of the regional economic development projects in Lviv and Donetsk Oblast executed by the Foundation for Effective Governance together with Monitor Group and local authorities.

**You deal with young democracies. In your opinion, how natural and normal are the processes going on in Ukraine, in particular, tough methods of political struggle, frequent elections, etc.?**

Probably, these processes are normal for young democracy; but this does not mean the state benefits from them. Of course, political process in Ukraine needs improvement. However, the political culture should change first. I hope you will have this with time.

**Why did you become interested in Ukraine? And how are you planning to help as the Chair of the Advisory Board of the Foundation for Effective Governance?**

Today Ukraine faces many challenges, which it needs to settle as the fate of the region and its stability depends on it to a great extent. Furthermore, Ukraine's success is very important for the global stability.

As the Chair of the Advisory Board of the Foundation for Effective Governance I want, together with the other members of the Board, to help Ukrainians make positive changes by implementing the projects aimed at economic growth. Successful implementation of the projects will impact the prosperity of each citizen of the country. We also want to become Ukraine's ambassadors on the international level as many people are interested in Ukraine and we must facilitate the interest. Several years ago I visited Ukraine and I would like to come here again.

**Why will you implement the project on improvement of region's competitiveness in Lviv? Did you like the city and what are the strengths of the city?**

I would like to remind you that the Foundation selected Donetsk Oblast and Lviv City to implement the economic development projects. We were governed by three criteria when selecting the regions for the project. First of all, we paid attention if the region has the required economic resources, economic and administrative base in place formed by the local authorities. The authorities should also have the knowledge and potential for implementation of this kind of project. Secondly, we considered the possibility to transfer successful experience of the project implementation to other regions. And thirdly, it was important that that the selected region could have a broader economic impact on the country as a whole. Lviv met all the criteria. In particular, the city has a well-developed infrastructure in transportation, finance and education as well as the basis for development of service sector, tourism and light manufacturing. The city authorities take all the efforts to improve Lviv competitiveness and are interested in our help. The city is wonderful. I just discovered Lviv. Of course, Lviv needs investments but potentially it can become a city with the high level of living; that will attract tourists and entrepreneurs.

**Canada has the largest Ukrainian Diaspora. How do you assess the contribution of the Ukrainians into development of Canada? In which areas are Ukrainians engaged more? Do you know anyone from Lviv?**

Ukrainians in Canada are engaged in all areas – agriculture, business and oil and gas industry. In the past they mostly settled the prairies of Canada and became farmers. Now they are successful in all areas of Canada. Ukrainians are also successful in Canadian politics. For instance, former Governor General Mr. Gnatishin is of Ukrainian origin, his farther was Senator. I don't know any people from Lviv living in Canada but I met some Lviv citizens here and I was very happy to meet them.

The interview was conducted by Miroslava Ivanyk